



**ELEKTROCIEPŁOWNIA "BĘDZIN" S.A.  
CAPITAL GROUP**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE TERM FROM 1 JANUARY TO 30 JUNE 2017  
COMPLIANT WITH IAS 34  
"INTERIM FINANCIAL REPORTING"**

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## **1. General information**

These condensed interim consolidated financial statements for the term from 1 January to 30 June 2017 have been produced pursuant to International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union.

The statements present in a reliable and transparent manner the asset and financial standing of Elektrociepłownia "Będzin" S.A. Capital Group, have been approved for issue by the Management Board of Elektrociepłownia "Będzin" S.A. (parent company) and incorporate the following:

- Condensed interim consolidated statement of financial position produced as at 30 June 2017,
- Condensed interim consolidated Profit and Loss Account and other comprehensive income for the terms of three and six months ending on 30 June 2017,
- Condensed interim consolidated statement of changes in equity for the period from 1 January to 30 June 2017,
- Condensed interim consolidated Cash flow statement for the period from 1 January to 30 June 2017,
- Additional information to the condensed interim consolidated financial statements.

*Management Board of Elektrociepłownia "Będzin" S.A.*

Krzysztof Kwiatkowski  
President of the Management Board

*Signature of the individual in charge of accountancy  
and representing the book keeping entity*

Bożena Poznańska

Poznań, 31 August 2017

## 2. Condensed consolidated statement of financial position

	Note	30.06.2017 unexamined	31.12.2016
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible fixed assets	12	248 482	240 454
Intangible assets	13	4 593	4 984
Goodwill		1 937	1 937
Investments measured by equity method		753	659
Receivables under lease agreements		252 601	260 215
Granted loans		12 655	12 858
Trade debtors and other debtors		2 290	2 209
Deferred tax assets		1 001	1 109
<b>Total fixed assets</b>		<b>524 312</b>	<b>524 425</b>
<b>Current assets</b>			
Inventories		11 229	27 027
Receivables under lease agreements		93 364	90 444
Granted loans		18 738	22 922
Trade debtors and other debtors		6 709	39 492
Cash and cash equivalents		59 395	22 216
Accruals		41	60
<b>Total current assets</b>		<b>189 476</b>	<b>202 161</b>
<b>Total assets</b>		<b>713 788</b>	<b>726 586</b>

*Explanatory notes to condensed interim consolidated financial statements represent its integral part*

**Elektrociepłownia "Będzin" S.A. Capital Group**  
*Condensed interim consolidated financial statements for the accounting term from 1 January to 30 June 2017*  
*(as per IAS 34 "Interim Financial Reporting", in PLN k)*

	<i>Note</i>	<b>30.06.2017 unexamined</b>	<b>31.12.2016</b>
<b>Liabilities</b>			
<b>Equity</b>	16		
Share capital		37 728	37 728
Supplementary capital		48 288	45 352
Reserve capital		44 843	26 938
Defined benefits plan revaluation reserve		152	266
Retained profits		41 871	45 455
<b>Total equity</b>		<b>172 882</b>	<b>155 739</b>
<b>Long-term liabilities</b>			
Liabilities under loans, borrowings and other debt instruments		303 826	334 765
Liabilities under employee benefits	18	7 680	8 424
Trade creditors and other creditors		6 292	17 038
Provisions	19	7 412	7 412
Deferred income tax provisions		7 404	6 674
<b>Total long-term liabilities</b>		<b>332 614</b>	<b>374 313</b>
<b>Short-term liabilities</b>			
Liabilities under loans, borrowings and other debt instruments		168 386	150 462
Trade creditors and other creditors		27 243	21 890
Liabilities under employee benefits	18	3 083	4 165
Deferred income tax liabilities		2 518	5 213
Provisions	19	7 062	14 804
<b>Total short-term liabilities</b>		<b>208 292</b>	<b>196 534</b>
<b>Total liabilities</b>		<b>540 906</b>	<b>570 847</b>
<b>Total liabilities</b>		<b>713 788</b>	<b>726 586</b>

*Explanatory notes to condensed interim consolidated financial statements represent its integral part*

### 3. Condensed consolidated statement of profit and loss account and other comprehensive income

	<i>01.04.2017- 30.06.2017 unexpected</i>	<i>01.04.2016- 30.06.2016 unexpected</i>	<i>01.01.2017 - 30.06.2017 unexpected</i>	<i>01.01.2016 - 30.06.2016 unexpected</i>
Revenues	41 050	38 359	102 533	96 872
Other operating revenues	433	479	1 146	1 861
Change in product status		(118)	-	(118)
Amortization and depreciation	(4 813)	(4 142)	(9 610)	(8 242)
Consumption of materials and energy	(17 087)	(14 044)	(38 262)	(35 663)
External services	(3 517)	(3 849)	(6 915)	(6 444)
Taxes and charges	(1 384)	76	(2 876)	(3 115)
Payroll and employee benefits	(5 666)	(8 032)	(11 866)	(12 218)
Other costs by type	(61)	(96)	(295)	(341)
Value of goods and materials sold	(220)	(107)	(597)	(623)
Other operating expenses	(733)	(747)	(1 229)	(1 214)
<b>Profit on operating activities</b>	<b>8 002</b>	<b>7 779</b>	<b>32 029</b>	<b>30 755</b>
Financial revenues	467	337	662	515
Financial expenses	(6 255)	(5 398)	(11 040)	(10 503)
<b>Net financial revenues/ (expenses)</b>	<b>(5 788)</b>	<b>(5 061)</b>	<b>(10 378)</b>	<b>(9 988)</b>
Share in net profit of entities measured by equity method	56	(140)	94	-
<b>Gross profit</b>	<b>2 270</b>	<b>2 578</b>	<b>21 745</b>	<b>20 767</b>
Income tax	(740)	(683)	(4 488)	(4 127)
<b>Net profit</b>	<b>1 530</b>	<b>1 894</b>	<b>17 257</b>	<b>16 640</b>
<b>Other total income</b>				
<b>Other total income not taken to financial result in future reporting periods</b>				
Revaluation of net liability under defined benefits plan	(141)	65	(141)	65
Income tax on items not taken to financial result	27	(12)	27	(12)
	(114)	53	(114)	53
<b>Other comprehensive income for reporting period</b>	<b>(114)</b>	<b>53</b>	<b>(114)</b>	<b>53</b>
<b>Profits or losses and other comprehensive income for reporting period</b>	<b>1 416</b>	<b>1 947</b>	<b>17 143</b>	<b>16 693</b>
<b>Net profit per share</b>				
Main (in PLN)	0,49	0,60	5,5	5,3
Diluted (in PLN)	0,49	0,60	5,5	5,3

The presented net profit is distributed in total to shareholders of the parent entity.

*Explanatory notes to condensed interim consolidated financial statements represent its integral part*

**Elektrociepłownia "Będzin" S.A. Capital Group**  
*Condensed interim consolidated financial statements for the accounting term from 1 January to 30 June 2017*  
*(as per IAS 34 "Interim Financial Reporting", in PLN k)*

**4. Condensed consolidated statement of changes in equity**

	Share capital	Supplementary capital	Reserve capital	Defined benefits plan revaluation reserve	Retained profits	Total equity
<b>Equity as at 01.01.2017</b>	<b>37 728</b>	<b>45 352</b>	<b>26 938</b>	<b>266</b>	<b>45 455</b>	<b>155 739</b>
Net profit distribution	-	2 936	17 905	-	(20 841)	-
<b>Profits or losses for reporting period</b>						
Net profit for reporting period	-	-	-	-	17 257	17 257
<b>Other comprehensive income for reporting period</b>						
Revaluation of net liability under defined benefit plan (adjusted by tax)	-	-	-	(114)	-	(114)
<b>Profits or losses and other comprehensive income for reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(114)</b>	<b>17 257</b>	<b>17 143</b>
<b>Equity as at 30.06.2017 unexpected</b>	<b>37 728</b>	<b>48 288</b>	<b>44 843</b>	<b>152</b>	<b>41 871</b>	<b>172 882</b>

	Share capital	Supplementary capital	Reserve capital	Defined benefits plan revaluation reserve	Retained profits	Total equity
<b>Equity as at 01.01.2016</b>	<b>37 728</b>	<b>42 636</b>	<b>15 261</b>	<b>83</b>	<b>40 266</b>	<b>135 974</b>
Opening balance adjustment	-	-	-	-	(123)	(123)
<b>Equity as at 01.01.2016 after adjustment</b>	<b>37 728</b>	<b>42 636</b>	<b>15 261</b>	<b>83</b>	<b>40 143</b>	<b>135 851</b>
Net profit distribution	-	-	11 677	-	(11 677)	-
<b>Profits or losses for reporting period</b>						
Net profit for reporting period	-	-	-	-	16 640	16 640
<b>Other comprehensive income for reporting period</b>						
Revaluation of net liability under defined benefit plan (adjusted by tax)	-	-	-	53	-	53
<b>Profits or losses and other comprehensive income for reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>16 640</b>	<b>16 693</b>
<b>Equity as at 30.06.2016 unexpected</b>	<b>37 728</b>	<b>42 636</b>	<b>26 938</b>	<b>136</b>	<b>45 106</b>	<b>152 544</b>

*Explanatory notes to condensed interim consolidated financial statements represent its integral part*

