

**Rationale presented by the ENEA S.A. Management Board for the proposed distribution of the Company's net profit generated in the financial year ended 31 December 2021**

In previous years, the Company consistently moved its earnings to reserve capital with a view to spending it on planned capital expenditures. Detailed data are presented in the table below (in PLN 000s):

Year	Amount	Purpose
2020	(3,356,750)	Coverage of losses from retained earnings and reserve capital
2019	283,331	Increase in reserve capital designated for the financing of capital expenditures
2018	727,136	Increase in reserve capital designated for the financing of capital expenditures
2017	1,813,324	Increase in reserve capital designated for the financing of capital expenditures
2016	620,234	Increase in reserve capital by 509,882 and distribution of 110,361 in dividends

**Increase in reserve capital – key investments**

The allocation of a portion of earnings of PLN 442,110,040.96 to increase reserve capital is aimed at the pursuit of an ambitious capital expenditure plan. In December 2021, the “ENEA Group Development Strategy until 2030 with an outlook to 2040” (Strategy) was updated. In the Strategy, the ENEA Group's key development directions are defined, forming the foundation for articulating the Group's strategic goals until 2030 with an outlook to 2040, including:

- a) development of energy storage projects and provision of services to third parties;
- b) involvement in offshore wind energy generation;
- c) intensification of activities aimed at gaining access to green energy through the execution of projects included in the ENEA Group's RES portfolio;
- d) development of hybrid installations;
- e) development of a smart power grid;
- f) changed operation of the DSO in the new power market model.

Sustainable transformation increasing the shareholder value of the ENEA Group is its overriding objective.

From the owner's perspective, the map of goals includes:

- a) development of renewable energy sources based on state-of-the-art technologies;

- b) reliability and continuity of electricity supply;
- c) implementation of innovative solutions and new technologies in all areas of the ENEA Group's business.

It is assumed that the ENEA Group's achievements from the pursuit of the Strategy will include:

- a) increase in (gross) installed capacity from renewable energy sources by 1,510 MW in 2030 and by 3,580 MW in 2040, calculated in relation to 2020 (without taking into account the capacity of the already existing "Green Unit" owned by ENEA Elektrownia Połaniec S.A.);
- b) decrease in the value of the CO<sub>2</sub> emission unit factor to 254 kg CO<sub>2</sub> per MWh in 2030, with the aim of achieving a value of 201 kg CO<sub>2</sub> per MWh by 2040 and achieving climate neutrality by 2050;
- c) SAIDI at 74.59 minutes in 2030 and 70 minutes in 2040;
- d) SAIFI at 2.02 in 2030 and 1.93 in 2040;
- e) network losses in distribution at 5.14% in 2030 and 5.0% in 2040.

The estimated measures of strategic objectives to be achieved by 2040 as mentioned above have been calculated based on the assumption of the spin-off of coal-fired assets outside the ENEA Group.

**According to its estimates, the ENEA Group will incur capital expenditures of more than PLN 68 billion in 2023-2042, including:**

- a) distribution area: **PLN 42.5 billion;**
- b) construction and further modernization of integrated gasification combined cycle units: **PLN 5.8 billion;**
- c) investments in renewable energy sources and energy storage: **PLN 13.8 billion;**
- d) other activities of the ENEA Group (including, without limitation, in the heat segment): **PLN 6.2 billion.**

**Reduction of the negative value of other capital items.**

The allocation of a portion of earnings of PLN 18,298,572.89 to decrease the negative value of other capital items is driven by the need to cover the loss incurred on the sale of shares measured through other comprehensive income.

**Summary**

The proposed distribution of ENEA S.A.'s net profit generated in the financial year ended 31 December 2021 and the decision to refrain from the payment of a dividend this year result predominantly from the ENEA Group's major capital expenditure needs arising from the pursuit of the "ENEA Group Development Strategy until 2030 with an outlook to 2040". The ENEA Group considers it important to keep building up its equity over a long-term horizon to levels appropriate for the financing of its planned capital expenditures.