

DIVIDEND POLICY OF KOGENERACJA S.A.

for the years 2018-2022

A. Introduction

KOGENERACJA S.A. – a reliable supplier of heat and electricity – is constantly modernizing its production facilities to adapt them to the increasingly higher level of environmental requirements. An important challenge for the company in the years to come will be the construction of new generation equipment in the CHP plant Czechnica in order to replace those currently in operation. The realization of this investment is planned for the years 2018–2022.

The Management Board of the company has conducted an analysis of the current and the expected financial situation of the company. The result of the analysis points to the need to amend the current Dividend Policy of KOGENERACJA S.A. and to announce a new one which will be effective throughout the time of the investment, i.e. in the years 2018–2022.

The financial means necessary to finance the construction of the new generation equipment in CHP plant Czechnica in the years 2018–2022 will be achieved through payments of dividends from the company's subsidiary – CHP plant "Zielona Góra" S.A., external financing as well as restriction of the amount of dividend paid by KOGENERACJA S.A.

II. Dividend policy

Given the above described financial needs as well as the reduction in the increase of debt, the Management Board of KOGENERACJA S.A. intends to apply to the General Meeting of the Company's Shareholders for the payment of dividend in the years 2018–2022 in the amount of 10% up to 40% of the individual net result achieved by KOGENERACJA S.A., adjusted by the amount of write-downs re-evaluating the value of fixed assets. Each proposition for a dividend payment will especially depend on the general amount of the Company's debt, the planned investment expenditures in the following years, the analysis of the accounting liquidity of the Company as well as the current and expected market situation.

In 2018, the Management Board will submit a request to the General Meeting of the Company's Shareholders for the payment of dividend in the amount of 40% of the individual net result.

III. Final provisions

This dividend policy shall be periodically verified.

The final decision on the distribution of the net profit for each following financial year shall be made by the General Meeting of the Shareholders of KOGENERACJA S.A.