## 5. Consolidated cash flow statement

	01.01.2017 - 30.06.2017 unexamined	01.01.2016 - 30.06.2016 unexamined
<b>Cash flows from operating activity</b>		
<b>Gross profit</b>	<b>21 750</b>	<b>20 767</b>
<i>Adjustments</i>		
Depreciation of tangible fixed assets	9 176	7 859
Amortisation of intangible assets	434	385
Profit on investment activity	49	(62)
Share in profit of entities measured with equity method	(94)	-
Change in receivables under lease agreements	4 694	(24 078)
Change in granted loans	3 121	23 402
Change in inventories	16 262	11 381
Change in trade debtors and other debtors	32 983	16 322
Change in trade creditors and other creditors	(7 794)	(4 325)
Change in provisions for employee benefits	(9 601)	(8 516)
Change in accruals	19	16
<b>Cash flows from operating activity</b>	<b>70 999</b>	<b>43 151</b>
Net financial revenues/(costs)	11 015	10 149
Interest received	(138)	(57)
Interest paid	1 609	-
Income tax paid	(5 410)	(725)
<b>Net cash flows from operating activity</b>	<b>78 075</b>	<b>52 518</b>
<b>Cash flows from investment activity</b>		
Purchase of tangible fixed assets	(5 206)	(11 194)
Purchase of intangible assets	(387)	(943)
Purchase of other investments	(10)	-
Disposal of tangible fixed assets	164	62
Disposal of shares and interests	-	57
Received interest	138	-
Other expenditure	(7)	-
<b>Net cash flows from investment activity</b>	<b>(5 308)</b>	<b>(12 018)</b>
<b>Cash flows from financial activity</b>		
Net inflows from the issue of shares	5	-
Raised loans, credits and other debt instruments	89 830	157 282
Repaid loans, credits and other debt instruments	(112 651)	(170 826)
Payments under financial lease agreements	(695)	(35)
Interest paid	(12 077)	(9 170)
<b>Net cash flows from financial activity</b>	<b>(35 588)</b>	<b>(22 749)</b>
<b>Net cash flows from financial activity</b>	<b>37 179</b>	<b>17 751</b>
<b>Opening balance of cash and cash equivalents</b>	<b>22 216</b>	<b>10 196</b>
<b>Closing balance of cash and cash equivalents</b>	<b>59 395</b>	<b>27 947</b>
including restricted cash	3 023	2 179

*Explanatory notes to condensed interim consolidated financial statements represent its integral part*



## **EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **6. Data of the parent entity and of the Capital Group**

Elektrociepłownia "Będzin" S.A. ("the parent company") is registered in Poland with the registered office in Poznań, at ul. Bolesława Krzywoustego 7.

Elektrociepłownia "Będzin" S.A. is the parent company of Elektrociepłownia "Będzin" S.A. Capital Group.

The condensed interim consolidated financial statements for the period from 1 January to 30 June 2017 incorporate the financial statements of the parent company and its subsidiaries (referred to jointly as the "Capital Group").

The share capital of the parent entity totals PLN 15,746.00 and is divided into 3,149,200 shares series A with the nominal value of PLN 5 each. The equity has been revaluated as per the information referred to in Note 16.

The parent company is registered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000064511 as per the decision of the District Court in Katowice dated 18 December 2001. REGON: 271740563 and NIP: 6250007615.

The period of business activity of Elektrociepłownia "Będzin" S.A. as the parent entity and entities making up the Capital Group has not been specified.

The principal activities of the parent company and of the Capital Group are:

- heat generation (water steam and hot water),
- heat distribution ( water steam and hot water),
- electricity generation,
- transmission of electric energy,
- distribution and sale of electric energy,
- production of fuel pellets from biomass,
- training, advisory and consulting activity,
- general construction works in the field of transmission lines such as pipelines, electric energy lines, overhead lines and telecommunication lines,
- general construction works in the field of distribution lines such as pipelines, electric energy lines and telecommunication lines,
- property lease on own account,
- property acquisition and sale on own account,
- financial leasing,
- other financial services not elsewhere classified, excluding insurance and pension funds,
- activity of financial holdings, trusts, funds and similar financial institutions,
- Leasing of intellectual property and similar products, except copyrighted works,
- activity of accounting consultants, bookkeeping and tax accounting.

Subsidiaries as at 30 June 2017

Nazwa jednostki i siedziba	Kraj	Udział %	
		31.03.2017	31.12.2016
Elektrociepłownia BĘDZIN Sp. z o.o. ul. Małobądzka 141, Będzin	Polska	100	100
Energetyczne Towarzystwo Finansowo- Leasingowe Energo-Utech S.A. ul. Bolesława Kerzywoustego 7, Poznań	Polska	100	100
Energo-Biomasa Sp. z o. o. Suliszewo 97, Drawsko Pomorskie	Polska	99,95	-

Associates as at 30 June 2017

Name of the unit and registered office	Country	Share %	
		30.06.2017	31.12.2016
ProMobil Fleet Sp. z o. o. ul. Karola Libelta 29/8, Poznań	Polska	40	40

On 30 June 2016, by force of agreements, Elektrociepłownia "Będzin" S.A. acquired 40% shares in ProMobil Fleet Spółka z o.o. Acquisition of the shareholding was financed with own funds.

On 12 May 2017, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. acquired 95 shares in ENERGO-BIOMASA Sp. z o.o. (formerly MAG ZOF Sp. z o.o.) with the registered office in Suliszewo 97, 78-500 Drawsko Pomorskie. On the same day, the Extraordinary General Meeting of Shareholders adopted a resolution on increasing the share capital of ENERGO-BIOMASA Sp. z o.o. (formerly MAG ZOF Sp. z o.o.) by PLN 495.00k up to PLN 500.00k. All 9,900 new shares were taken up by Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. In effect of taking up the new shares, Energo Utech S.A. holds 9,995 shares of PLN 50 each, i.e. 99.95% shares. The company's core business is production of pellets.

As at the day of approving these condensed interim consolidated financial statements for issue and as at 30 June 2017, the composition of the management and supervisory bodies of the parent company was as follows:

*Management Board*

Krzysztof Kwiatkowski - President of the Management Board

*Supervisory Board*

Janusz Niedźwiecki - Chairman of the Supervisory Board  
 Waldemar Organista - Deputy Chairman of the Supervisory Board  
 Wiesław Głanowski - Member of the Supervisory Board  
 Mirosław Leń - Member of the Supervisory Board  
 Wojciech Sobczak - Member of the Supervisory Board  
 Grzegorz Kwiatkowski - Member of the Supervisory Board

*Audit Committee at the Supervisory Board*

Janusz Niedźwiedzki - Chairman of the Audit Committee  
 Waldemar Organista - Member of the Audit Committee  
 Grzegorz Kwiatkowski - Member of the Audit Committee

## **7. Basis for the condensed interim consolidated financial statement**

### **7.1 Statement of compliance**

These condensed interim consolidated financial statements for the period from 1 January to 30 June 2017 have been produced as per the International Accounting Standard 34 "Interim financial reporting" approved by the European Union ("EU") and the Resolution of the Ministry of Finance dated 19 February 2009 (Journal of Laws from 2014, item 133) on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized as being equivalent to information required by regulations of law of a state which is not a member state.

The condensed interim consolidated financial statements have been prepared assuming continuation of business activity in the foreseeable future.

These consolidated financial statements have been produced based on the historic cost principle except for financial instruments measured at fair value.

### **7.2 Basis for valuation**

These condensed interim consolidated financial statements have been produced based on the historic cost principle except for financial instruments measured at fair value.

### **7.3 Functional and presentation currency**

Data in the consolidated financial statements have been presented in thousand Polish zloty unless indicated otherwise. Polish zloty is a functional currency of the parent company and reporting currency of the Capital Group.

### **7.4 Judgements and estimates**

In order to prepare the condensed interim consolidated financial statements as per the IFRS the EU requires the Management Board of the parent company to make judgements, estimates and assumptions impacting the applied accounting principles and recognizing the value of assets, liabilities, revenues and costs whose actual values may differ from the estimated ones.

The estimates and related assumptions are subject to an on-going verification. Changes in accounting estimates are accounted for on a prospective basis as of the period when the estimate was changed.

The main judgements and estimates made by the Management Board of the Parent Company when producing the condensed interim consolidated financial statements remained the same when compared to the judgements and estimates made when producing the annual consolidated financial statements for the financial year 2016.

### **7.5 Amendments to the International Financial Reporting Standards**

When producing the condensed interim consolidated financial statements for the term from 1 January 2017 to 30 June 2017, the applied accounting principles (policy) and measurement methods were the same as the ones applicable to the last consolidated financial statements for the financial year ending on 31 December 2016.

#### **STANCE ON NEW STANDARDS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The following new standards, amendments to Standards and Interpretations have not been adopted by the EU or are not applicable to annual periods ending on 31 December 2017 and have not been applied for these consolidated financial statements:

- IFRS 15 Revenue from Contracts with Customers – for periods commencing on 1 January 2018,
- IFRS 9 Financial Instruments – for periods commencing on 1 January 2018,
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 Consolidated Financial Statements and to IAS 28 Associates) – the application date has not been defined,

- IFRS 16 Leasing – for periods commencing on 1 January 2019,
- Recognition of Deferred Tax Assets for Unrealised Losses (amendments to IAS 12 Income Tax) – for periods commencing on 1 January 2017,
- Disclosure Initiative (amendments to IAS 7 Statement of Cash Flows) - for periods commencing on 1 January 2017,
- IFRS 15 Revenue from Contracts with Customers – for periods commencing on 1 January 2018,
- Amendments to International Financial Reporting Standards 2014-2016 – for periods commencing on 1 January 2018 (except for amendments to IFRS 12 applicable to annual periods commencing on 1 January 2017 or later),
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – for periods commencing on 1 January 2018,
- Amendments to IAS 40 Investment Property – for periods commencing on 1 January 2018,
- IFRIC 23 — Uncertainty over Income Tax Treatments – for periods commencing on 1 January 2019.

The Group intends to apply them for the periods for which they will be applicable for the first time.

#### IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ON CONSOLIDATED FINANCIAL STATEMENTS

The Capital Group made a preliminary analysis of IFRS 9 impact on the financial statements. The Group does not expect that the new Standard will have a major impact on its consolidated financial statements. Given the specifics and type of financial assets held by the Group, principles of their classification and measurement should not change significantly once IFRS 9 becomes applicable.

The Capital Group made a preliminary analysis of IFRS 15 impact on the financial statements. The analysis did not lead to identification of issues that could have a major impact on the value of revenue from sales and financial result presented in the consolidated financial statements. The new standard requires disclosure of a substantially broader scope of sale and revenue information. Therefore, we should expect some changes in this respect.

The Capital Group made a preliminary analysis of IFRS 16 impact on the financial statements. The new IFRS 16 Leasing changes the principles of presenting agreements falling within the definition of leasing. The main change is discontinuation of division into financial and operating lease. All agreements considered as the leasing agreements will be in principle presented as the current financial lease.

The analysis of impact of other standards has not been completed by the Capital Group, however it is anticipated that the resultant changes will not have a major impact on the consolidated financial statements of the Group.

### **8. Description of key accounting principles**

These condensed interim consolidated financial statements of the Capital Group were produced in accordance with the same accounting principles as the ones applicable to the annual consolidated financial statements for financial year 2016.

