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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS  
FOR THE PERIOD FROM  
1ST JANUARY 2018 TO 31ST MARCH 2018  
COMPLIANT WITH THE IAS 34  
"INTERIM FINANCIAL REPORTING"**

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## **1. General information**

These condensed interim consolidated financial statements for the period from 1<sup>st</sup> January to 31<sup>st</sup> March 2018 were prepared pursuant to the International Financial Reporting Standards IAS 34 "Interim Financial Reporting", approved by the European Union.

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

- condensed consolidated interim statement of financial position produced as at 31<sup>st</sup> March 2018,
- condensed consolidated interim Profit and Loss Account and other comprehensive income for the period from 1<sup>st</sup> January to 31<sup>st</sup> March 2018,
- condensed consolidated interim statement of changes in equity for the period from 1<sup>st</sup> January to 31<sup>st</sup> March 2018,
- condensed consolidated interim Cash flow statement for the period from 1<sup>st</sup> January to 31<sup>st</sup> March 2018,
- additional information to the condensed consolidated interim 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, 30th May, 2018

**Elektrociepłownia "Będzin" S.A. Capital Group**  
*Condensed consolidated interim financial statements for the period from 1st January 2017 to 31st March 2018*  
*(as per the IAS 34 "Interim Financial Reporting", in PLN k)*

**2. Condensed consolidated statement of financial position**

	Note	31.03.2018 unexamined	31.12.2017
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible fixed assets	12	250 855	251 643
Intangible assets	13	4 019	4 187
Goodwill		1 937	1 937
Receivables under lease agreements		210 487	223 622
Granted loans		10 128	10 669
Trade debtors and other debtors		1 500	1 500
Deferred tax assets		1 009	971
<b>Total fixed assets</b>		<b>479 935</b>	<b>494 529</b>
<b>Current assets</b>			
Inventories	17	26 150	20 546
Receivables under lease agreements		122 138	113 412
Granted loans		23 029	27 774
Trade debtors and other debtors		25 595	23 397
Income tax receivables		-	411
Cash and cash equivalents		38 845	30 228
Accruals and prepayments		124	77
<b>Total current assets</b>		<b>235 881</b>	<b>215 845</b>
<b>Total assets</b>		<b>715 816</b>	<b>710 374</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
	16		
Share capital		37 728	37 728
Supplementary capital		48 288	48 288
Reserve capital		44 843	44 843
Defined benefits plan revaluation reserve		(125)	(125)
Retained profits		45 534	38 960
<b>Total equity</b>		<b>176 268</b>	<b>169 694</b>
<b>Long-term liabilities</b>			
Liabilities under loans, borrowings and other debt instruments		292 589	289 099
Liabilities under employee benefits	19	9 305	9 305
Trade creditors and other creditors		6 844	5 597
Provisions	20	3 888	4 744
Deferred income tax provisions		8 926	8 496
<b>Total long-term liabilities</b>		<b>321 552</b>	<b>317 241</b>
<b>Short-term liabilities</b>			
Liabilities under loans, borrowings and other debt instruments		154 585	172 530
Trade creditors and other creditors		38 180	31 788
Liabilities under employee benefits	19	2 273	4 754
Deferred income tax liabilities		179	465
Provisions	20	22 779	13 902
<b>Total short-term liabilities</b>		<b>217 996</b>	<b>223 439</b>
<b>Total liabilities</b>		<b>539 548</b>	<b>540 680</b>
<b>Total equity and liabilities</b>		<b>715 816</b>	<b>710 374</b>

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

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

	<b>01.01.2018 - 31.03.2018 unexamined</b>	<b>01.01.2017 - 31.03.2017 unexamined</b>
Revenues	68 465	61 483
Other operating revenues	362	713
Amortization and depreciation	(4 892)	(4 797)
Consumption of materials and energy	(36 114)	(21 175)
External services	(5 039)	(3 398)
Taxes and charges	(1 312)	(1 492)
Payroll and employee benefits	(6 782)	(6 200)
Other costs by type	(557)	(234)
Value of goods and materials sold	(721)	(377)
Other operating expenses	(33)	(496)
<b>Profit on operating activities</b>	<b>13 377</b>	<b>24 027</b>
Financial revenues	228	195
Financial expenses	(5 011)	(4 785)
<b>Net financial revenues/(expenses)</b>	<b>(4 783)</b>	<b>(4 590)</b>
Share in net profit of entities measured by equity method	-	38
<b>Gross profit</b>	<b>8 594</b>	<b>19 475</b>
Income tax	(2 020)	(3 748)
<b>Net profit</b>	<b>6 574</b>	<b>15 727</b>
<b>Other comprehensive income per the reporting period</b>	<b>-</b>	<b>-</b>
<b>Profit or loss or other comprehensive income per the reporting period</b>	<b>6 574</b>	<b>15 727</b>
<b>Net profit per share</b>		
Main (in PLN)	2,1	5,0
Diluted (in PLN)	2,1	5,0

