

## INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

### To the Supervisory Board of Elektrociepłownia „Będzin” Spółka Akcyjna

#### *Introduction*

We have reviewed the accompanying interim condensed financial statements of Elektrociepłownia „Będzin” Spółka Akcyjna with its registered office in Poznań, at ul. Krzywoustego 7 (hereinafter: the “Company”), comprising: the balance sheet prepared as at 30 June 2019, profit and loss account, statement of changes in equity and cash flow statement for the period from 1 January 2019 to 30 June 2019, and notes (“interim condensed financial statements”).

The Management Board of the Company is responsible for the preparation and presentation of the interim condensed financial statements in accordance with the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351, hereinafter: the “Accounting Act”), its implementing regulations, and in the form set out in the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2018, item 757).

Our responsibility was to reach a conclusion on the interim condensed financial statements based on our review.

#### *Review scope*

Except as explained in the following paragraph, we conducted the review in accordance with the International Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” in a version adopted by the National Council of Statutory Auditors as the National Standard on Review Engagements 2410 (“NSRE”).

The review of the financial statements consists in directing inquiries primarily to persons responsible for financial and accounting matters as well as conducting analytical procedures and other review procedures. The review scope is significantly narrower than the audit carried out in accordance with the National Standards on Auditing in line with the wording of the International Standards on Auditing. Therefore, a review is insufficient to assure that all relevant issues that would have been revealed during the audit were identified. Accordingly, we do not express an audit opinion on these interim condensed financial statements.



#### *Basis for Qualified Conclusion*

The Company recognised shares in Elektrociepłownia Będzin Sp. z o.o. (a subsidiary) at PLN 80,987 thousand under non-current assets. The Management Board of the Company did not identify any impairment indicators with respect to shares in this entity, which was acknowledged under note "Shares in subsidiaries. Analysis of impairment indicators" to the separate financial statements. However, the impairment of shares was largely verified based on a fixed asset impairment test prepared by Elektrociepłownia Będzin Sp. z o.o. In the course of our analysis thereof, we were unable to obtain sufficient and appropriate data and information which would confirm that the key test assumptions and parameters adopted, and the electricity price paths in particular, were accurate. Therefore, we were unable to determine whether and how large an impairment loss on fixed assets in the subsidiary would have to be recognised, and whether the value of shares in Elektrociepłownia Będzin Sp. z o.o. would have to be adjusted.

Furthermore, in H1 2019, the Management Board of Elektrociepłownia „Będzin” Spółka Akcyjna carried out an impairment test of the shares in Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. („Energo-Utech”), a subsidiary of the Company. As a result of this test, the Management Board recognised an impairment loss on those shares at PLN 9,505 thousand. This derives from the impairment loss on financial assets at PLN 11,735 thousand that the Capital Group Elektrociepłownia „Będzin” S.A. recognised in its interim condensed consolidated financial statements due to the change in the methodology of calculating expected credit losses. In reaching the conclusion from the review of consolidated financial statements of the Group, we were unable to conclude whether the new methodology should not lead to a part of the impairment loss being recognised in prior periods. As a consequence, we are unable to conclude whether a part of the impairment loss on shares in Energo-Utech should not be recognised in prior periods.

#### *Qualified Conclusion*

Except for the adjustments to the interim financial statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the Accounting Act, its implementing regulations, and in the form set out in the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2018, item 757).

Auditor conducting the review on behalf of Deloitte Audyt spółka z ograniczoną odpowiedzialnością sp. k. — entity entered under number 73 on the list of auditors kept by the National Council of Statutory Auditors:

Jacek Mateja  
Registered under number 9736

Warsaw, 1 October 2019

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**STANCE OF THE MANAGEMENT BOARD AND OPINION OF THE SUPERVISORY BOARD OF ELEKTROCIĘPŁOWNIA "BĘDZIN" SA ON THE RESERVATIONS VOICED IN THE INDEPENDENT CERTIFIED AUDITOR'S REPORT ON THE REVIEW OF INTERIM FINANCIAL STATEMENTS.**

The report of an independent certified auditor Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. ("Auditor") on the review of interim condensed consolidated financial statements of Elektrociepłownia "Będzin" S.A. ("Company") for the period from 1st January 2019 to 30th June 2019 has the following reservations:

In the financial fixed assets the Company presents shares of PLN 80,987 in Elektrociepłownia Będzin Sp. z o.o., a subsidiary. The Company's Board has not identified any impairment indication concerning shares in the subsidiary, as presented in the notes to the stand-alone financial statements, under "Shares in subsidiaries. Analysis of impairment indications". Nevertheless, the verification of the impairment of shares is based to a significant extent on the Elektrociepłownia Będzin Sp. z o.o. test for impairment of fixed assets, during the analysis of which we were not able to obtain, from the Company's Management Board, sufficient and appropriate data or information attesting the correctness of the adopted parameters and assumptions which were central to the test's outcome, and in particular electric energy price curves. Therefore, we were not able to determine whether and in what amount an impairment allowance for the value of fixed assets in the subsidiary would be necessary, and thus an adjustment of the value of the shares of the subsidiary Elektrociepłownia Będzin Sp. z o.o. Moreover, in the first half of 2019, the Management Board of Elektrociepłownia "Będzin" Spółka Akcyjna conducted an impairment test of the shares of the subsidiary Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. ("Energo-Utech"), as a result of which it made impairment allowance for these shares in the amount of PLN 9,505k. The stated impairment of shares is a derivative of the impairment allowance for financial assets recognized in the condensed interim consolidated financial statements of the Elektrociepłownia "Będzin" S.A. capital group. in the amount of PLN 11,735k in connection with the change in the methodology of calculating expected credit losses. When issuing the application for review of the capital group's consolidated financial statements, we were unable to assert whether having applied the new methodology for calculating expected credit losses in the "Energo-Utech" Company would have resulted in recognising a portion of the allowance in earlier periods therefore, we are consequently unable to comment whether a portion of the allowance of the value of shares of the "Energo-Utech" Company should have been included in earlier periods."