### **9. Fair value measurement**

In many cases, the adopted accounting and disclosure principles require the Capital Group to measure the fair value of both financial and non-financial assets and liabilities. The fair values are measured and recognised with the use of methods presented below. If necessary, further information about the assumptions for measuring fair value has been presented in the explanatory notes concerning individual assets and liabilities.

*Non-derivative financial assets and liabilities*

Fair value is estimated based on current value of future cash flows from repayment of principal amount and interest discounted with market interest rate applicable at the end of reporting period. Short-term assets and liabilities as well as assets and liabilities for which interest rates are updated on an ongoing basis with new base rates are not discounted as their book value is similar to the fair value. Fair value is measured only for the purpose of disclosure.

*Trade debtors/creditors and other*

It is assumed that the nominal value of debtors/creditors due in less than a year reflects their fair value. Debtors/creditors with longer maturity dates are discounted for the purpose of measuring their fair value.

## **10. Financial risk management**

The Capital Group is exposed to the following types of risk related to the use of financial instruments:

- Credit risk,
- Liquidity risk,
- Fx risk,
- Interest rate risk.

Information about the Capital Group's exposure to a given risk, objectives, principles and procedures of risk measurement and management adopted by the Capital Group along with information of capital management by the Capital Group is presented in annual consolidated financial statements for financial year 2016.

## **11. Business segments reporting**

The Capital Group presents financial information with a break down into two business segments: energy segment covering production of electricity and heat both in conventional sources and through firing and co-firing of biomass and the financial-services segment covering renting, leasing or providing access to fixed assets in another form.

Currently, this division matches the internal reporting framework of the Capital Group arising from the management structure. It is subject to a regular control exercised by the parent company's Management Board and is used for taking decisions about allocation of resources and to assess the performance of segments.

The Capital Group pursues its business objectives within two key reporting segments distinguished based on different management strategies (production, financial) assumed for each segment.

There is no geographic diversification of the Capital Group's activity and the entire business is conducted in Poland thus no geographical regions have been specified.

**Elektrociepłownia "Będzin" S.A. Capital Group**

*Condensed interim consolidated financial statements for the accounting term from 1 January to 30 June 2017  
(as per IAS 34 "Interim Financial Reporting", in PLN k)*

<b>Operational segments period 01.01.2017 - 30.06.2017</b>	<b>Energy segment</b>	<b>Financial segment</b>	<b>Total</b>
Revenues from external customers	86 884	15 649	102 533
Other operational revenues	524	622	1 146
<b>Segment total revenues</b>	<b>87 408</b>	<b>16 271</b>	<b>103 679</b>
Amortisation	(6 871)	(2 739)	(9 610)
Consumption of materials and energy	(38 180)	(82)	(38 262)
Third party services	(6 447)	(468)	(6 915)
Taxes and fees	(2 133)	(743)	(2 876)
Remuneration and employee benefits	(9 152)	(2 714)	(11 866)
Other costs by type	(295)	-	(295)
Value of sold goods and materials	(597)	-	(597)
Other operating costs	(431)	(798)	(1 229)
<b>Operational activity bottom line</b>	<b>23 302</b>	<b>8 727</b>	<b>32 029</b>
Financial revenues	238	424	662
Financial expenses	(1 696)	(9 344)	(11 040)
Profit from share in associates measured with equity method	-	94	94
	<b>21 844</b>	<b>(99)</b>	<b>21 745</b>
Income tax	(4 133)	(355)	(4 488)
<b>Net profit</b>	<b>17 711</b>	<b>(454)</b>	<b>17 257</b>
<b>Assets and liabilities of segments as at 30.06.2017</b>	<b>Energy segment</b>	<b>Financial segment</b>	<b>Total</b>
Segment assets	286 278	427 510	713 788
<b>Total assets</b>	<b>286 278</b>	<b>427 510</b>	<b>713 788</b>
Segment liabilities	118 596	422 310	540 906
Total equity	167 682	5 200	172 882
<b>Total liabilities and equity</b>	<b>286 278</b>	<b>427 510</b>	<b>713 788</b>

**Elektrociepłownia "Będzin" S.A. Capital Group**

*Condensed interim consolidated financial statements for the accounting term from 1 January to 30 June 2017  
(as per IAS 34 "Interim Financial Reporting", in PLN k)*

<b>Operational segments period 01.01.2016 - 30.06.2016</b>	<b>Energy segment</b>	<b>Financial segment</b>	<b>Total</b>
Revenues from external customers	80 552	16 320	96 872
Other operational revenues	802	1 059	1 861
Change in the products	(118)	-	(118)
<b>Segment total revenues</b>	<b>81 236</b>	<b>17 379</b>	<b>98 615</b>
Amortisation	(5 419)	(2 823)	(8 242)
Consumption of materials and energy	(35 573)	(90)	(35 663)
Third party services	(5 980)	(464)	(6 444)
Taxes and fees	(2 538)	(577)	(3 115)
Remuneration and employee benefits	(9 689)	(2 529)	(12 218)
Other costs by type	(341)	-	(341)
Value of sold goods and materials	(623)	-	(623)
Other operating costs	(522)	(692)	(1 214)
<b>Operational activity bottom line</b>	<b>20 551</b>	<b>10 204</b>	<b>30 755</b>
Financial revenues	165	350	515
Financial expenses	(1 005)	(9 498)	(10 503)
<b>Gross profit</b>	<b>19 711</b>	<b>1 056</b>	<b>20 767</b>
Income tax	(3 757)	(370)	(4 127)
<b>Net profit</b>	<b>15 954</b>	<b>686</b>	<b>16 640</b>

<b>Assets and liabilities of segments as at 30.06.2016</b>	<b>Energy segment</b>	<b>Financial segment</b>	<b>Total</b>
Segment assets	247 408	483 656	731 064
<b>Total assets</b>	<b>247 408</b>	<b>483 656</b>	<b>731 064</b>
Segment liabilities	99 689	478 708	578 397
Total equity	147 719	4 948	152 667
<b>Total liabilities and equity</b>	<b>247 408</b>	<b>483 656</b>	<b>731 064</b>

Activities of the energy segment are characterised by concentration of credit risk – majority of revenues from sales are generated from the sale of products to entities Tauron S.A. Group. Activities of the energy segment are seasonal and match the heat sale schedule. Profitability of the heat sale activity is impacted by lower profitability of assets during summertime resulting from lower heat demand.

## 12. Tangible fixed assets

<b>Gross value of tangible fixed assets</b>	<b>Land, buildings and structures</b>	<b>Machines and equipment</b>	<b>Means of transportation</b>	<b>Other tangible fixed assets</b>	<b>Tangible fixed assets under construction</b>	<b>Total</b>
Gross value as at 01.01.2016	44 048	90 533	45 862	917	60 151	241 511
Purchase	26 388	86 272	256	261	59 676	172 853
Sale	-	(7)	(520)	-	-	(527)
Settlement/change of classification	-	-	(1 755)	-	(113 809)	(115 564)
<b>Gross value as at 31.12.2016</b>	<b>70 436</b>	<b>176 794</b>	<b>45 598</b>	<b>1 175</b>	<b>6 018</b>	<b>298 266</b>
Gross value as at 01.01.2017	70 436	176 794	43 843	1 175	6 018	298 266
Purchase	54	2 242	138	79	15 229	17 742
Sale	-	-	(518)	-	-	(518)
Settlement/change of classification	-	-	-	-	(324)	(324)
<b>Gross value as at 30.06.2017</b>	<b>70 490</b>	<b>179 034</b>	<b>43 463</b>	<b>1 254</b>	<b>20 923</b>	<b>315 164</b>

<b>Depreciation and impairment charges</b>	<b>Land, buildings and structures</b>	<b>Machines and equipment</b>	<b>Means of transportation</b>	<b>Other tangible fixed assets</b>	<b>Tangible fixed assets under construction</b>	<b>Total</b>
Depreciation and impairment charges as at 01.01.2016	5 009	25 777	11 173	483	-	42 442
Depreciation	2 357	8 831	4 495	154	-	15 837
Sale	-	(8)	(440)	-	-	(448)
Liquidation	-	(3)	(13)	(3)	-	(19)
<b>Depreciation and impairment charges as at 31.12.2016</b>	<b>7 366</b>	<b>34 597</b>	<b>15 215</b>	<b>634</b>	<b>-</b>	<b>57 812</b>
Depreciation and impairment charges as at 01.01.2017	7 366	34 597	15 215	633	-	57 811
Depreciation	1 451	5 435	2 206	85	-	9 177
Sale	-	-	(304)	-	-	(304)
<b>Depreciation and impairment charges as at 30.06.2017</b>	<b>8 817</b>	<b>40 030</b>	<b>17 117</b>	<b>718</b>	<b>-</b>	<b>66 682</b>

<b>Net value</b>						
01.01.2016	39 039	64 756	34 689	434	60 151	199 069
31.12.2016	63 070	142 197	30 383	541	6 018	240 454
01.01.2017	63 070	142 197	28 628	542	6 018	240 455
30.06.2017	61 673	139 004	26 346	536	20 923	248 482

Acquisitions of fixed assets made during the reporting period were related mainly to the investment process carried out in Elektrociepłownia Będzin sp. z o. o. aimed to adjust the heat and power station to natural environment protection requirements in accordance with the European Union recommendations.



### 13. Intangible assets

<b>Gross value of intangibles</b>	<b>Patents, licences, software</b>	<b>Other intangible assets</b>	<b>Total</b>
Gross value as at 01.01.2016	785	5 512	6 297
Acquisition	161	-	161
<b>Gross value as at 31.12.2016</b>	<b>944</b>	<b>5 512</b>	<b>6 456</b>
Gross value as at 01.01.2017	944	5 512	6 456
Acquisition	43	-	43
<b>Gross value as at 30.06.2017</b>	<b>987</b>	<b>5 512</b>	<b>6 499</b>

<b>Amortisation and impairment charges</b>	<b>Patents, licences, software</b>	<b>Other intangible assets</b>	<b>Total</b>
Amortisation and impairment charges as at 01.01.2016	244	413	657
Acquisition	264	551	815
<b>Amortisation and impairment charges as at 31.12.2016</b>	<b>508</b>	<b>964</b>	<b>1 472</b>
Amortisation and impairment charges as at 01.01.2017	508	964	1 472
Acquisition	158	276	434
<b>Amortisation and impairment charges as at 30.06.2017</b>	<b>666</b>	<b>1 240</b>	<b>1 906</b>

<b>Net value</b>			
01.01.2016	541	5 099	5 640
31.12.2016	436	4 548	4 984
01.01.2017	436	4 548	4 984
30.06.2017	321	4 272	4 593

Other intangible assets item discloses relations with customers of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A.