**Elektrociepłownia "Będzin" S.A. Capital Group**  
*Condensed consolidated interim financial statements for the period from 1st January 2017 to 31st March 2018*  
*(as per the 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	Non-controlling interest	Total equity
Equity as at 01.01.2018	37 728	48 288	44 843	(125)	38 960	-	169 694
Net profit distribution	-	-	-	-	-	-	-
Profits for reporting period	-	-	-	-	6 574	-	6 574
Net profit for reporting period	-	-	-	-	6 574	-	6 574
Other comprehensive income for reporting period	-	-	-	-	-	-	-
Revaluation of net liability under defined benefit plan (adjusted by tax)	-	-	-	-	-	-	-
Profit or loss or other comprehensive income per the reporting period	-	-	-	-	6 574	-	6 574
Total payments to and from owners	-	-	-	-	-	-	-
Equity as at 31.03.2018	37 728	48 288	44 843	(125)	45 534	-	176 268

	Share capital	Supplementary capital	Reserve capital	Defined benefits plan revaluation reserve	Retained profits	Non-controlling interest	Total equity
Equity as at 01.01.2017	37 728	45 352	26 938	266	45 455	-	155 739
Net profit distribution	-	-	-	-	-	-	-
Profits or losses for reporting period	-	-	-	-	15 727	-	15 727
Net profit for reporting period	-	-	-	-	15 727	-	15 727
Other comprehensive income per the reporting period	-	-	-	-	-	-	-
Revaluation of net liability under defined benefit plan (adjusted by tax)	-	-	-	-	-	-	-
Profit or loss or other comprehensive income per the reporting period	-	-	-	-	15 727	-	15 727
Total payments to and from owners	-	-	-	-	-	-	-
Equity as at 31.03.2017	37 728	45 352	26 938	266	61 182	-	171 466

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

**5. Condensed consolidated cash flow statement**

	01.01.2018 - 31.03.2018 unexamined	01.01.2017 - 31.03.2017 unexamined
<b>Cash flows from operating activity</b>		
<b>Gross profit</b>	<b>8 594</b>	<b>19 475</b>
<i>Adjustments</i>		
Depreciation of tangible fixed assets	4 664	4 582
Amortization of intangible assets	227	214
Profit on investment activity	-	(68)
Share in profit of entities measured with equity method	-	(38)
Change in receivables under lease agreements	6 361	8 107
Change in granted loans	7 150	3 054
Change in inventories	(5 605)	9 873
Change in trade debtors and other debtors	(2 209)	22 006
Change in trade creditors and other creditors	(2 764)	(3 358)
Change in liabilities and provisions for employee benefits	5 518	(12 373)
Change in accruals and prepayments	(34)	(279)
Other adjustments	(41)	326
<b>Cash flow from operating activity</b>	<b>21 861</b>	<b>51 521</b>
Net financial revenues/(costs)	5 210	4 493
Interest received	(50)	(46)
Interest paid	716	18
Income tax paid	(1 039)	(4 382)
<b>Net cash flow from operating activity</b>	<b>26 698</b>	<b>51 604</b>
<b>Cash flow from investment activity</b>		
Acquisition of tangible fixed assets	(1 349)	(3 047)
Acquisition of intangible assets	(59)	(2)
Acquisition of shares	-	(73)
Disposal of tangible fixed assets	-	68
Interest received	50	46
Other outflows	521	-
<b>Net cash flow from investment activity</b>	<b>(837)</b>	<b>(3 008)</b>
<b>Cash flow from financial activity</b>		
Raised loans, credits and other debt instruments	47 323	50 683
Expenditure on repayment of loans, borrowings and other debt instruments	(56 557)	(66 710)
Payments under financial lease agreements	(2 508)	(1 932)
Interest paid	(5 502)	(4 957)
<b>Net cash flows from financial activity</b>	<b>(17 244)</b>	<b>(22 916)</b>
<b>Total net cash flows</b>	<b>8 617</b>	<b>25 680</b>
<b>Opening balance of cash and cash equivalents</b>	<b>30 228</b>	<b>22 216</b>
<b>Closing balance of cash and cash equivalents</b>	<b>38 845</b>	<b>47 896</b>
including restricted cash	8 050	4 656

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



## EXPLANATORY NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 6. Data of the Parent Entity and of the Capital Group

Elektrociepłownia "Będzin" S.A. ("Parent Company") is a joint-stock company registered in Poland and seated in Poznań, at ul. Bolesława Krzywoustego 7.