The difference between auditor's opinion and the stance of the Company's Management Board regards the assessment of the viability of financial projections prepared by Elektrociepłownia BĘDZIN Sp. z o.o., the subsidiary. In the opinion of the Management Board of Elektrociepłownia Będzin S.A., the impairment test assumptions for fixed assets prepared by the subsidiary are viable and they provide for the adopted electric energy price curve. In its projections, the subsidiary's Management Board adopted a viable and possible to obtain electric energy price curve and submitted the Auditor with any and all data at hand.

The Company's Supervisory Board assessing the interim financial statements of Elektrociepłownia "Będzin" S.A. for the period from 1<sup>st</sup> January 2019 to 30<sup>th</sup> June 2019, considered the Management Board's arguments as well as the position of the Statutory Auditor in this respect.

The Company's Supervisory Board agrees with the above mentioned stance of the Management Board of Elektrociepłownia "Będzin" S.A. Concomitantly, the Supervisory Board recommended that the Company's Management Board take up activities aiming to verify the adopted electric energy price curves and the methodology for calculating expected credit loss.

Management Board of Elektrociepłownia "Będzin" S.A.

Krzysztof Kwiatkowski - President of the Management Board

Supervisory Board of Elektrociepłownia "Będzin" S.A.

Janusz Niedźwiecki - Chairman of the Supervisory Board  
Supervisory Board (per procura)



**FINANCIAL SUPERVISORY COMMISSION**

**Quarterly report SA-P 2019**

(in accordance with § 60 section 1 point 2 of the Regulations of the Minister of Finance of 29 March 2018.)

(for issuers of securities engaged in manufacturing, construction, trading or service activities)

in half a year **2019** in the period from **2019.01.01** to **2019.06.30**

data of transfer 30.09.2019

<b>Elektrociepłownia "Będzin" S.A.</b> (full name of the issuer)		<b>ENERGETYKA</b> (Sector according to WSE classification in Warsaw)	
<b>BĘDZIN</b> shortened name of the issuer		<b>Poznań</b> (city/town)	
<b>61-144</b> (postal code)		<b>7</b> (number)	
<b>Bolesława Krzywoustego</b> (street)			
(phone)		(fax)	
<b>ecbedzin@ecb.com.pl</b> (e-mail)		<b>www.ecbedzin.pl</b> (www)	
<b>625-000-76-15</b> (NIP)		<b>271740563</b> (REGON)	

SELECTED FINANCIAL DATA (current year)	in PLNk		in EURk	
	HY 2019	HY/2018	HY 2019	HY/2018
I. Net revenue from the sale of products, goods and materials	1 386	1 144	323	270
II. Profit (loss) on operating activities	681	385	159	91
III. Gross profit (loss)	4 924	568	1 148	134
IV. Net profit (loss)	4 807	465	1 121	110
V. Net cash flow from operating activities	1 658	1 288	387	304
VI. Net cash flow from investing activities	15 000	1 679	3 498	396
VII. Net cash flow from financial activities	-17 057	-3 500	-3 978	-826
VIII. Net cash flow, total	-399	-533	-93	-126
IX. Total assets	143 044	153 932	33 642	35 798
X. Liabilities and provisions for liabilities	45 567	61 262	10 717	14 247
XI. Long-term liabilities	27 347	12 355	6 432	2 873
XII. Short-term liabilities	17 712	48 433	4 166	11 263
XIII. Equity capital	97 477	92 670	22 925	21 551
XIV. Share capital	15 746	15 746	3 703	3 662
XV. Number of shares	3 149 200	3 149 200	3 149 200	3 149 200
XVI. Profit (loss) per ordinary share (in PLN/EUR)	1,53	0,15	0,36	0,03
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	1,53	0,15	0,36	0,03
XVIII. Book value per share (in PLN/EUR)	30,95	29,43	7,28	6,84
XIX. Diluted book value per share (in PLN/EUR)	30,95	29,43	7,28	6,84
XX. Declared or paid dividend per share (in PLN/EUR)				

Balance sheet items for selected financial data were presented as at the end of the current six-month period and as at the end of the previous financial year.

Balance sheet data in EUR were converted at the average exchange rate applied by the National Bank Of Poland which stood at PLN 4.2520 on 28 June 2019. Data in the profit and loss account in EUR for the six-month period of 2019 were converted on the YTD basis at the exchange rate of PLN 4.2880 being the arithmetic mean of the average rates announced by the National Bank of Poland and applicable on the last day of each of the 6 months of 2019.