#### 14. Impairment charges on receivables from leasing agreements

	30.06.2017	31.12.2016
<b>Change in balance of impairment charges on leasing agreements</b>		
Opening balance	(3 365)	(1 884)
Increases	-	(3 365)
Cancellations	431	1 884
<b>Closing balance</b>	<b>(2 934)</b>	<b>(3 365)</b>

#### 15. Impairment charges on receivables from loan agreements

	30.06.2017	31.12.2016
<b>Change in balance of impairment charges on loans</b>		
Opening balance	(552)	(552)
<b>Closing balance</b>	<b>(552)</b>	<b>(552)</b>

#### 16. Equity

	30.06.2017	31.12.2016
Opening number of shares	3 149 200	3 149 200
<b>Closing number of shares (fully paid up)</b>	<b>3 149 200</b>	<b>3 149 200</b>

Equity as at	30.06.2017	Number of shares (in items)	Nominal value per share (in PLN)	Balance sheet value (in PLN k)
A-series shares		3 149 200	5	15 746
<b>Total number of shares</b>		<b>3 149 200</b>		
<b>Nominal value of share capital</b>				15 746
Share capital resulting from hyperinflation revaluation				21 982
<b>Total share capital</b>				<b>37 728</b>
Supplementary capital				48 288
Reserve capital				44 843
<b>Total other capital</b>				<b>93 131</b>
Defined benefits plan revaluation reserve				152
Retained profits				41 871
<b>Total equity</b>				<b>172 882</b>

**Elektrociepłownia "Będzin" S.A. Capital Group**  
*Condensed interim consolidated financial statements for the accounting term from 1 January to 30 June 2017*  
 (as per IAS 34 "Interim Financial Reporting", in PLN k)

<b>Equity as at</b>	<b>31.12.2016</b>	<b>Number of shares (in items)</b>	<b>Nominal value per share (in PLN)</b>	<b>Balance sheet value (in PLN k)</b>
A-series shares		3 149 200	5	15 746
<b>Total number of shares</b>		<b>3 149 200</b>		
<b>Nominal value of share capital</b>				15 746
Share capital resulting from hyperinflation revaluation				21 982
<b>Total share capital</b>				<b>37 728</b>
Supplementary capital				45 352
Reserve capital				26 938
<b>Total other capital</b>				<b>72 290</b>
Defined benefits plan revaluation reserve				266
Retained profits				45 455
<b>Total equity</b>				<b>155 739</b>

Ownership structure of share capital as at 30.06.2017

<b>Shareholder</b>	<b>Number of shares</b>	<b>Nominal value of shares</b>	<b>Shareholding (%)</b>
Krzysztof Kwiatkowski	808 698	4 043	25,68%
Waldemar Organista	573 146	2 866	18,20%
Bank Gospodarstwa Krajowego	311 355	1 557	9,89%
Agio Funds TFI S.A.	334 747	1 674	10,63%
Familiar S.A. SICAV - SIR	271 526	1 358	8,62%
Skarb Państwa	157 466	787	5,00%
Other shareholders	692 262	3 462	21,98%
	<b>3 149 200</b>	<b>15 746</b>	<b>100,00%</b>

*Dividends*

During 6 months 2017, the dominant entity did not pay any dividend

**17. Profit per share**

	<b>30.06.2017</b>	<b>30.06.2016</b>
Opening number of shares	3 149 200	3 149 200
Closing number of shares	3 149 200	3 149 200
<b>Average weighted number of issued shares</b>	<b>3 149 200</b>	<b>3 149 200</b>

	<b>30.06.2017</b>	<b>30.06.2016</b>
Net profit distributed amongst shareholders of dominant entity (in PLN k)	17 257	16 640
Number of shares	3 149 200	3 149 200
<b>Main profit per share (PLN/share)</b>	<b>5,5</b>	<b>5,3</b>

## 18. Employee benefits

Change in current value of liabilities under defined benefits	01.01.2017 - 30.06.2017	01.01.2016 - 31.12.2016
<b>Opening balance of liabilities under defined benefits</b>	4 165	3 148
Current employment cost	50	1 249
Interest cost	52	103
Defined benefits plan revaluation reserve recognized in other comprehensive income	137	(226)
Future employment cost	-	(23)
Benefits paid	(85)	(86)
<b>Closing balance of liabilities under defined benefits</b>	<b>4 319</b>	<b>4 165</b>

Change in current value of liabilities under defined employee benefits	01.01.2017 - 30.06.2017	01.01.2016 - 31.12.2016
<b>Opening balance of liabilities under defined employee benefits</b>	8 424	7 447
Current employment cost	2 390	4 599
Interest cost	62	127
Defined benefits plan revaluation reserve recognized in profit or loss in current reporting period	(1 039)	(286)
Benefits paid	(3 393)	(3 444)
Released	-	(19)
<b>Closing balance of liabilities under defined employee benefits</b>	<b>6 444</b>	<b>8 424</b>

Change in balance of liabilities under employee benefits	Retirement and disability severance payments			Other liabilities	Total
	Service anniversary awards	disability severance payments	Other liabilities		
<b>As at 01.01.2017</b>	<b>4 087</b>	<b>2 886</b>	<b>5 616</b>	<b>12 589</b>	
Raised	142	88	2 333	2 563	
Utilised	(61)	(43)	(3 538)	(3 642)	
Released	(778)	-	(110)	(888)	
Revaluation of provisions recognized in other comprehensive income	-	259	(118)	141	
<b>As at 30.06.2017</b>	<b>3 390</b>	<b>3 190</b>	<b>4 183</b>	<b>10 763</b>	
long-term provisions	3 053	2 618	2 009	7 680	
short-term provisions	337	572	2 174	3 083	

Change in balance of liabilities under employee benefits	Retirement and disability severance payments			Other liabilities	Total
	Service anniversary awards	disability severance payments	Other liabilities		
<b>As at 01.01.2016</b>	<b>4 611</b>	<b>2 946</b>	<b>3 038</b>	<b>10 595</b>	
Raised	209	208	5 548	5 965	
Utilised	(733)	(84)	(2 711)	(3 528)	
Released	-	-	(214)	(214)	
Revaluation of provisions recognized in other comprehensive income	-	(181)	(45)	(226)	
<b>As at 31.12.2016</b>	<b>4 087</b>	<b>2 886</b>	<b>5 616</b>	<b>12 589</b>	
long-term provisions	3 699	2 570	2 155	8 424	
short-term provisions	388	316	3 461	4 165	

## 19. Provisions

Provisions	Provision for CO2 emission allowance	Other provisions	Total
<b>Value at 01.01.2017</b>	<b>14 451</b>	<b>7 765</b>	<b>22 216</b>
Raised	6 881	-	6 881
Utilised	(14 451)	(172)	(14 623)
<b>Value at 30.06.2017</b>	<b>6 881</b>	<b>7 593</b>	<b>14 474</b>
long-term	-	7 412	7 412
short-term	6 881	181	7 062

## 20. Fair value of financial instruments

Below are presented details of fair value of financial instruments, the measurement of which is possible:

- Cash and equivalents, short-term bank deposits and short-term bank loans – the balance sheet value of such instruments is similar to their fair value given quick maturity of the instruments,
- Trade receivables, trade liabilities, other receivables and liabilities, short-term receivables from leasing agreements, short-term receivables from loan agreements – the balance sheet value of such instruments is similar to their fair value given the short-term profile,
- long-term receivables from leasing agreements, long-term receivables from loan agreements, long-term liabilities arising from loans and credits - the balance sheet value of such instruments is similar to their fair value mainly due to their changeable interest rates matching the level of market interest rates.

	Current value	Fair value	Hierarchy level
<b>As at 30.06.2017</b>			
Financial instruments measured at fair value through profit and loss			
Loans and receivables, including:	445 660	444 670	
<i>leasing agreements</i>	345 965	344 975	3
<i>granted loans</i>	31 393	31 393	3
<i>trade receivables and other</i>	8 907	8 907	3
<i>cash and cash equivalents</i>	59 395	59 395	3
Other financial liabilities, including:	(505 621)	(504 702)	
<i>liabilities under loans and credits</i>	(472 212)	(471 293)	3
<i>other liabilities</i>	(33 409)	(33 409)	3
	<b>(59 961)</b>	<b>(60 032)</b>	-

	Current value	Fair value	Hierarchy level
<b>As at 31.12.2016</b>			
Financial instruments measured at fair value through profit and loss			
Loans and receivables, including:	430 513	429 324	
<i>leasing agreements</i>	350 659	349 470	3
<i>granted loans</i>	35 780	35 780	3
<i>trade receivables and other</i>	21 858	21 858	3
<i>cash and cash equivalents</i>	22 216	22 216	3
Other financial liabilities, including:	(521 110)	(519 980)	
<i>liabilities under loans and credits</i>	(485 227)	(484 097)	3
<i>other liabilities</i>	(35 883)	(35 883)	3
	<b>(90 597)</b>	<b>(90 656)</b>	-

## 21. Contractual liabilities raised to purchase tangible fixed assets and intangible assets

On 3 June 2015, Elektrociepłownia BĘDZIN Sp. z o.o. signed annex to contract no. 99/EC/2014 made with SBB Energy S.A. on the delivery of project "Construction of flue gas desulphurisation and denitrogenation installation in Elektrociepłownia BĘDZIN Sp. z o.o.". The total value of the investment was estimated at PLN 130m. As at 30 June 2017, the total value of capital expenditures incurred on the above agreement amounted to PLN 118.7m. Completion of the investment task is scheduled for November 2017.

## 22. Explanations concerning seasonal or cyclical profile of the Group's activity

Activities of Elektrociepłownia "Będzin" S.A. Group as the producer of heat and electricity are seasonal. In individual reporting periods, there are differences in the volume of heat and electricity produced, which is caused by the production volumes' dependence on the seasons and on the weather conditions. In particular, that is typical for production and sale of heat, which during the autumn and winter time is substantially higher. There is no seasonal effect in the financial segment.