Elektrociepłownia "Będzin" SA is a Parent Company of the Elektrociepłownia "Będzin" SA Capital Group.

The condensed consolidated interim financial statements for the period from 1<sup>st</sup> January to 31<sup>st</sup> March 2018 incorporate the financial statements of the Parent Company and its subsidiaries (referred to jointly as the "Capital Group").

The share capital of the Parent Company 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. It is a holder of REGON no.: 271740563 and NIP no.: 6250007615.

The period of business activity of Elektrociepłownia "Będzin" S.A. as the Parent Company 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),
- electricity generation,
- financial leasing,
- other financial services.

Subsidiaries as at 31st March, 2018

Name and registered office	Country	% share	
		31.03.2018	31.12.2017
Elektrociepłownia BĘDZIN Sp. z o.o. ul. Małobądzka 141, Będzin	Poland	100	100
Energetyczne Towarzystwo Finansowo- Leasingowe Energo-Utech S.A. Ul. Bolesława Krzywoustego 7, Poznań	Poland	100	100
Energo-Biomasa Sp. z o.o. Suliszewo 97, Drawsko Pomorskie	Poland	99.95	99.95

As at the day of approving these condensed interim consolidated financial statements for issue and as at 31st March, 2018, 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  
Grzegorz Kwiatkowski - Member of the Supervisory Board  
Mirosław Leń - Member of the Supervisory Board  
Wojciech Sobczak - Member of the Supervisory Board



*Audit Committee at the Supervisory Board as at 31<sup>st</sup> March, 2018:*

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

*Audit Committee at the Supervisory Board as at 30<sup>th</sup> May, 2018:*

Janusz Niedźwiedzki	- Chairman of the Audit Committee
Waldemar Organista	- Member of the Audit Committee
Wojciech Sobczak	- Member of the Audit Committee

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

### **7.1 Statement on compliance**

These consolidated financial statements for the first quarter of 2018 have been produced as per the International Accounting Standards ("IAS/IFRS") and the related interpretations published in the form of regulations of the European Commission.

The condensed interim consolidated financial statements for the period from 1<sup>st</sup> January to 31<sup>st</sup> March, 2018, have been produced in line with IAS 34 "Interim Financial Reporting" approved by the European Union ("EU") and the Resolution of the Ministry of Finance dated 29<sup>th</sup> March, 2018 (Journal of Laws of 2018, item 757) 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 on going concern basis.

### **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 condensed interim 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 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 significant judgments and estimates made by the Management Board of the Parent Company in the preparation of the condensed consolidated interim financial statements remained unchanged against the judgments and estimates adopted in preparing the annual consolidated financial statements for 2017.

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

The preparation of these condensed interim consolidated financial statements of the Capital Group applies the accounting policies applied in the preparation of the annual consolidated financial statements for 2017.

## **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 disclosed 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 interest rate applicable at the end of reporting period. Short-term assets and liabilities and assets and liabilities for which interest rates are updated with changed base rates are not discounted as their book value is similar to the fair value. Fair value is estimated only for the purpose of disclosure.

### *Trade debtors/creditors and other*

It is assumed that the nominal value of debtors/creditors due within less than a year reflects their fair value. Debtors/creditors with longer maturity dates are discounted for the purpose of estimating 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 the annual consolidated financial statements for 2017.

## **11. Business segments reporting**

The Capital Group presents financial information with a break down into two segments: energy segment covering production of electricity and heat both in conventional sources and through firing and co-firing of biomass, as well as pellet production from biomass, and the financial-services on the other hand, 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 consolidated interim financial statements for the period from 1st January 2017 to 31st March 2018*  
*(as per the IAS 34 "Interim Financial Reporting", in PLN k)*