BALANCE	HY 2019	2018	HY 2018
<b>Assets</b>			
<b>I. Non-current assets</b>	<b>140 215</b>	<b>150 856</b>	<b>152 459</b>
1. Intangible and legal assets		5	15
2. Tangible assets	553	554	555
a) land (including perpetual usufruct)	551	551	551
b) other	2	3	4
3. Long term receivables	17 993	19 072	20 105
3.1 From related parties			
3.2 From other entities	17 993	19 072	20 105
4. Long-term investments	121 083	130 588	130 588
4.1 Long-term financial assets	121 083	130 588	130 588
a) in other entities	121 083	130 588	130 588
- shares or stock	130 588	130 588	130 588
- revaluation of financial assets	-9 505		
5. Long-term prepayments	586	637	1 196
5.1 Deferred income tax assets	586	637	1 196
<b>II. Current assets</b>	<b>2 829</b>	<b>3 076</b>	<b>3 031</b>
1. Short-term receivables	2 161	2 022	1 961
1.1 From related parties			
1.2 From other entities	2 161	2 022	1 961
a) deliveries and services, with repayment period:	21	0	21
- up to 12 months	21		21
b) taxes, duties, customs, social and health insurance and other public and legal titles	2		7
c) other	2 138	2 022	1 933
2. Short term investments	644	1 043	1 047
2.1 Short-terms financial assets	644	1 043	1 047
a) cash and cash equivalents	644	1 043	1 047
- cash on hand and on accounts	644	114	114
- other cash		929	933
3. Short-term prepayments	24	11	23
<b>Total assets</b>	<b>143 044</b>	<b>153 932</b>	<b>155 490</b>
<b>Liabilities</b>			
<b>I. Equity</b>	<b>97 477</b>	<b>92 670</b>	<b>93 017</b>
1. Share capital	15 746	15 746	15 746
2. Supplementary capital	61 545	61 545	61 545
3. Other capital reserves	15 261	15 261	15 261
4. Profit (loss) from previous years	118		
5. Net profit (loss)	4 807	118	465
<b>II. Liabilities and provisions for liabilities</b>	<b>45 567</b>	<b>61 262</b>	<b>62 473</b>
1. Provisions for liabilities	494	460	357
1.1 Deferred income tax liabilities reserve	468	402	328
1.2 Employee benefits reserve	26	26	1
a) long-term	1	1	1
b) short-term	25	25	
1.3 Other reserves	0	32	28
a) short-term		32	28
2. Long-term liabilities	27 347	12 355	16 562
2.1 To other entities	27 347	12 355	16 562
a) loans and borrowings	10 580	11 960	13 320
b) arising from issuance of debt securities	16 421		
c) other financial liabilities	346	395	442
d) other			2 800
3. Short-term liabilities	17 712	48 433	45 540
3.1 To related parties	4 852	5 801	3 723
a) other	4 852	5 801	3 723
3.2 To other entities	12 857	42 629	41 814
a) loans and borrowings	2 740	2 680	2 610
b) arising from issuance of debt securities		29 910	29 901
c) other financial liabilities	97	94	91
d) deliveries and services	44	9	43
- up to 12 months	44	9	43
e) taxes, duties, insurances and other benefits	132	92	100
f) remuneration	15	15	18
g) other	9 829	9 829	9 051
3.3 Special funds	3	3	3
4. Prepayments	14	14	14
4.1 Other prepayments	14	14	14
a) long-term	14	14	14
<b>Total liabilities</b>	<b>143 044</b>	<b>153 932</b>	<b>155 490</b>
Book value	97 477	92 670	93 017
Number of shares	3 149 200	3 149 200	3 149 200
Book value per share (in PLN)	30,95	29,43	29,54
Diluted number of shares	3 149 200	3 149 200	3 149 200
Diluted book value per share (in PLN)	30,95	29,43	29,54

**Profit and loss account - comparative**

Lp.	name	HY 2019	HY 2018
<b>A</b>	<b>Net revenue from sales, including:</b>	<b>1 386</b>	<b>1 144</b>
-	<i>from affiliated entities</i>	447	117
I	Net revenue from sales of finished products	1 386	1 144
<b>B</b>	<b>Operating cost</b>	<b>685</b>	<b>752</b>
I	Amortization	6	11
II	Materials and energy		3
III	External services	290	285
IV	Taxes and charges, including:	16	16
V	Payroll	322	340
VI	Social security and other benefits	33	42
VII	Other expenses by kind	18	55
<b>C</b>	<b>Selling profit (loss) (A-B)</b>	<b>701</b>	<b>392</b>
<b>D</b>	<b>Other operating income</b>	<b>29</b>	<b>-</b>
I	Other operating cost	29	
<b>E</b>	<b>Other operating cost</b>	<b>49</b>	<b>7</b>
I	Inne koszty operacyjne	49	7
<b>F</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>681</b>	<b>385</b>
<b>G</b>	<b>Financial revenue</b>	<b>15 001</b>	<b>1 680</b>
I	Dividends received and share of profits, including:	15 000	1 679
-	<i>from affiliated entities</i>	15 000	1 679
II	Interest	1	1
<b>H</b>	<b>Financial cost</b>	<b>10 758</b>	<b>1 497</b>
I	Interest, including:	1 253	1 497
-	<i>to related parties</i>	76	85
II	Revaluation of investments	9 505	
<b>I</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>4 924</b>	<b>568</b>
<b>J</b>	<b>Corporate income tax</b>	<b>117</b>	<b>103</b>
I	deferred part	117	103
<b>K</b>	<b>Other statutory reductions in profit (increases in loss)</b>		
<b>L</b>	<b>Net profit (loss) (I-J-K)</b>	<b>4 807</b>	<b>465</b>

Net profit (loss) (annualized)	4 247	- 622
Weighted average of ordinary shares	3 149 200	3 149 200
Profit (loss) on one ordinary share (PLN)	1,53	0,15
Diluted weighted average of ordinary shares	3 149 200	3 149 200
Diluted profit (loss) per one ordinary share (PLN)	1,53	0,15

