

Justification by the Management Board of ENEA S.A. for the proposed distribution of net profit for the financial year covering the period from 01.01.2014 to 31.12.2014

Justifying the motion on the distribution of net profit of ENEA S.A. for the period from 01.01.2014 to 31.12.2014 the Board of ENEA S.A. informs that the net financial result in the amount of PLN 696,608 thou. generated in the financial year of 2014 was affected e.g. by the profit generated from the core operations of the Company which is trading in electricity. The operating result amounted to PLN 60,886 thou. Additionally, dividend income was generated in the amount of PLN 569,022 thou. and other financial revenue in the amount of PLN 158,824 thou. (generated mainly from interests on fixed time deposits, commercial papers and bonds of the State Treasury and bond interest).

The justification for the proposed distribution of net profit is presented below:

1. Taking into account the plans presented below in item 2 regarding the realisation of the long-term strategy of ENEA Capital Group within generation (including RES) and distribution, it is proposed to allocate the amount of PLN 207,478,011.66, which constitutes 30% of net profit, in distribution of dividend for shareholders, and the remaining part of the profit in the amount of PLN 489,129,988.34 to allocate in investment financing.
2. One of the basic factors significant for the perspectives of ENEA Capital Group's (Group) development is the implementation of the strategy within which the following goals were defined to achieve during the coming years:
 - higher value for shareholders,
 - building long-lasting relations with customers,
 - growth in profitable areas,
 - better efficiency,
 - optimum use of the organisation's potential.

Guaranteeing cash, which is indispensable for the realisation of the Group's strategy, is the key element of the investment plan implementation and increasing the Group's value for shareholders. The directions of investing result form the concentration on the power market and include:

- 1) Conventional generation:
 - modernisation of existing generating assets,
 - environment protection expenditures,
 - a new power unit in ENEA Wytwarzanie,
- 2) RES + cogeneration:
 - development of own sources of energy (RES + cogeneration),
 - RES acquisitions,
 - acquisitions of heating networks + cogeneration sources,
- 3) Distribution:
 - modernisation of the existing infrastructure,
 - connecting new consumers.

As part of the three investment directions mentioned above, the realisation of the investments planned by the Group during 2014-2020 requires incurring capital expenditures totalling to PLN 20 billion, including:

- a) in the area of conventional generation ca. PLN 5.9 billion;
- b) in the area of RES ca. PLN 4.5 billion;
- c) in the area of cogeneration and heating networks ca. PLN 3.2 billion;
- d) in the area of distribution ca. PLN 5.9 billion.

In the area of generation the Group will pursue to develop generating capacities to the level of additional 1,075 MWe in the segment of system power plants in 2017. Additionally, in 2020 it is planned to achieve ca. 500 MWe additional power from RES and ca. 300 MWe and 1,500 MWt in cogeneration sources and heating networks.

One of the most important investments in the Group is the construction of a supercritical bituminous coal fired power unit with the electric capacity of 1,075 MWe gross and the efficiency of 45.6% net. The investment is one of the key undertakings in order to increase generating capacities of ENEA Group for a long-term satisfaction of the demand for electricity of all ENEA Group's customers. The new power unit in Koźienice will be the most modern unit fired with coal in Poland and Europe. The investment's successful completion will allow increasing the generating capacity of Koźienice Power Plant by around 30%. The total capital expenditures for this investment will amount to over PLN 6 billion.

ENEA Group's generating portfolio is at the stage of thorough modernisations as regards the revitalisation of 200 MW units (operation until 2030) and adjusting them to new emission standards (IOS, SCR), which will give the Group a strong position within the available capacity on the existing sources. It will also allow avoiding limitations in electricity production after 2015, reducing the failure rates and increasing sales of electricity as a result of a greater availability of units. It was assumed that investments on existing generating assets, including the environment investments, will be one of the main directions of cash expenditures.

Additionally, in 2014 ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and KGHM Polska Miedź S.A. concluded a Shareholder Agreement pursuant to which ENEA S.A. undertook to engage in the preparation for the construction of the first in Poland atomic power plant with the capacity of around 3,000 MW. ENEA S.A.'s financial liability until the end of the preliminary stage was fixed as an amount not exceeding PLN 107 mln.

Within distribution in the period covered with the strategy investments and modernisation works are planned of the grid infrastructure and necessary equipment in relation to the growth in demand for electric energy and necessity of connecting renewable sources of energy. Investment and modernisation activities should be reflected in the effectiveness of our grid operation and limitation of grid losses. They will also involve replacing those sections of distribution lines that have been in service the longest. These activities should substantially affect the increase in reliability of supplies of electricity to customers.

In 2014 ENEA Operator spent almost PLN 826 mln on investments of which a significant part of capital expenditures was allocated in the modernisation and reinstatement of the assets relating to the enhancement of the quality of services and/or growth in demand for power. This tendency will continue through 2015.

A motion for a write-off from part of the profit to the remaining reserve capitals is a consequence of substantial investment needs of the Group for which, according to the "Corporate Strategy of ENEA Capital Group for 2014-2020" it was anticipated to spend the funds in the amount of ca. PLN 20 billion. Therefore in ENEA Capital Group's assessment it is important to ensure a long-term building of the equity portfolio, so that in the future it is possible to manage the investment implementation. Obviously, any profits will constitute a supplementary source of capital expenditure financing, particularly with regard to the Group's development, primarily investments in additional capacity.

3. The Company's Board indicates that there are no grounds justifying increasing the contribution to the Company Social Benefits Fund from the profit generated for 2014.