<b>Operational segments period 01.01.2018 - 31.03.2018</b>	<b>Energy segment</b>	<b>Financial segment</b>	<b>Total</b>
Revenues from external customers	61 059	7 406	68 465
Other operational revenues	355	7	362
<b>Segment total revenues</b>	<b>61 414</b>	<b>7 413</b>	<b>68 827</b>
Amortization and depreciation	(3 690)	(1 202)	(4 892)
Consumption of materials and energy	(36 078)	(36)	(36 114)
Third party services	(4 834)	(205)	(5 039)
Taxes and fees	(1 088)	(224)	(1 312)
Remuneration and employee benefits	(5 535)	(1 247)	(6 782)
Other costs by type	(118)	(439)	(557)
Value of sold goods and materials	(721)	-	(721)
Other operating costs	(27)	(6)	(33)
<b>Operational activity bottom line</b>	<b>9 323</b>	<b>4 054</b>	<b>13 377</b>
Financial revenues	148	80	228
Financial expenses	(803)	(4 208)	(5 011)
<b>Gross profit</b>	<b>8 668</b>	<b>(74)</b>	<b>8 594</b>
Income tax	(1 975)	(45)	(2 020)
<b>Net profit</b>	<b>6 693</b>	<b>(119)</b>	<b>6 574</b>

<b>Assets and liabilities of segments as at 31.03.2018</b>	<b>Energy segment</b>	<b>Financial segment</b>	<b>Razem</b>
Segment assets	300 414	415 402	715 816
<b>Total assets</b>	<b>300 414</b>	<b>415 402</b>	<b>715 816</b>
Segment liabilities	129 862	409 686	539 548
Total equity	170 552	5 716	176 268
<b>Total liabilities and equity</b>	<b>300 414</b>	<b>415 402</b>	<b>715 816</b>

<b>Operational segments for the period 01.01.2017 - 31.03.2017</b>	<b>Energy segment</b>	<b>Financial segment</b>	<b>Total</b>
Revenues from external customers	54 179	7 304	61 483
Other operational revenues	182	531	713
<b>Segment total revenues</b>	<b>54 361</b>	<b>7 835</b>	<b>62 196</b>
Amortization and depreciation	(3 427)	(1 370)	(4 797)
Consumption of materials and energy	(21 069)	(106)	(21 175)
Third party services	(3 162)	(236)	(3 398)
Taxes and fees	(1 077)	(415)	(1 492)
Remuneration and employee benefits	(4 756)	(1 444)	(6 200)
Other costs by type	(234)	-	(234)
Value of sold goods and materials	(377)	-	(377)
Other operating costs	(106)	(390)	(496)
<b>Operational activity bottomline</b>	<b>20 153</b>	<b>3 874</b>	<b>24 027</b>
Financial revenues	96	99	195
Financial expenses	-	(4 785)	(4 785)
Earnings from associates measured using the equity method	-	38	38
<b>Gross profit</b>	<b>20 249</b>	<b>(774)</b>	<b>19 475</b>
Income tax	(3 665)	(83)	(3 748)
<b>Net profit</b>	<b>16 584</b>	<b>(857)</b>	<b>15 727</b>

**Elektrociepłownia "Będzin" S.A. Capital Group**  
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Assets and liabilities of segments as at 31.03.2017	Energy segment	Financial segment	Razem
Segment assets	283 186	431 790	714 976
<b>Total assets</b>	<b>283 186</b>	<b>431 790</b>	<b>714 976</b>
Segment liabilities	130 171	418 235	548 406
Total equity	153 015	13 555	166 570
<b>Total liabilities and equity</b>	<b>283 186</b>	<b>431 790</b>	<b>714 976</b>

The activity of the energy segment is characterized by credit risk concentration – the majority of revenues derives from sales of products to the entities of the Tauron SA Group.  
The activity of the energy segment is seasonal, related to heat sales.  
Business profitability with respect to heat sales is characterized by lower profitability of assets in the summer time, on account of lower demand for heat.

## 12. Tangible fixed assets

Gross value of tangible fixed assets	Land, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Total
Gross value as at 01.01.2017	70 436	176 794	43 843	1 176	6 018	298 267
Acquisition	3 315	21 706	229	279	29 293	54 822
Acquisition in effect of acquisition of business units	-	-	-	-	-	-
Sale	-	-	(5 746)	-	-	(5 746)
Settlement	-	-	-	-	(23 221)	(23 221)
<b>Gross value as at na 31.12.2017</b>	<b>73 751</b>	<b>198 490</b>	<b>38 326</b>	<b>1 455</b>	<b>12 090</b>	<b>324 112</b>
Gross value as at 01.01.2018	73 751	198 490	38 326	1 455	12 090	324 112
Acquisition	2 774	15 002	-	8	3 935	21 719
Settlement/change of classification	-	-	-	-	(17 843)	(17 843)
<b>Gross value as at 31.03.2018</b>	<b>76 525</b>	<b>213 492</b>	<b>38 326</b>	<b>1 463</b>	<b>(1 818)</b>	<b>327 988</b>