STATEMENT OF CHANGES IN EQUITY	HY 2019	2018	HY 2018
<b>I. Equity (Opening Balance)</b>	92 670	92 552	92 552
<b>I.a. Equity (Opening Balance), after adjusting to comparative data</b>	92 670	92 552	92 552
<b>1. Share capital (Opening Balance)</b>	15 746	15 746	15 746
<b>1.1. Share capital (Closing Balance)</b>	15 746	15 746	15 746
<b>2. Opening balance of supplementary capital</b>	61 545	60 815	60 815
<b>2.1. Changes in supplementary capital</b>	0	730	730
a) increases (from)	0	730	730
- from profit distribution (statutory)		730	730
<b>2.2. Closing balance of supplementary capital</b>	61 545	61 545	61 545
<b>3. Other reserve capital at the beginning of the period</b>	15 261	15 261	15 261
<b>3.1. Other reserve capital at the end of the period</b>	15 261	15 261	15 261
<b>4. Profit (loss) from previous years at the beginning of the period</b>	118	730	730
<b>4.1. Profit from previous years at the beginning of the period</b>	118	730	730
<b>4.2. Profit from previous years, at the beginning of the period, after adjusting to comparative data</b>	118	730	730
a) decreases (due to)	0	730	730
<i>profit distribution</i>		730	730
<b>4.3. Profit from previous years at the end of the period</b>	118	0	0
<b>5. Net profit</b>	4 807	118	465
a) Net profit	4 807	118	465
<b>II. Share capital (Closing Balance)</b>	97 477	92 670	93 017
<b>III. Equity, less the recommended profit distribution (to cover the loss)</b>	97 477	92 670	93 017



<b>CASHFLOW</b>		<b>HY 2019</b>	<b>HY 2018</b>
<b>A. Cash flows from operating activities - indirect method</b>			
<b>I. Net profit (loss)</b>		<b>4 807</b>	<b>465</b>
<b>II. Total adjustments</b>		<b>-3 149</b>	<b>823</b>
1. Amortisation and depreciation		6	11
2. Interest and profit sharing (dividend)		-13 747	-182
3. (Profit) loss on investing activities		9 505	
4. Change in provisions		34	21
5. Change in receivables		941	980
6. Change in short-term liabilities (excluding credits and loans)		75	-14
7. Change in prepayments and accruals		37	7
<b>III. Net cash flows from operating activities (I+/-II)</b>		<b>1 658</b>	<b>1 288</b>
<b>B. Cash flows from investment activities</b>			
<b>I. Inflows</b>		<b>15 000</b>	<b>1 679</b>
1. From financial assets, including:		15 000	1 679
a) in related parties		15 000	1 679
- dividend and profit sharing		15 000	1 679
<b>II. Outflows</b>		<b>-</b>	<b>-</b>
<b>III. Net cash flow from investing activities (I-II)</b>		<b>15 000</b>	<b>1 679</b>
<b>C. Cash flow from financing activities</b>			
<b>I. Inflows</b>		<b>-</b>	<b>-</b>
<b>II. Outflows</b>		<b>17 057</b>	<b>3 500</b>
1. Credits and loans		2 222	1 820
2. Purchase of debt securities		13 300	
3. Payment of liabilities arising from financial leases		46	133
4. Odsetki		1 489	1 547
<b>III. Net cash flow from financing activities (I-II)</b>		<b>-17 057</b>	<b>-3 500</b>
<b>D. Total net cash flows (A.III±B.III±C.III)</b>		<b>-399</b>	<b>-533</b>
<b>E. Balance sheet change in cash, including</b>		<b>-399</b>	<b>-533</b>
<b>F. Cash opening balance</b>		<b>1 043</b>	<b>1 580</b>
<b>G. Closing balance of cash (F±D), including:</b>		<b>644</b>	<b>1 047</b>
- of limited disposability		5	938



Poznań, 30 September 2019

**Statement of the Management Board  
on the reliability of the preparation of the financial statements for the period  
from  
1 January 2019 to 30 June 2019**

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 2019 to 30 June 2019 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.

The report of the Management Board of Elektrociepłownia „Będzin” S.A. on the Company's operations for the first half of the year 2019 includes a true description, including the description of the risks associated with the next financial year.

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

## **Additional Information**

Additional information, presenting the accounting policies adopted in the preparation of the report, data on changes in applied accounting principles, information on adjustments in provisions, deferred tax liabilities and assets, and revaluation write-downs on assets.

### **Principles for drawing up the report**

Elektrociepłownia "Będzin" S.A. presents its financial statement for the period commencing 1 January 2019 and ending on 30 June 2019, as well as, comparable financial data for the period from 1 January 2018 to 30 June 2018 and as at 31 December 2018.

The financial statements were produced at the going concern assumption whereby the Company will continue its business operations throughout the foreseeable future encompassing period not shorter than that on the year as of the balance sheet date, and the scope of said activity will not be significantly reduced. There are no circumstances whatsoever posing a threat to such continuity.

When preparing the report for the period from 1 January 2019 to 30 June 2019, the accounting policies described in the annual financial statements for 2018 were applied.

### **Changes in accounting policies**

Elektrociepłownia "Będzin" S.A. did not change the accounting policy.

### **Occurrences and events which in the issuer's opinion impacted the financial performance**

The Company operates as a holding and is involved in lease and rent of fixed assets. The financial performance was impacted by dividend obtained from the subsidiary.

On 13 February 2018, the Extraordinary General Meeting of Elektrociepłownia BĘDZIN sp.z o.o. (a subsidiary) adopted a resolution on dividend payment to the parent company from supplementary capital created from 2017 profit in the amount of PLN 15m. The dividend was paid on 10 April 2019. The dividend was allocated for the redemption of bonds in the amount of PLN 13.3m.

### **Information on the seasonality or the cyclical nature of the Company's operations**

There is no seasonality nor any cyclical nature in the Company's operations.