## 23. Conditional liabilities and proceedings pending before court

No court cases, either filed by or against Elektrociepłownia BĘDZIN S.A. (dominant entity) are pending.

No court cases, either filed by or against Elektrociepłownia BĘDZIN Sp. z o.o. (subsidiary) are pending.

On 19 November 2014, Energetyczne Towarzystwo Finansowo- Leasingowe Energo-Utech SA brought a case for the payment of claim arising from recourse factoring, said claim of PLN 679.5k and the case is pending. No court cases against the company are pending.

No court cases, either filed by or against Energo-Biomasa Sp. z o.o. (subsidiary) are pending.

## 24. Property collateral

In the Group, there is collateral established on the Group's property in effect of, amongst others, agreement on loan earmarked for financing the investment of Elektrociepłownia BĘDZIN Sp. z o.o. of 16 December 2014.

The said collateral established on the Group's property includes the following:

- First charge joint mortgage of PLN 196,984k on real estates of Elektrociepłownia BĘDZIN Sp. z o.o. located in Sosnowiec, for which Regional Court in Sosnowiec, 6<sup>th</sup> Division of Land and Mortgage Registers keeps land and mortgage registers no. KA1S/00033883/2 and KA1S/0034647/3 as well as real estates located in Będzin, for which Regional Court in Będzin, 5<sup>th</sup> Division of Land and Mortgage Registers keeps land and mortgage register no. KA1B/00016873/8,
- Registered pledge on the collection of assets and rights defined as the collection of all tangible assets and rights of the enterprise i.e. Elektrociepłownia BĘDZIN Sp. z o.o. (excluding rights to bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o., rights subject to agreements on the assignment of rights to secure agreements made by and between Bank Polska Kasa Opieki S.A. and Elektrociepłownia BĘDZIN Sp. z o.o., as well as real estates and other rights which, in the light of the law, cannot be subject to registered pledge within the meaning of the catalogue of description of registered pledge assets representing Appendix 1 to Ordinance of the Minister of Justice of 15 October 1997 on detailed organisation of the manner of keeping the register of pledges, representing the collection of assets and rights of a single economic unit, even if its composition is changeable as per the Act on Pledge – the registered value of the pledge is PLN 123,808k,
- Contracts on the sale of heat by Elektrociepłownia BĘDZIN Sp. z o.o. – agreement on assignment of rights for the purpose of security,
- Contracts on the sale of electricity and other contracts generating revenues in excess of PLN 200k per annum for Elektrociepłownia BĘDZIN Sp. z o.o. – agreements on assignment of rights for the purpose of security,
- Authorisations to bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o.
- Loans financing the agreements on financial lease are secured with blanc bill of exchange, mortgages, registered pledges, repossessions of fixed assets and transfers of receivables for the benefit of banks.

## 25. Transactions with connected entities

### *Transactions with persons holding managerial or supervisory positions*

During the reporting period ending on 30 June 2017, no advances, loans, credits, guarantees or other liability-raising agreements were provided or made with persons holding managerial or supervisory positions, their spouses, or persons related to them by blood or by marriage.

Remuneration of persons holding key managerial or supervisory positions in the Capital Group (without provisions raised for awards) is presented in the table below:

	<b>30.06.2017</b>	<b>30.06.2016</b>
Base salary	233	193
Bonus	473	128
	<b>706</b>	<b>321</b>



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*(as per IAS 34 "Interim Financial Reporting", in PLN k)*

<b>As at 30.06.2017</b>	<b>Receivables</b>	<b>Liabilities</b>
MDW Glanowski	-	5 971
MAG ZOF sp. z o. o.	2 444	-
Autodirect S.A.	6	-
Promobil Fleet Sp. z o. o.	660	534
	<b>3 110</b>	<b>6 505</b>

<b>Period 01.01.2017- 30.06.2017</b>	<b>Sales of products</b>	<b>Other income</b>
Promobil Fleet Sp. z o. o.	26	-
	<b>26</b>	<b>-</b>

<b>Period 01.01.2017- 30.06.2017</b>	<b>Purchase of services</b>	<b>Other purchase</b>
MDW Glanowski	153	-
	<b>153</b>	<b>-</b>

## 26. Events after the balance sheet date

On 17.08.2017, agreement was signed on providing financial support for the following project: "Innovative technological installation ensuring optimum cooperation of the heat and power station with highly effective heat accumulation system supported by intelligent system of taking decisions on the market of heat and electricity", co-financed with funds provided by the European Fund for Regional Development within the Regional Operating Programme for Silesian Province for the years 2014-2020 (agreement no.: UDA-RPSL.01.02.00-24-070E/16-00.

The agreement was signed by and between the Silesian Province – the Silesian Centre for Entrepreneurship acting as the Intermediary Institution in the Regional Operating Programme for Silesian Province for the years 2014-2020, and Elektrociepłownia BĘDZIN Sp. z o.o.

The planned total value of the project is PLN 3 107 607.92

The subsidy totals PLN 1 890 308.64.

The project completion date: 31.12.2018.

## 27. Manpower

The average staff numbers in the Capital Group (expressed in FTEs) was as follows:

	<b>30.06.2017</b>	<b>31.12.2016</b>
Production staff	91	89
Office staff	75	79
	<b>166</b>	<b>168</b>

## 28. Approval of consolidated financial statements

These condensed interim consolidated financial statements were produced and approved for publication by the Management Board of the dominant entity on 31 August 2017.



Poznań, 31 August 2017.

**Statement of the Management Board of Elektrociepłownia „Będzin” S.A.  
on the reliability of the preparation of the financial statements of the  
Elektrociepłownia „Będzin” S.A. Capital Group  
for the period from 1 January 2017 to 30 June 2017**

The Management Board of Elektrociepłownia „Będzin” S.A. hereby declares that to its best knowledge – the condensed interim consolidated financial statements for the period from 1 of January 2017 to 30 June 2017 and the comparable data, have been prepared in accordance with the applicable accounting policies, and that they reflect in a true, reliable and transparent manner, the financial standing and the financial result of Elektrociepłownia „Będzin” S.A. Capital Group.

The report of the Management Board of Elektrociepłownia „Będzin” S.A. Capital Group on the Company’s operations for the period from 1 January 2017 to 30 June 2017 includes a true description, including the description of the risks associated with the next financial year.

Krzysztof Kwiatkowski - President of the Management Board .....

Poznań, 31 August 2017

**Statement of the Management Board of Elektrownia „Będzin” S.A.  
on the entity authorized to audit the financial statements of the  
Elektrociepłownia „Będzin” S.A. Capital Group**

According to our deepest conviction and knowledge we declare that the entity authorized to audit financial statements - KPMG Audyt Sp. z o.o. Sp.k, - auditing the condensed interim consolidated financial statements for the period from 1 January 2017 to 30 June 2017, was selected in accordance with the law and that the entity and the statutory auditors performing the audit met the conditions for an impartial and independent audit report in accordance with the applicable national law.

Krzysztof Kwiatkowski - President of the Management Board

.....

August 2017.

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**Management Board Report  
on the activity of  
Elektrociepłownia "Będzin" S.A.  
Capital Group in H1 2017**

**Elektrociepłownia "Będzin" S.A.  
Capital Group**



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## INTRODUCTION

The Management Board of Elektrociepłownia Będzin S.A. hereby presents the Management Board Report on Elektrociepłownia "Będzin" S.A. Group Activity for the 1st half of the accounting year 2017. The Report was prepared on the basis of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognised as equivalent (Journal of Laws of 2014.133, standardised text).

Principles of preparing the 2017 financial statements are included in the explanatory notes to the condensed consolidated interim financial statements produced in accordance with IAS 34 "Interim Financial Reporting".

## I. ESSENTIAL INFORMATION ABOUT ELEKTROCIEPŁOWNIA "BĘDZIN" CAPITAL GROUP S.A.

### 1. Description of organisation and structure of the Capital Group

Elektrociepłownia "Będzin" S.A. is the dominant entity of Elektrociepłownia "Będzin" S.A. Capital Group, encompassing the following entities:

- Elektrociepłownia BĘDZIN Sp. z o.o. with the registered office in Będzin, wholly owned by the Company,
- Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. with the registered office in Poznań, wholly owned by the Company,
- ProMobil Fleet Sp. z o.o. with the registered office in Poznań, where the Company holds 40% shares,
- Energo – Biomasa Sp. z o.o., where Spółka Energetyczne Towarzystwo Finansowo – Leasingowe Energo Utech S.A. holds 99.95% shares.

On 4 August 2014, the dominant entity became a holding company and has not been involved in any production activity.

The activity in the field of cogeneration through combined heat and power (CHP) has been carried out exclusively in Elektrociepłowni BĘDZIN Sp. z o.o.

Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. focuses on providing financial services, primarily leasing.

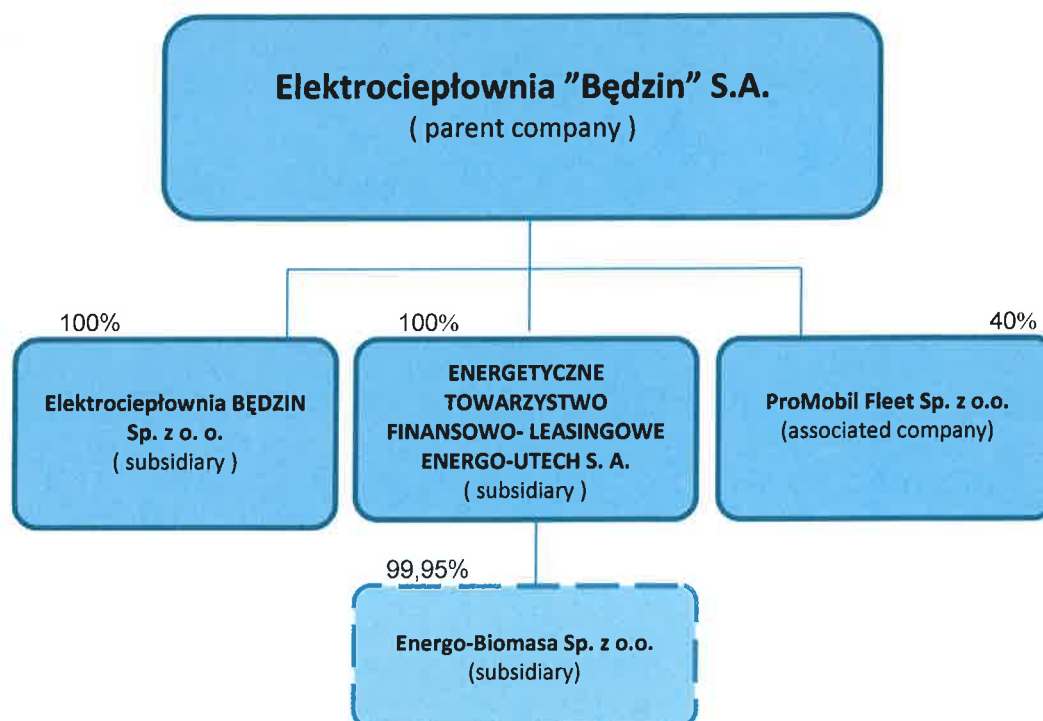
The core business of ProMobil Fleet Sp z o.o. is long-term car rental.