  

Accumulated depreciation and impairment charges	Land, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Total
Accumulated depreciation and impairment charges as at 01.01.2017	7 367	34 597	15 215	634	-	57 813
Depreciation	2 914	11 034	4 344	185	-	18 477
Sale	-	-	(3 815)	-	-	(3 815)
Liquidation	-	-	-	-	-	-
<b>Accumulated depreciation and impairment charges as at 31.12.2017</b>	<b>10 281</b>	<b>45 623</b>	<b>15 744</b>	<b>819</b>	<b>-</b>	<b>72 467</b>
Accumulated depreciation and impairment charges as at 01.01.2018	10 281	45 623	15 744	819	-	72 467
Depreciation	747	2 930	927	62	-	4 666
<b>Accumulated depreciation and impairment charges as at 31.03.2018</b>	<b>11 028</b>	<b>48 553</b>	<b>16 671</b>	<b>881</b>	<b>-</b>	<b>77 133</b>

  

Net value	Land, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Total
01.01.2017	63 070	142 197	28 628	541	6 018	240 454
31.12.2017	63 470	152 867	22 582	636	12 090	251 643
01.01.2018	63 470	152 867	22 582	636	12 090	251 643
31.03.2018	65 497	164 939	21 655	582	(1 818)	250 855

Made during the acquisition of fixed assets, they mainly relate to the investment process in Elektrociepłownia Będzin Sp. z o.o. as regards adaptation of the heat and power plant to environmental protection requirements, in line with the EU guidelines.

### 13. Intangible assets

<b>Gross value of intangibles</b>	<b>Patents, licenses, software</b>	<b>Other Intangible assets</b>	<b>Total</b>
Gross value as at 01.01.2017	944	5 512	6 456
Acquisition	87	-	87
<b>Wartość brutto na 31.12.2017</b>	<b>1 031</b>	<b>5 512</b>	<b>6 543</b>
Gross value as at 01.01.2018	1 031	5 512	6 543
Acquisition	59	-	59
<b>Gross value as at 31.03.2018</b>	<b>1 090</b>	<b>5 512</b>	<b>6 602</b>

  

<b>Accumulated amortization and impairment charges</b>	<b>Patents, licenses, software</b>	<b>Other intangible assets</b>	<b>Other</b>
Accumulated amortization and impairment charges as at 01.01.2017	508	964	1 472
Amortization	333	551	884
<b>Accumulated amortization and impairment charges as at 31.12.2017</b>	<b>841</b>	<b>1 515</b>	<b>2 356</b>
Accumulated amortization and impairment charges as at 01.01.2018	841	1 515	2 356
Amortization	86	141	227
<b>Accumulated amortization and impairment charges as at 31.03.2018</b>	<b>927</b>	<b>1 656</b>	<b>2 583</b>

  

<b>Net value</b>			
01.01.2017	436	4 548	4 984
31.12.2017	190	3 997	4 187
01.01.2018	190	3 997	4 187
31.03.2018	163	3 856	4 019

Other intangible assets line shows relations with clients of the Energetyczne Towarzystwo Finansowo-Leasingowe Energo- Utech S.A.

#### 14. Impairment charges on lease receivables

<b>Change in impairment losses on lease receivables</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
Opening balance	(1 086)	(3 365)
Increases as part of the acquisition of business entities	-	(850)
Releases	-	3 129
<b>Closing balance</b>	<b>(1 086)</b>	<b>(1 086)</b>

#### 15. Impairment charges on loans granted

<b>Change in impairment losses on loan receivables</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
Opening balance	(539)	(552)
Release	-	13
<b>Closing balance</b>	<b>(539)</b>	<b>(539)</b>

#### 16. Equity

<b>Share capital</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
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>

<b>Equity as at</b>	<b>31.03.2018</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>	<b>15 746</b>
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	(125)
Retained profits	45 534
<b>Total equity</b>	<b>176 268</b>



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<b>Equity as at</b>	<b>31.12.2017</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				48 288
Reserve capital				44 843
<b>Total other capital</b>				<b>93 131</b>
Defined benefits plan revaluation reserve				(125)
Retained profits				38 960
<b>Total equity</b>				<b>169 694</b>

Ownership structure of the share capital as at 31.03.2018.