### **Shares in subsidiaries. Analysis of indications of impairment.**

As at 30 June 2019, an impairment test was carried out on shares of Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH SA. Current value of shares in the amount of PLN 49,600k. has been updated and amounts to PLN 40,095k. The impairment charge is caused by the loss of value of shares due to the change in the model of estimating expected losses due from impairment of financial assets according to IFRS 9.

As at 30 June 2019, an impairment test was carried out for the shares of Elektrociepłownia Będzin sp. Z o. O. The value of shares in the amount of PLN 80,987k. remained unchanged.

In the opinion of the Management Board of Elektrociepłownia "Będzin" S.A., the assumptions adopted in the impairment test for property, plant and equipment prepared by the subsidiary are realistic and indicate that the indicated price path for electricity at the assumed level was obtained.

### **Impairment charges**

As at 30 June 2019, the Company made impairment charges on long-term financial assets, i.e. shares, in the amount of PLN 9.505k.

Impairment charges on fixed and current assets are made in effect of, inter alia, permanent impairment of such assets, according to Art. 28, sec. 7 of the Polish Accounting Act, when there is a high probability

that an asset controlled by the Company will not generate significant envisaged economic benefits in the future.

As of 30 June 2019, impairment charges on short-term receivables amounted to PLN 8k, including: impairment charges on trade and service receivables: PLN 8k.

As of 30 June 2019, impairment charges on inventories and fixed assets amounted to PLN 14k including: impairment charges on fixed assets: PLN 14k.

The impairment charges on tangible and current assets did not change vis a vis balances recorded as at 31 December 2018.

### Provisions

Provisions for liabilities are measured not less frequently than as at the balance sheet date, in justified, duly estimated value. The Company raises provisions for certain or highly likely future liabilities, the amount of which can be reliably projected, in particular for the costs of services related to a given reporting period and actually performed in the next reporting periods and for long-term and short-term employee benefits. The financial effects of provisions are taken to operating costs, other operating costs or financial costs, respectively, depending on the nature of the operation, to which the future liabilities are linked. Provisions for jubilee bonuses, retirement severance pays, disability benefits, post-death benefits and unused holidays are measured based on the actuarial valuation prepared by a professional entity entered in the list actuaries, which is a member of the Polish Association of Actuaries.

Below are tables on changes in long-term and short-term provisions.

<b>Changes in short-term provisions for retirement and similar benefits (by purpose in PLNk)</b>	<b>30/06/2019</b>	<b>30/06/2018</b>
a) opening balance	25	-
b) closing balance	25	-

<b>Changes in long-term provisions for retirement and similar benefits (by purpose in PLNk)</b>	<b>30/06/2019</b>	<b>30/06/2018</b>
a) opening balance	1	1
b) closing balance	1	1

<b>Changes in other short-term provisions (by purpose in PLNk)</b>	<b>30/06/2019</b>	<b>30/06/2018</b>
a) opening balance	32	88
b) increase (due to)	-	-
c) utilisation (due to)	32	60
balance sheet examination	32	19
other		41
d) release (due to)	-	-
e) closing balance	-	28

### Deferred tax assets and provisions

Deferred income tax provisions are raised in the amount of the future due amount arising from positive temporary differences. Deferred income tax provisions are raised with the consideration of tax rates applicable in the year when tax duty arises.

Deferred income tax assets are raised in the amount of the future tax return amount arising from negative temporary differences which, in the future, will reduce the basis for the calculation of the income tax and following deductible tax loss; all determined using the precautionary principle. The amount of deferred tax assets is determined taking into account the income tax rates applicable in the year in which the tax duty arises.

Assets from deferred income tax (in PLNk)	30/06/2019	30/06/2018
Provisions for liabilities	9	6
valuation of bonds	42	76
tax loss	535	1 114
<b>TOTAL</b>	<b>586</b>	<b>1 196</b>

Provisions from deferred income tax (in PLNk)	30/06/2019	30/06/2018
difference in the balance sheet value and tax value	468	328
<b>TOTAL</b>	<b>468</b>	<b>328</b>

#### **Information on important acquisitions and disposals of tangible fixed assets**

In the period from 1 January 2019 to 30 June 2019, the Company has not made any important acquisitions and disposals of tangible fixed assets.

#### **Information about material settlements in court cases**

There are currently no proceedings pending against Elektrociepłownia “Będzin” SA, or issued by the Company.

#### **Errors in previous reporting periods**

The financial statements made as at 30 June 2019 do not include any adjustments of errors made in the previous reporting periods.

#### **Information on changes in the economic situation and the Company's operating conditions**

According to the Company, there were no changes in the economic situation and operating conditions that would affect the value of its financial assets and liabilities.

#### **Information on sureties, loans and guarantees**

The Company has established a registered pledge on 768,700 shares in the capital of Elektrociepłownia BĘDZIN Sp. z o.o., which represents 100% of the company's share capital. Pledges were established to secure the Bank's claims under the loan agreement of 16 December 2014, under which the Bank pledged to grant the Company's subsidiary, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under the terms of a loan agreement with an investment credit up to a maximum of PLN 94,491.83k. and a VAT credit up to a maximum of PLN 4,000.00k.

The registered pledge was established as collateral for the repayment of the loan agreement, up to the maximum amount of the collateral, i.e. PLN 196,983.65k. At the same time, the Company, as collateral for the repayment of loan agreements, undertook that after acquiring or acquiring new shares, it would establish a registered pledge and a financial pledge with the highest priority of satisfaction on new shares to the Bank. Under these pledges, the Company has transferred the rights to dividends and other payments to the Bank.