The activity of Energo-Biomasa Sp. z o.o. involves production of pellets.

As stipulated by art. 55 of the Accounting Act, the Capital Group produces consolidated financial statements of the Capital Group in accordance with the International Financial Reporting Standards approved by the European Union and in accordance with the

Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognised as equivalent (Journal of Laws of 2014.133, standardised text), based on financial statements of units within the Capital Group.

Pursuant to art. 57(1), subsidiaries are fully consolidated. It means that individual items of financial statements are summed up in full amount and then, mutual transactions made between units of the Capital Group are excluded.



## 2. Changes in the organisation of the Capital Group

Between 1 January 2017 and 30 June 2017, there were some changes in the organisation of Elektrociepłownia „Będzin” S.A. Capital Group.

On 12 May 2017, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. acquired 95 shares in ENERGO-BIOMASA Sp. z o.o. (formerly MAG ZOF Sp. z o.o.) with the registered office in Suliszewo 97, 78-500 Drawsko Pomorskie. On the very same day, the extraordinary meeting of shareholders adopted resolution on increasing the share capital of ENERGO-BIOMASA Sp. z o.o. (formerly MAG ZOF Sp. z o.o.) by PLN 495.00 up to PLN 500.00k. All the new 9,900 shares were taken up by Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. In effect of taking up the new shares, Energo Utech S.A. holds 9,995 shares of PLN 50 each, i.e. 99.95% shares. The Company's core business is production of pellets.

## **Indication of the effects of changes in the structure of the dominant entity.**

Changes in the structure of the Elektrociepłownia "Będzin" Group SA. in the first half of 2017, caused no changes in the organizational structure of the Parent Company.

## **II. COMPOSITION OF THE MANAGING AND SUPERVISING BODIES OF THE CAPITAL GROUP**

### **The organs of the Parent Company - Elektrociepłownia "Będzin" S.A**

#### **Management Board**

In H1 2017, Elektrociepłownia "Będzin" S.A. has been managed by the Management Board of the ninth term of office, composed of the following sole member:

Krzysztof Kwiatkowski - President of the Management Board

#### **Supervisory Board**

From 1 January to 19 June 2017, the Supervisory Board of the eighth term of office was composed of the following individuals:

1. Janusz Niedźwiecki - Chairman of the Supervisory Board,
2. Waldemar Organista - Deputy Chairman of the Supervisory Board,
3. Wiesław Glanowski - Member of the Supervisory Board,
4. Józef Piętoń - Member of the Supervisory Board,
5. Maciej Węgorkiewicz - Member of the Supervisory Board,
6. Grzegorz Kwiatkowski - Member of the Supervisory Board,

On 19 June 2017, the Company's Annual General Meeting adopted resolution on appointing the Supervisory Board of the ninth term of office composed of the following individuals:

1. Janusz Niedźwiecki - Chairman of the Supervisory Board,
2. Waldemar Organista - Deputy Chairman of the Supervisory Board,
3. Wiesław Glanowski - Member of the Supervisory Board,
4. Józef Piętoń - Member of the Supervisory Board,
5. Maciej Węgorkiewicz - Member of the Supervisory Board,
6. Grzegorz Kwiatkowski - Member of the Supervisory Board,

The ninth term of office of the Supervisory Board shall be 5 years and shall expire on the day of convening the Annual General Meeting in 2022.

## 2. Authorities of subsidiaries

### Management Board - Elektrociepłownia BĘDZIN Sp. z o. o.

As at 30 June 2017, the Management Board of Elektrociepłownia BĘDZIN Sp. z o. o. was composed of the following individuals:

1. Marek Mrówczyński - President of the Management Board,
2. Piotr Kowalczyk - Vice-President of the Management Board.

### Management Board of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A.

As at 30 June 2017, the Management Board of Energetyczne Towarzystwo Finansowo - Leasingowe Energo-Utech S.A. was composed of the following individuals:

1. Krzysztof Kwiatkowski - President of the Management Board,
2. Adam Andrzejewski - Vice-President of the Management Board,
3. Bożena Poznańska - Vice-President of the Management Board.

### Management Board – ENERGO BIOMASA Sp. z o. o.

As at 30 June 2017, the Management Board of ENERGO BIOMASA Sp. z o. o. was composed of the following individuals:

1. Adam Andrzejewski - President of the Management Board,
2. Jacek Tomkowiak - Vice-President of the Management Board.

## 3. Main shareholders of the dominant entity

According to information available to the Dominant Entity, the shareholders holding over 5% of the share capital and the same % of votes at the Annual General Meeting are as follows:

Specification	As at 30 May 2017 r. **				As at 31 August 2017 r. ***				C h a n g e	
	shares	votes	shares[%]	votes[%]	shares	votes	shares[%]	votes[%]	acquired	solid
Krzysztof Kwiatkowski*	808 698	808 698	25,68	25,68	808 698	808 698	25,68	25,68	0	0
Waldemar Organista	688 146	688 146	21,85	21,85	573 146	573 146	18,20	18,20	0	115 000
Agio Funds TFI S.A.	334 747	334 747	10,63	10,63	334 747	334 747	10,63	10,63	0	0
Bank Gospodarstwa Krajowego	311 355	311 355	9,89	9,89	311 355	311 355	9,89	9,89	0	0
Familiar S.A. SICAV - SIR	271 526	271 526	8,62	8,62	271 526	271 526	8,62	8,62	0	0
Skarb Państwa	157 466	157 466	5,00	5,00	157 466	157 466	5,00	5,00	0	0
Summary	2 571 938	2 571 938	81,67	81,67	2 456 938	2 456 938	78,02	78,02	0	115 000

\* Together with subsidiaries, including Auto Direct S.A., where the President of the Management Board is also the Member of the Supervisory Board of Elektrociepłownia "Będzin" S.A. - Grzegorz Kwiatkowski

\*\* Information as at the date of publishing the interim statement for Q1 2017.

\*\*\* Information as at the date of publishing the interim statement for H1 2017.

## 4. Shareholding of persons holding managerial and supervisory positions

Specification	As at 30 May 2017 r. **				As at 31 August 2017 r. ***				C h a n g e	
	shares	votes	shares[%]	votes[%]	shares	votes	shares[%]	votes[%]	shares	votes
Krzysztof Kwiatkowski*	808 698	808 698	25,68	25,68	808 698	808 698	25,68	25,68	0	0
Waldemar Organista	688 146	688 146	21,85	21,85	573 146	573 146	18,20	18,20	0	115 000
Summary	1 496 844	1 496 844	47,53	47,53	1 381 844	1 381 844	43,88	43,88	0	115 000

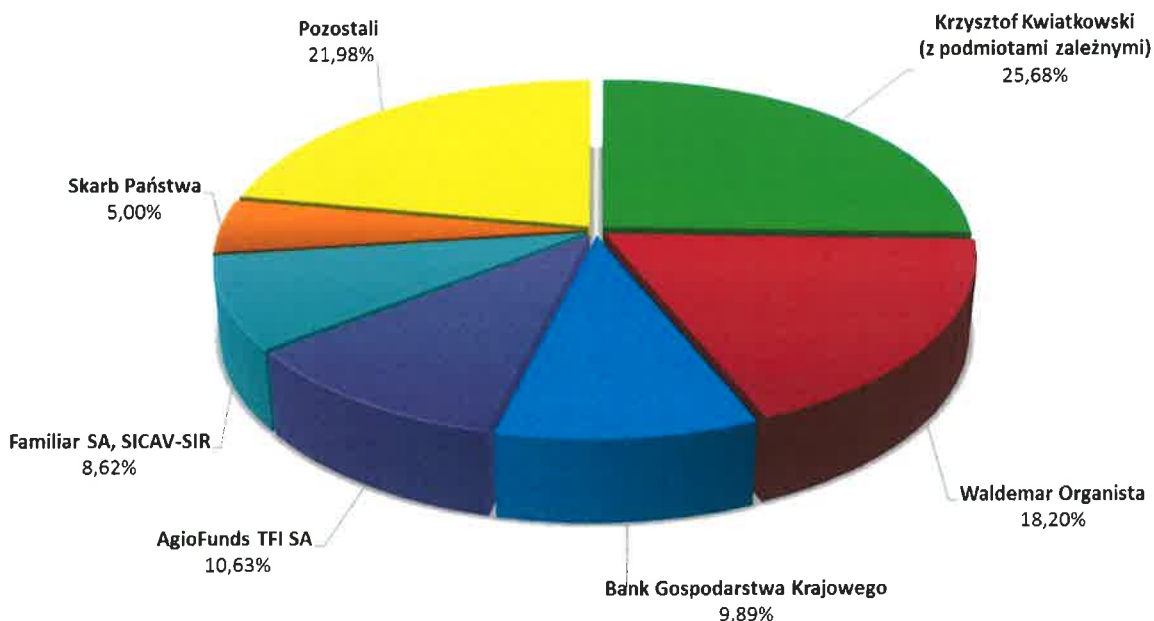
\* Together with subsidiaries, including Auto Direct S.A., where the President of the Management Board is also the Member of the Supervisory Board of Elektrociepłownia "Będzin" S.A. - Grzegorz Kwiatkowski

\*\* Information as at the date of publishing the interim statement for Q1 2017.



\*\*\* Information as at the date of publishing the interim statement for H1 2017.