<b>Shareholder</b>	<b>Number of shares</b>	<b>Nominal value of shares</b>	<b>Shareholding (%)</b>
Krzysztof Kwiatkowski	1 005 499	5 027	31,93%
AgioFunds TFI SA	334 747	1 674	10,63%
Waldemar Organista	313 146	1 566	9,94%
Bank Gospodarstwa Krajowego	311 355	1 557	9,89%
Familiar S.A. SICAV - SIR	271 526	1 358	8,62%
Zolkiewicz & Partners Inwestycji w Wartość FIZ	157 740	789	5,01%
State Treasury	157 466	787	5,00%
Other shareholders	597 721	2 989	18,98%
	<b>3 149 200</b>	<b>15 746</b>	<b>100,00%</b>

*Dividends*

The Parent Company did not pay dividends in the 3 months of 2018.

**17. Inventories**

<b>Inventories</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
Materials	6 313	4 882
Finished products	947	456
Energy certificates	1 291	1 256
CO2 emission allowances	17 596	13 952
Advance payments to suppliers	3	-
	<b>26 150</b>	<b>20 546</b>

As of 31<sup>st</sup> March, 2018, the materials were primarily carbon stocks.

<b>CO2 emission allowances</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
<b>At the beginning of the period</b>	13 952	15 780
Purchase	-	9 895
Received (free of charge allocation)	3 644	2 728
Cancellation (as per annual emission)	-	(14 451)
<b>At the end of the period</b>	<b>17 596</b>	<b>13 952</b>



<b>Energy certificates</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
<b>At the beginning of the period</b>	1 256	1 241
Generation	689	2 708
Sale	(857)	(2 759)
Redemption	(5)	
Impairment charge	208	66
<b>At the end of the period</b>	<b>1 291</b>	<b>1 256</b>

## 18. Profit per share

	<b>31.03.2018</b>	<b>31.03.2017</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>31.03.2018</b>	<b>31.03.2017</b>
Net profit distributed among shareholders of the parent entity	6 574	15 727
Number of shares	3 149 200	3 149 200
<b>Main profit per share (PLN/share)</b>	<b>2,1</b>	<b>5,0</b>

## 19. Employee benefits

<b>Change in current value of liabilities under defined employee benefits</b>	<b>01.01.2018 - 31.03.2018</b>	<b>01.01.2017 - 31.12.2017</b>
<b>Opening balance of liabilities under defined employee benefits</b>	4 580	4 165
Increases resulting from acquisition of business units	-	-
Current employment costs	-	125
Interest cost	-	109
Defined benefits plan revaluation reserve recognized in other comprehensive income	-	483
Past service cost	-	-
Restrictions/liquidation of plan	-	(4)
Benefits paid	(221)	(298)
<b>Closing balance of liabilities under defined employee benefits</b>	<b>4 359</b>	<b>4 580</b>

<b>Change in current value of liabilities under other employee benefits</b>	<b>01.01.2018 - 31.03.2018</b>	<b>01.01.2017 - 31.12.2017</b>
<b>Opening balance of liabilities under employee benefits</b>	9 479	8 424
Increases resulting from acquisition of business units	-	-
Current employment cost	807	7 402
Interest cost	-	116
Defined benefits plan revaluation reserve recognized in profit or loss in current reporting period	(85)	(1 336)
Benefits paid	(2 982)	(5 127)
Release	-	-
<b>Closing balance of liabilities under other employee benefits</b>	<b>7 219</b>	<b>9 479</b>

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Change in balance of liabilities under employee benefits	Retirement and disability severance			Total
	Service anniversary awards	payments	Other liabilities	
<b>As at 01.01.2018</b>	<b>2 714</b>	<b>3 590</b>	<b>7 755</b>	<b>14 059</b>
Created	240	-	567	807
Utilized	(597)	(221)	(2 385)	(3 203)
Released	-	-	(85)	(85)
<b>As at 31.03.2018</b>	<b>3 044</b>	<b>3 369</b>	<b>5 165</b>	<b>11 578</b>
long term provisions	2 401	2 929	3 975	9 305
short term provisions	643	440	1 190	2 273

Change in balance of liabilities under employee benefits	Retirement and disability severance			Total
	Service anniversary awards	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>
Created	1 583	209	5 956	7 748
Utilized	(1 907)	(170)	(3 348)	(5 425)
Released	(1 049)	-	(287)	(1 336)
Revaluation of provisions recognized in other comprehensive income	-	665	(182)	483
<b>As at 31.12.2017</b>	<b>2 714</b>	<b>3 590</b>	<b>7 755</b>	<b>14 059</b>
long-term provisions	2 401	2 929	3 975	9 305
short-term provisions	313	661	3 780	4 754