On 15 February 2016, Elektrociepłownia “Będzin” S.A. and ING Bank Śląski S.A. entered into a corporate PLN loan agreement on financing an investment and refinancing of incurred capital expenditures of PLN 21,640k. The interest rate on the loan is determined based on the variable interest rate established by the Bank, based on the WIBOR rate for one-month interbank deposits with an added bank's margin. Total debt is to be repaid in 84 monthly installments. Loan security includes, among others: registered pledge on machinery and equipment being the subject of investment, assignment of receivables from the lease of machinery and equipment, assignment of rights from the insurance policy of machinery and equipment, blank bill of exchange and declaration of submission to enforcement.

On 28 February 2019, the Company issued a blank promissory note with a promissory note declaration as security for repayment of the working capital loan in the amount of PLN 1,300,000, granted to the Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A subsidiary by Poznański Bank Spółdzielczy

On 19 June 2019, the Company issued a blank promissory note with a promissory note declaration as security for the repayment of an investment loan in the amount of PLN 6,612,000 granted to the Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. subsidiary by mBank S.A.

### **Transactions with related parties**

The Company did not enter into transactions with related parties on conditions other than market conditions.

### **Financial instruments**

The Company did not change the method of valuation of their financial instruments.  
The Company has not changed its classification of financial assets.

### **Information on the issue, redemption and repayment of debt and equity securities**

long-term liabilities of PLN 16,421k arising from debt securities relate to the issue of bonds carried out to finance the acquisition of shares in Energetyczne Towarzystwo Finansowo-Leasingowego Energo-Utech S.A. The issue took place on 13 April 2015 and its total nominal value was PLN 30,000k. The bonds bear interest at 6M WIBOR rate and margin of 4.5p.p. In 2015 and in 2019, the Capital Group acquired own bonds worth PLN 13.800k in order to redeem them.

According to the current report no. 2/2019 of 10.04.2019, the bonds will be redeemed on 10 April 2022. The bonds are secured in the form of a pledge on 100% shares of the Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. Subsidiary

The Company does not have and did not issue other debt securities or equity instruments.

The Company plans to repay the liabilities arising from debt securities with inflows from the dividend from subsidiaries to be paid in effect of distribution of earnings retained in previous years.

### **Information on paid (declared) dividends**

In the period from 1 January 2019 to 30 June 2019 the Company did not pay any dividends.

### **Events occurring after the balance sheet date**

On 16 September 2019, the Company received a dividend from ETF-L ENERGO-UTECH SA in the amount of PLN 350k

### **Contingent liabilities and assets**

On 22 July 2016, the Company accessed the debt of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. resulting from the factoring agreements concluded on 22 July 2016, with respect to the purchase and financing of lease receivables (agreements no. 879/07/2016, 880/07/2016 and 881/07/2016), on the basis of which PKO BP Faktoring S.A., with its registered office in Warsaw, gave the Debtor a funding limit in the total amount of PLN 20m (twenty million Polish Zloty) until 21 July 2021. Under this agreement, the responsibility of the Joint Borrower and the Debtor is a

joint and several liability, and the Factor may request all or part of the benefit of both parties jointly liable or separately from each.

**Information on loan or loan default or breach of significant provisions of the loan or loan agreement.**

The Company has no outstanding loans and advances. All covenants included in the loan agreements are met.

**Other important information facilitating the assessment of the Company's financial position, financial standing and results**

In the reporting period, there were no other additional events that could affect the assessment of the Company's financial position, financial standing and results.

Krzysztof Kwiatkowski – President of the Management Board

Poznań, 30 September 2019



September 2019.

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## Management Board Report on the Elektrociepłownia Będzin S.A. Company activity in H1 2019

**Elektrociepłownia „Będzin” S.A.**



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## INTRODUCTION

The Management Board of Elektrociepłownia “Będzin” S.A. hereby presents the Management Board Report on the Company’s Activity the first half of the accounting year 2019, prepared on the basis of the Accounting Law and the Regulation of the Minister of Finance of 29 March 2018 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 2018.757, as amended).

Principles of preparing the condensed interim consolidated financial statements for H1 2019, are included in the additional information to the financial statements.

### I. CORE INFORMATION ABOUT THE COMPANY

#### 1. Core data

Since 1993, the Company has been operating under the name of Elektrociepłownia "Będzin" SA. While as a power plant, it has been operating in the Dąbrowski Basin already since 1913. In its history, it has undergone many property changes. Since 2014, due to the transfer of ownership of the Company to Elektrociepłownia BĘDZIN Sp. z o.o., Elektrociepłownia "Będzin" S.A. has become a holding company and does not carry out production activities.

Since 1998, the Company's shares are listed on the Warsaw Stock Exchange and are part of the InvestorMS index.

The Company's share capital as at 30 June 2019 amounts to PLN 15 746 000 and is divided into 3 149 200 A series shares of the nominal value of PLN 5 each.

#### 2. Name and registered office

<b>Company name:</b>	Elektrociepłownia "Będzin" Spółka Akcyjna The Company has the right to use an abbreviated name: Elektrociepłownia „Będzin” S.A.
Legal form:	Spółka Akcyjna
Registration country:	Polska
Registered office:	Poznań
Address:	61-144 Poznań, ul. Bolesława Krzywoustego 7
Telephone:	(+48) 61 227 57 10-11
Fax:	(+48) 61 227 57 12
e-mail:	ecbedzin@ecb.com.pl
Website:	www.ecbedzin.pl
REGON (statistical company registration number)	271740563
NIP (taxpayer identification number):	PL 625-000-76-15
KRS (National Court Register registration number)	0000064511

#### 3. Authorities in the Company

##### Management Board

In H1 2019, the Company 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  
Polish Financial Supervision Authority

## Supervisory Board

From 1 January to 30 June 2019, the Supervisory Board of the ninth 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 Głanowski - Member of the Supervisory Board,
4. Mirosław Leń - Member of the Supervisory Board,
5. Wojciech Sobczak - 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.