## 5. Shareholders structure



As at 11 August 2017

## III. INFORMATION ABOUT MAIN PRODUCTS

Products generated and manufactured by the Capital Group include heat and electricity, as well as, biomass pellets.

The activity consisting in generation of heat and electric power is carried out by the subsidiary, i.e. Elektrociepłownia BĘDZIN Sp. z o.o.

The production structure of the Capital Group in H1 2017 versus H1 2016 was as follows:

Production	Unit	30.06.2017	30.06.2016
Heat in water	GJ	1 511 335	1 159 846
Heat in steam	GJ	159 715	143 933
Electric power	MWh	241 074	243 763

The quantitative heat and electric power sale of the Capital Group in H1 2017 versus H1 2016 was as follows:

Sale	Unit	30.06.2017	30.06.2016
Heat	GJ	1 520 031	1 173 666
Electric Power from own production	MWh	204 075	214 151

Income from the sale of heat and electric power of the Capital Group in H1 2017 versus H1 2016 was as follows:

Income from sale in PLN k	H1 2017	H1 2016
Heat	53 196	44 070
Electric power	32 521	34 283

By 30.06.2017, ENERGO-BIOMASA Sp. z o.o. did not commence the production activity.

The subsidiary - Energetyczne Towarzystwo Finansowo - Leasingowe Energo-Utech S.A. operates as the service provider of fixed assets leasing and factoring.

Revenues from services provided by Energetyczne Towarzystwo Finansowo - Leasingowe Energo-Utech S.A. are as follows:

Revenues(in PLN k)	H1 2017	H1 2016
Revenues from leasing services	12 018	9 861
Revenues from factoring services	721	1 167
Revenues from rental services	3 010	3 040
Revenues from loans provided	562	764
Other revenues	224	1 271
<b>Total</b>	<b>16 534</b>	<b>16 103</b>

#### IV. LOANS

In H1 2017, Elektrociepłownia "Będzin" S.A. as the dominant entity recorded one loan granted by ING Bank Śląski S.A. under Agreement no. 682/2016/00008628/00 on corporate PLN loan for financing an investment and refinancing of incurred capital expenditures of PLN 21 649k (say: twenty one million six hundred forty thousand Polish zloty 00/100).

Spółka Elektrociepłownia „Będzin” S.A. did not provide any loans or credits.

The subsidiaries Elektrociepłownia BĘDZIN Sp. z o.o. and Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. are parties to Leasing Agreement of 22 December 2014 on construction of flue gas desulphurisation and denitrogenation installation for boilers: OP-140 no. 6, OP-140 no. 7 and WZP-70 no. 5 (installation "A"), flue gas denitrogenation installation for boiler: OP 140 no. 7 (installation "B"), flue gas denitrogenation installation for boiler: OP 140 no. 6 (installation "C"), flue gas denitrogenation installation for boiler: WP-70 no. 5 (installation "D"). According to the Agreement, the value of the leased asset totals PLN 129,975k net.

In relation to the foregoing Agreement, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. is a party to loan agreement on financing the investments of Elektrociepłownia BĘDZIN Sp. z o.o. of 16 December 2014 signed with Bank Polska Kasa Opieki S.A.

The Agreement is for term loan of up to PLN 94,491.83k and VAT loan of up to 4,000.00k. The term loan maturity date has been scheduled for 30 June 2026 and the VAT loan maturity date for 30 April 2018.

In H1 2017, Elektrociepłownia BĘDZIN Sp. z o.o. did not record any bank loans and credits.

In its business activity, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. avails of loans and other forms of financing business activity.

## **V. MAJOR COURT CASES**

No court cases, either filed by or against Elektrociepłownia BĘDZIN S.A. (dominant entity) are pending.

No court cases, either filed by or against Elektrociepłownia BĘDZIN Sp. z o.o. (subsidiary) are pending.

On 19 November 2014, Energetyczne Towarzystwo Finansowo- Leasingowe Energo-Utech SA brought a case for the payment of claim arising from recourse factoring totalling PLN 679.5k and the case is pending. No court cases filed against the company are pending.

No court cases, either filed by or against Energo-Biomasa Sp. z o.o. (subsidiary) are pending.

## **VI. OTHER INFORMATION**

### **1. Information about transactions made with connected entities**

Elektrociepłownia „Będzin” S.A. and its subsidiaries did not make any non-arm’s length transactions with connected entities.

### **2. Information about bonds and warranties**

During the period covered by these statements, Elektrociepłownia Będzin S.A. and its subsidiaries did not grant any bonds or guarantees and other forms of security applied.

### **3. Promotion - advertising activity**

Involvement in the life of the region and actions towards the local community reflect the engagement of Elektrociepłownia "Będzin" S.A. Group in the development of the region and the well-being of its inhabitants.

The Group's entities readily engage in the promotion of art and culture, support educational and scientific initiatives, contribute to the development of physical culture and sports. The Capital Group pro-actively responds to the needs of the region and puts forward proposals whereby ideas and projects significantly improving the life of the local community can be supported by way of sponsoring and charity. Said ideas and projects are mostly addressed to communities of the region where the Group operates.

In H1 2017, Elektrociepłownia BĘDZIN Sp. z o.o. acted as the sponsor and patron of various cultural and scientific events, mostly on the local market. They included, amongst others, IED Technology Forum, BREF and BAT organised by Power Meetings.

The Company continues the agreement with Wyższa Szkoła Biznesu in Dąbrowa Górnicza [Business College], whereby educational, scientific and research & development projects are implemented.

In its support for education, Elektrociepłownia BĘDZIN Sp. z o.o. continued cooperation with Zespół Szkół Specjalnych no. 2 in Sosnowiec [Special School Group] and was again involved in the organisation of the "Regional competition of knowledge about health".

Moreover, it also continued to support the organisation of the Powiat foreign language competition in III Liceum Ogólnokształcące in Będzin [high school].

In H1 2017, Elektrociepłownia BĘDZIN Sp. z o.o. was engaged in sport initiatives and continued cooperation with Zagłębie – Sosnowiec football club, MKS Będzin volleyball club and co-organised a marathon – Wyrski race.

During the reported period, the Company again co-financed the holiday trip of Children's Home in Sarnowo, supported with financial donations by the Company for over 20 years now.

In accordance with the adopted marketing policy, in H1 2017, Elektrociepłownia BĘDZIN Sp. z o.o. continued cooperation and signed annual agreements with Sosnowiec Museum and Zagłębie Museum in Będzin, the latter one supported by the Company in the role of a general sponsor for many years.

Moreover, the Company again participated in Będzin Days and Sosnowiec Days addressed to the local community.

All actions towards the region make the Group entities - Elektrociepłownia BĘDZIN Sp. z o.o. and Energetyczne Towarzystwo Finsnaow Leasingowe Energo Utech S.A. – perceived as units pro-actively engaged in the life of the region and of the local community.

#### **4. Factors which in the opinion of the Dominant Entity will impact the performance in the future reporting periods**

Factors predetermining the performance of the Dominant Entity going forward will include:

- completion of investments related to compliance with stricter environmental requirements in the subsidiary - Elektrociepłownia Będzin Sp. z o.o. – in accordance with the new BAT regulations,
- launch of operations of the subsidiary - ENERGO – BIOMASA Sp. z o.o. – in terms of production of pellets for the retail off-taker and for the industrial corporations.

Elektrociepłownia "Będzin" S.A. as the dominant entity is the beneficiary of income from the shares and interests held in the Subsidiaries and such income depends on the financial performance of said Subsidiaries.

## VII. ASSESSMENT OF THE FINANCIAL RESOURCE MANAGEMENT

### Financial performance of the Capital Group

Financial performance	Unit	Period	
		I-VI 2017 PLN k	I-VI 2016 PLN k
EBITDA*	PLN k	41 639	38 997
Profit on operating activity	PLN k	32 029	30 755
Loss on financial activity	PLN k	- 10 378	- 9 988
Profit before tax	PLN k	21 745	20 767
Income tax	PLN k	4 488	4 127
Profit after tax	PLN k	17 257	16 640

\*EBITDA = profit on operating activity + amortisation

In H1 2017, the Capital Group's EBITDA went significantly up on the corresponding period in the previous year.

In H1 2017, the Capital Group generated net profit of PLN 17 257k.

The Company's Management Board does not anticipate the occurrence of any major risk threatening the continuity of business operations of Elektrociepłownia "Będzin" S.A. Capital Group.

## VIII. INVESTMENT ACTIVITY

### 1. Acquisition of securities

In H1 2017, Elektrociepłownia "Będzin" S.A. has not acquired any shareholding.

On 12 May 2017, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. acquired 95 shares in ENERGO-BIOMASA Sp. z o.o. (formerly MAG ZOF Sp. z o.o.) with the registered office in Suliszewo 97, 78-500 Drawsko Pomorskie. On the very same day, the extraordinary meeting of shareholders adopted resolution on increasing the share capital of ENERGO-BIOMASA Sp. z o.o. (formerly MAG ZOF Sp. z o.o.) by PLN 495.00 up to PLN 500.00k. All the new 9,900 shares were taken up by Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. In effect of taking up the new shares, Energo Utech S.A. holds 9,995 shares of PLN 50 each, i.e. 99.95% shares. The Company's core business is production of pellets.

### 2. The Capital Group's investments in the production infrastructure

The Subsidiary - Elektrociepłownia BĘDZIN Sp. z o.o – carries out investments enabling compliance with environmental regulations and facilitating growth in the electric power production output. They include in particular:

- construction of flue gas desulphurisation and denitrification installation, which enable the Company's operations after 1 January 2016. Within said investment project, flue gas



desulphurisation installation for boilers OP-140 no. 6, OP-140 no. 7, WP-70 no. 5 and flue gas denitrification installation for boiler: OP-140 no. 7 were completed in 2016.

- modernisation of Water Preparation Station, which contributes to improved technical and economic efficiency of the water preparation processes.

Between 1 January and 30 June 2017, Elektrociepłownia Będzin Sp. z o.o. performed investment tasks worth PLN 15 362k.

The investment delivery progress is in line with the adopted delivery schedules. Taking into consideration the advancement of the investment tasks, it may be assessed that the tasks in progress will be completed as scheduled.