**20. Provisions**

Provisions	Provision for		Total
	CO2 emission allowance	Other provisions	
<b>Value as at 01.01.2018</b>	<b>14 451</b>	<b>7 765</b>	<b>22 216</b>
Created	4 714	3 350	8 064
Utilized	-	(43)	(43)
<b>As at 31.03.2018</b>	<b>17 598</b>	<b>9 069</b>	<b>26 667</b>
long-term	-	3 888	3 888
long-term	17 598	5 181	22 779

**21. Fair value of financial instruments**

Details of fair values of financial instruments for which they can be estimated are as follows:

- cash and cash equivalents, short-term bank deposits and short-term bank loans - the carrying amount of the instruments is close to their fair value due to the rapid maturity of these instruments,
- trade receivables, trade payables, other receivables and liabilities, short-term lease receivables, short-term loans receivable - the carrying amount of the instruments is close to their fair value due to their short-term nature
- long-term lease receivables, long-term receivables from loans granted, long-term loans and borrowings - the carrying amount of the instruments is close to their fair value mainly due to their variable nature of interest rates, based on the market interest rates.

	Current value	Fair value
<b>As at 31.03.2018</b>		
Financial instruments measured at fair value through profit or loss	-	-
Loans and receivables, including	431 401	430 650
<i>leasing agreements</i>	332 625	331 874
<i>granted loans</i>	33 157	33 157
<i>trade receivables and other</i>	26 774	26 774
<i>cash and cash equivalents</i>	38 845	38 845
Investments held to maturity	-	-
Other financial liabilities, including	(489 608)	(488 919)
<i>liabilities under loans and credits</i>	(447 174)	(446 485)
<i>trade liabilities and other</i>	(42 434)	(42 434)
	<b>(58 207)</b>	<b>(58 269)</b>

	Current value	Fair value
<b>As at 31.12.2017</b>		
Financial instruments measured at fair value through profit or loss	-	-
Loans and receivables, including:	429 412	428 589
<i>leasing agreements</i>	337 034	336 211
<i>granted loans</i>	38 443	38 443
<i>trade receivables and other</i>	23 707	23 707
<i>cash and cash equivalents</i>	30 228	30 228
Investments held to maturity	-	-
Other financial liabilities including	(494 978)	(494 219)
<i>liabilities under loans and credits</i>	(461 629)	(460 870)
<i>trade liabilities and other</i>	(33 349)	(33 349)
	<b>(65 566)</b>	<b>(65 630)</b>

## 22. Contractual liabilities entered into for the acquisition of property, plant and equipment and intangible assets

On 3<sup>rd</sup> June, 2015, Elektrociepłownia BĘDZIN Sp. z o.o. concluded an annex to a contract no. 99/EC/2014 for the execution of an investment project under the name of "Construction of flue gas desulphurisation and denitrogenation at Elektrociepłownia BĘDZIN Sp. z o.o. "with SBB Energy S.A. The total investment value was estimated at PLN 130mio. As at 31<sup>st</sup> March, 2018, the value of outlays under the said contract totalled PLN 130mio.

## 23. Explanation of seasonality or cyclicity of the Capital Group's activities

Business activity of Elektrociepłownia BĘDZIŃ S.A. Capital Group, as a manufacturer of heat and electricity, is characterized by its specific seasonality. In individual reporting periods, there is a difference in the amount of electricity and heat produced, which is related to the dependence of production volumes on seasons and weather conditions. In particular, it concerns the production and sale of heat, which is significantly higher in autumn and winter.

There is no seasonality in the financial segment.

#### **24. Conditional liabilities and proceedings pending before court**

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

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

On 19<sup>th</sup> November, 2014, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech SA (subsidiary) brought a case for the payment of a claim arising from recourse factoring.

On 30<sup>th</sup> January, 2015, an order for payment was issued under the writ of payment proceedings, obliging the factoring agent and the debtor to pay the debt along with the interests accrued by the payment date, in favour of Energetyczne Towarzystwo Finansowo- Leasingowe ENERGO – UTECH SA.

The factoring agent did not lodge an objection as regards the said order for payment; on 11<sup>th</sup> June, 2015 a motion to institute execution proceedings was filed. The execution proceedings conducted by a court bailiff were discontinued. The debt execution proved to be ineffective.

The debtor company lodged an objection against the order for payment, the court proceedings are pending before the Regional Court in Poznań. The court proceedings are underway. On 17<sup>th</sup> May, 2017 the Regional Court in Poznań, 9<sup>th</sup> Business Division delivered judgement of dismissal.