## Audit Committee

From 1 January 2019 to 30 June 2019, the Audit Committee was operating composed of the following individuals:

1. Janusz Niedźwiecki - Chairman of the Audit Committee
2. Waldemar Organista - Member of the Audit Committee
3. Wojciech Sobczak - Member of the Audit Committee

## 4. Shareholding and changes in the main shareholders structure

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 2019.**				As at 30 September 2019.***				Change	
	shares	votes	shares [%]	votes [%]	shares	votes	shares [%]	votes [%]	purchase	sales
Krzysztof Kwiatkowski*	1 033 499	1 033 499	32.82	32.82	1 034 499	1 034 499	32.85	32.85	1 000	-
VALUE Fundusz Inwestycyjny Zamknięty z wydziałym Subfunduszem 1	334 747	334 747	10.63	10.63	334 747	334 747	10.63	10.63	-	-
Bank Gospodarstwa Krajowego	311 355	311 355	9.89	9.89	311 355	311 355	9.89	9.89	-	-
Familiar S.A. SICAV - SIR	271 526	271 526	8.62	8.62	271 526	271 526	8.62	8.62	-	-
Waldemar Organista	173 146	173 146	5.50	5.50	153 146	153 146	4.86	4.86	-	20 000
Zolkiewicz & Partners Inwestycji w Wartość FIZ	157 740	157 740	5.01	5.01	156 488	156 488	4.97	4.97	-	1 252
State Treasury	157 466	157 466	5.00	5.00	157 466	157 466	5.00	5.00	-	-
Summary	2 439 479	2 439 479	77.46	77.46	2 419 227	2 419 227	76.82	76.82	1 000	21 252

\* together with subsidiaries

\*\* Information as at the date of publishing the interim statement for Q1 2019.

\*\*\* Information as at the date of publishing the interim statement for H1 2019.

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

Specification	As at 30 May 2019 **				As at 30 September 2019 ***				Change	
	shares	votes	shares [%]	votes [%]	shares	votes	Shares [%]	votes [%]	purchase	sales
Krzysztof Kwiatkowski*	1 033 499	1 033 499	32.82	32.82	1 034 499	1 034 499	32.85	32.85	1 000	-
Waldemar Organista	173 146	173 146	5.50	5.50	153 146	153 146	4.86	4.86	-	20 000
Summary	1 206 645	1 206 645	38.32	38.32	1 187 645	1 187 645	37.71	37.71	1 000	20 000

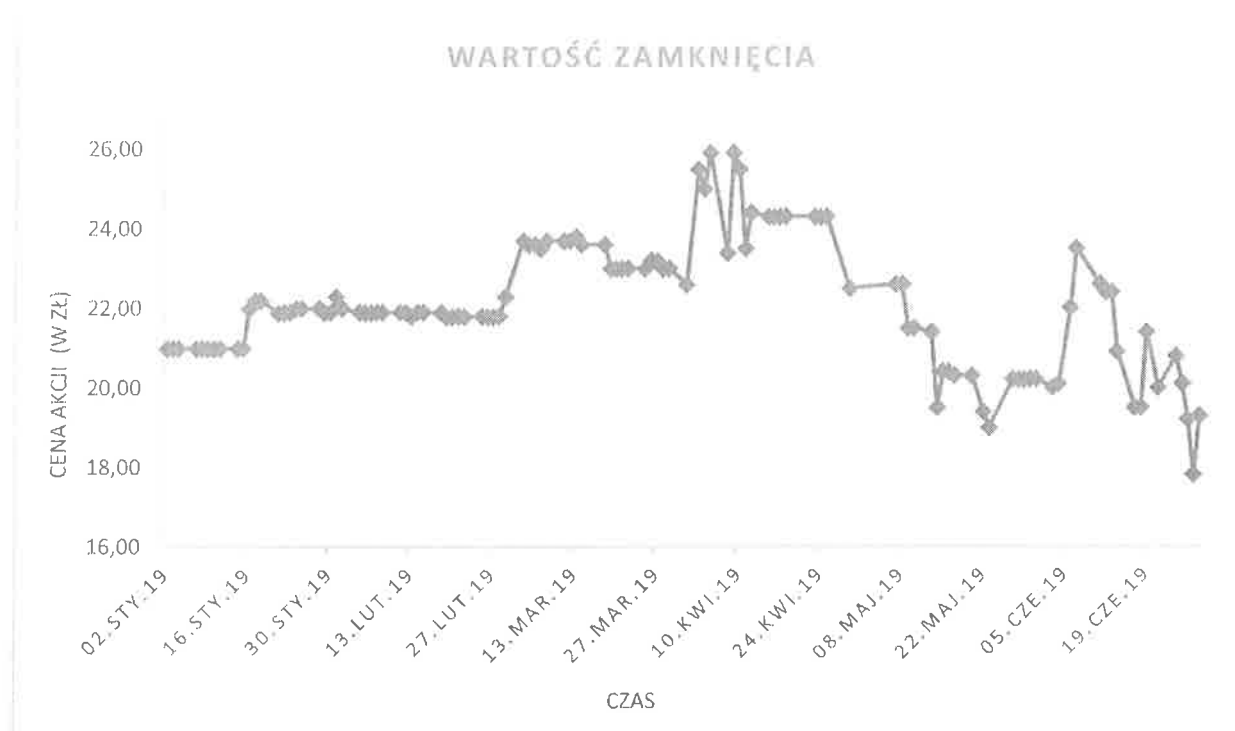
\* together with subsidiaries

\*\* Information as at the date of publishing the interim statements for Q1 2019.