Stage III of the investment project "Construction of flue gas denitrogenation installation for boiler: OP-140 no. 6" and Stage V of the investment project "Construction of flue gas denitrogenation installation for boiler: WP-70 no. 5" are underway.

Between 23 and 31 January 2017, warranty measurements were performed for Stage I and IV of the flue gas desulphurisation installation for boilers OP-140 no. 6, OP-140 no. 7 and WP-70 no. 5".

On 9 May 2017, agreement no. 41/EC/2017 was signed with a syndicate of the following companies: IP PROINSTAL Sp. z o.o. – Syndicate Leader, PROXIMA Sp. z o.o. – Syndicate Member no. 1, KOMOBEX-INEL Sp. z o.o. - Syndicate Member no. 2 on the "Modernisation of Water Preparation Station in Elektrociepłownia BĘDZIN Sp. z o.o., based on project documentation prepared by EKONOMIA Sp. z o.o. in the following fields: technological, construction, electrical and C&I equipment and under the supervision of the author of the documentation".

The investments activity planned in H2 2017 will be carried out by Elektrociepłownia BĘDZIN Sp. z o.o. and will encompass the adjustment of production infrastructure to the applicable legal regulations, the reduction of utilisation costs and improvement of reliability of heat and electric power generation.

The Subsidiary - Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. – has not performed any investment activity.

### **3. Repair activity of the Group**

In H1 2017, the value of repair activity totalled PLN 3 730k, which represents 35% of the planned annual repair costs.

In Q1 2017, the Group performed mainly regular repairs and periodical maintenance of the equipment.

In Q2 2017, as part of the regular repair schedule, the Group started the repair of boiler OP-140 no. 7 and WP-70no. 5 (stage I). As part of medium-term repair, the Group commenced the repair of turbine set TG-1 and boiler OP-140 no. 6, in order to ensure their availability in the heating season.

In H1 2017, the repair activity proceeded in accordance with the schedule.

Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. (subsidiary) has not performed any repair activity.

#### **4. Characteristics of external and internal factors significant to the development of the Capital Group**

The strategic objective of entities in the Capital Group is to ensure stable and safe production of electric power and heat in compliance with the latest environmental requirements, as well as, development of the scope of financial services for funding and investment purposes of the electric power industry, with a view to increasing the value of entities in the Capital Group.

##### **Major development factors**

Factors significantly influencing the development of the Group include, amongst others, the following:

- macroeconomic situation in Poland and economic situation in the Dąbrowa Basin where the Group operates,
- stances and decisions of state and European administration institution and offices (including the Office of Competition and Consumer Protection, the Energy Regulatory Office and the European Commission),
- standing of the electric and heat power sector and of the financial sector,
- changes in the legal environment, in particular those concerning the tax, trade and natural environment protection regulations.

##### **Environmental requirements**

Directive of the European Parliament and of the Council 2010/75/EU of 24 November 2010 on industrial emissions (IED) introduces new, more conservative environment protection requirements effective as of 1 January 2016.

Given the new environmental requirements, which enable the Company's operations after 1 January 2016, Elektrociepłownia BĘDZIN Sp. z o.o. participates in the Interim National Plan allowing to spread the indispensable investments over time.

On 28 April 2017, BAT reference documents ("BAT conclusions") were adopted for large combustion plants, thereby introducing restrictive requirements, in particular in terms of permissible pollution emission limits. When approved by the European Commission, the documents will be published and translated into all languages of the European Union. Conclusions on best available technology (BAT) will form the foundation for setting the permit conditions. It means that the permissible emission limit determined in the integrated permits must comply with limits stipulated by the document

In justified cases, following a thorough analysis of costs and advantages, geographical conditions and technical parameters of installation, emission limits varying from the limits stipulated by BAT conclusions, may be set.

Once BREF document is published and comes into full force and effect, a 4-year period will commence during which plants are supposed to fully comply with the requirements.

##### **Free of charge CO<sub>2</sub> emission allowances**

In accordance with the Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community, new principles of allocation of free of charge CO<sub>2</sub> emission allowances apply in the settlement period 2013 –

2020.

During that period, the free of charge CO<sub>2</sub> emission allowances were reduced versus the allowances applicable in the period 2005-2012. The number of allocated free of charge CO<sub>2</sub> emission allowances for heat generating installations is reduced every year until 2020, which will be the last year with free of charge allowances.

Throughout 2013-2020, the heat generated by an installation is verified every year. When the generated heat volume significantly decreases, the free of charge allowances applicable going forward are adjusted.

The allocated free of charge allowances are insufficient to settle the CO<sub>2</sub> emission, which triggers the need to buy additional allowances on the free market.

## **Competition risk**

### *Heat and power industry*

The heating market in Zagłębie Dąbrowskie (the Dąbrowa Basin) is highly competitive, which stems from the presence of numerous heat generation sources supplying heat to off-takers via TAURON Ciepło Sp. z o.o. heating system running throughout all cities of Zagłębie Dąbrowskie.

The main competitor of Elektrociepłownia BĘDZIN Sp. z o.o. on the local market are sources owned by TAURON Wytwarzanie S.A. (Elektrownia Łagisza) and to TAURON Ciepło Sp. z o.o. (ZW Nowa and ZW Katowice), both companies within TAURON Polska Energia S.A. Group.

A key element of competitiveness on the heat market of Zagłębie Dąbrowskie is represented by the technical and economic potential to transmit heat. In its development plans, the Company takes into consideration the fact that the main heat distributor in the region is TAURON Ciepło Sp. z o.o., controlled by TAURON Polska Energia S.A.

However, taking into consideration the fact that some generation plants undergo derogation, which means their phasing-out in the years 2019–2022, the Company is of the opinion that significant changes in the heating market will not take place without establishment of new generation plants in the Silesian-Basin conurbation. Also the progressing liquidation of low emission and the heat supply will in effect lead to increased heat demand. Therefore, taking into consideration long-term processes, the Company also contemplates its increased competitiveness in the long run, not only through pricing competitiveness but also through acquisition of end off-takers.

A significant element constraining competition on the heating market may be CO<sub>2</sub> emission allowances allocated free of charge, whose allocation to sources supplying heat to Zagłębie Dąbrowskie market in the years 2013-2020 will be insufficient, thus likely to reduce interest in searching for new heat sale markets.

### *Financial sector*

The market of financial services interweaves with the general economic climate and activity of businesses. Even though in the recent years, the growth dynamics of the market on which Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. operates is high and outpaces Poland GDP growth rate, potential fluctuations in the market sentiment must be taken into consideration as they may lead reduced investments and thus lower investment funding needs.

The position of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. is favourable due to the Company's power sector specialisation and expertise and said power



sector will have to invest in development of new capacity and renovation of the existing capacity, regardless the market climate.

Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. mitigates that risk by diversifying its trade offer and by introducing new products of high growth potential.

Elektrociepłownia Będzin Group has extended the range of its financial services through the purchase of 40% of shares in ProMobilFleet Sp. z o.o. specialising in long-term car rental.

## **IX. NATURAL ENVIRONMENT PROTECTION**

### **1. Emission of pollution to the atmosphere**

The Group's subsidiary, Elektrociepłownia BĘDZIN Sp. z o.o., is a plant generating electric power and heat. In H1 2017, it generated electric power and heat through power combustion of hard coal. Electric power is produced through highly efficient cogeneration.

Hard coal combustion causes gas emission and dust emission to the atmosphere. The emission level depends on both, the quality of the combustion fuel, as well as, efficiency of protection equipment of the installation.

The priority of the Group is to minimise the pollution, hence to minimise the Group's footprint in the natural environment.

Elektrociepłownia BĘDZIN Sp. z o.o. (subsidiary) complies with standards, conditions and requirements set in decisions and permits. The subsidiary submits all required reports and settles fees for the use of natural environment for business purposes as scheduled.

### **2. Integrated permit**

The integrated permit specifies all approvals and conditions regarding the entire impact of the installation on the environment (all environmental components) and, concurrently, imposes additional obligations regarding monitoring and reporting the impact on the environment.

Waste management in the Capital Group is conducted within the framework of the Integrated Permit held by Elektrociepłownia BĘDZIN Sp. z o.o. In H1 2017, there were no deviations from the provisions of the held permit as regards the use of natural environment for the purpose of business activity.

As of 1 January 2016, Elektrociepłownia BĘDZIN Sp. z o.o. holds an amended integrated permit, The last amendment consisted in exclusion of boiler WP-120 no. 8 from exploitation, participation in the Interim National Plan as well as handing over the flue gas desulphurisation installation for use.

### **3. Trade in emission allowances**

In January 2017, the annual report on CO<sub>2</sub> emission in 2016 was audited by a chartered auditor from TÜV Rheinland Polska Sp. z o.o. The annual report was assessed positively.

In Q1 2017, Elektrociepłownia BĘDZIN Sp. z o.o. account in the European Union Register was credited with CO<sub>2</sub> emission allowances for 2017.

### **4. Environment protection audits**

In H1 2017, no environmental audits were carried out in Elektrociepłownia BĘDZIN Sp. z o.o.

## **X. STAFFING AND PAYROLL IN ELEKTROCIEPŁOWNIA BĘDZIN S.A. GROUP**

### **Elektrociepłownia BĘDZIN S.A. (dominant entity)**

As at 30 June 2017, the manpower was 4 FTEs.

Between 1 January and 30 June 2017, the manpower did not change in Elektrociepłownia "Będzin" S.A.

### **Elektrociepłownia BĘDZIN Spółka z o.o. (subsidiary)**

As at 30 June 2017, the manpower of Elektrociepłownia BĘDZIN Sp. z o.o. was 143 FTEs.

Employees are offered participation in post-graduate studies, with the related expenses covered by the company. Development of staff professional skills translates into increased work efficiency, extended knowledge and expertise and allows to comply with requirements set by the market.

### **Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. (subsidiary)**

As at 30 June 2017, the manpower of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. was 19 FTEs.

Employees are offered participation in various training sessions, with the related expenses covered by the company. Development of staff professional skills translates into increased work efficiency, extended knowledge and expertise and allows to comply with requirements set by the market.

### **ENERGO – BIOMASA Sp. z o.o. (subsidiary)**

As at 30 June 2017, ENERGO – BIOMASA Sp. z o.o. did not employ any staff. As at 31 July 2017, the manpower was 44 FTEs.

Krzysztof Kwiatkowski - President of the Management Board

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31 August 2017