On 19<sup>th</sup> July, 2017 Energetyczne Towarzystwo Finansowo – Leasingowe Energo – Utech appealed the judgement of the Regional Court in Poznań, 9<sup>th</sup> Business Division, dated 17<sup>th</sup> May, 2017.

On 2<sup>nd</sup> October, 2017, the Debtor filed a response to the said appeal. At this stage it is impossible to estimate what financial consequences the resolution of the case may entail. The disputable debt is covered by an impairment charge.

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

#### **25. Security on property**

There is collateral on the Capital Group's assets, inter alia in connection with the loan agreement intended to finance the investment in Elektrociepłownia BĘDZIN Sp. z o.o. dated December 16, 2014.

The subject of the collateral on the assets of the Capital Group are:

- joint mortgage of the highest priority and the sum of PLN 196.984k on real estate of Elektrociepłownia BĘDZIN Sp. z o.o. located in Sosnowiec for which land registers are kept in the District Court in Sosnowiec, 6<sup>th</sup> Division of Land and Mortgage Registers, with the numbers KA1S / 00033883/2 and KA1S / 0034647/3 and on the real property located in Będzin for which a land register is kept in the District Court in Będzin, 5<sup>th</sup> Divisions of Land and Mortgage Registers, with the number KA1B/00016873/8,
- a registered pledge on a set of things and rights defined as a set of all movables and property rights belonging to the company, i.e. Elektrociepłownia BĘDZIN Sp.z o.o. (excluding the rights to bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o. and the rights being the subject of agreements on security assignment of rights concluded between Bank Polska Kasa Opieki SA and Elektrociepłownia BĘDZIN Sp. z o.o., as well as the real estate and other rights which in the light of regulations cannot be encumbered with a registered pledge as construed by the catalog of the method of description of pledged objects constituting Appendix 1 to the Regulation of the Minister of Justice of 15<sup>th</sup> October, 1997 on the detailed organization of the way of keeping a register of pledges constituting a set of things and rights constituting a single economic unit, even if its composition was variable within the meaning of the Pledge Act - the value of the pledge is PLN 123.808k,
- heat Purchase Agreement for Elektrociepłownia BĘDZIN Sp. z o.o. – agreement on security assignment of rights,

- electricity sales agreements and other contracts generating revenues of over PLN 200k per year for Elektrociepłownia BĘDZIN Sp. z o.o. – agreement on security assignment of rights,
- power of attorney to bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o.
- the credits funding financial lease agreements are secured with promissory notes, mortgages, registered pledges and transfers of ownership of fixed assets and assignments of receivables in favour of the banks

## 26. Transactions with related entities

### *Transactions with persons holding managerial positions*

During the reporting period ending on 31<sup>st</sup> March, 2018, no advances, loans, credits, guarantees or other liability-raising agreements were provided or made with persons holding managerial positions, their spouses, or persons related to them by blood or by marriage.

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

	31.03.2018	31.03.2017
Base remuneration, other benefits, bonuses	294	399
	<b>294</b>	<b>399</b>

As at 31.03.2018	Receivables	Liabilities
MDW Glanowski	-	10 877
Autodirect SA	24	
	<b>24</b>	<b>10 877</b>

As at 31.03.2018	Sales of products	Other revenues
Autodirect SA	5	-
	<b>5</b>	<b>-</b>

As at 31.03.2018	Purchase of services	Other purchase
MDW Glanowski	131	-
	<b>131</b>	<b>-</b>

## 27. Events after the balance sheet date

On 16<sup>th</sup> April, 2018, the Shareholders' Meeting of Energo-BIOMASA Sp. z o.o. increased the company's share capital up to PLN 2,500k. The equity interest of Energetyczne Towarzystwo Finansowo-Leasingowe "ENERGO-UTECH" SA decreased to 19.99%.

On 25<sup>th</sup> May, 2018, the Supervisory Board of Elektrociepłownia Będzin SA, pursuant to a Resolution no. 5/IX/2018, chose KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. seated in Warsaw, to review and examine the Company's 2018 financial statements.

## 28. Manpower

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

Manpower	31.03.2018	31.12.2017
Production staff	129	133

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Other than production staff	90	90
	<b>219</b>	<b>223</b>

**29. Approval of consolidated financial statements**

These condensed consolidated interim financial statements were produced and approved for publication by the Management Board of the Parent Company on 30<sup>th</sup> May, 2018.