\*\*\* Information as at the date of publishing the interim statement for H1 2019.

## 6. The Company's securities are listed on the domestic securities market

The chart below demonstrates the changes in the Company's share price on the Warsaw Stock Exchange S.A. in the first half of 2019.



## 7. Description of significant achievements or failures of the issuer in the period covered by this Report together with a list of major events related to said achievements or failures.

On 13 February 2018, the Extraordinary General Meeting of Elektrociepłownia BĘDZIN sp.z o.o. (a subsidiary) adopted a resolution on dividend payment to the parent company from supplementary capital created from 2017 profit in the amount of PLN 15m. The dividend was paid on 10 April 2019. The dividend was allocated for the redemption of bonds in the amount of PLN 13.3m.

On 9 April 2019, in accordance with the amended Terms of Issue of Bonds, the issue period of the said bonds ends on 10 April 2022. Other Terms of Issue of Series A Bonds remain unchanged. The current value of the issue is PLN 16.2m.

As at 30 June 2019, the Company made a revaluation of long-term financial assets, i.e. shares, in the amount of PLN 9.505k. The revaluation charge is caused by the loss of value of shares related to the change in the model of estimating expected losses due to impairment of financial assets according to IFRS 9.

## II. ORGANISATION OF THE ISSUER CAPITAL GROUP

### 1. Basic information about the Issuer Capital Group

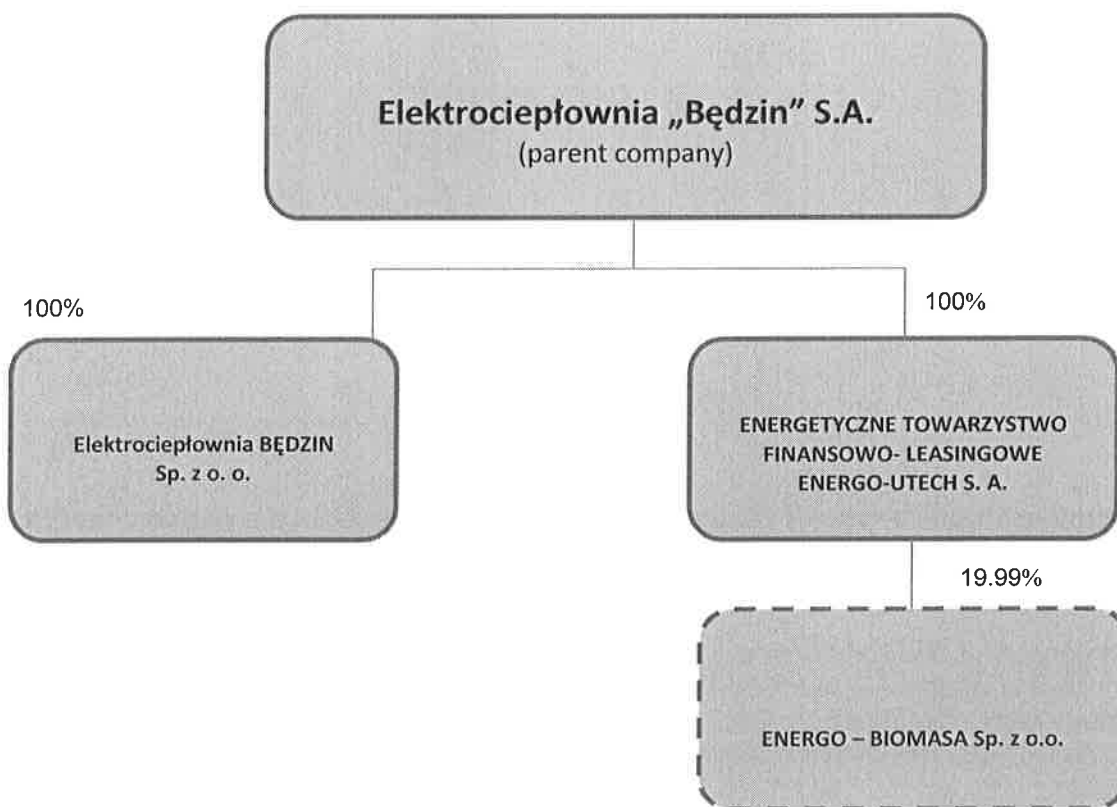
Elektrociepłownia "Bedzin" S.A. is the parent company of the Elektrociepłownia "Będzin" Capital Group S.A., which consists of:

- Elektrociepłownia BĘDZIN Sp. z o.o. based in Będzin, in which the Company owns 100% of shares,
- Energo-Utech Energetyczne Towarzystwo Finansowo-Leasingowe Company with its registered office in Poznań, where the Company holds 100% of shares,
- Energo - Biomasa Sp. z o.o., in which Energo-Utech Energetyczne Towarzystwo Finansowo-Leasingowe Company owns 19.99% of shares

Elektrociepłownia "Będzin" S.A. Group consolidates the following entities:

- a/ full consolidation method – Elektrociepłownia BĘDZIN Sp. z o.o. and Energetyczne Towarzystwo Finansowo – Leasingowe S.A. ,
- b/ ownership rights method – Energo-Biomasa Sp. z o. o.

**2. Structure of the Elektrociepłownia “Będzin” S.A. Capital Group**



**3. Changes in the organisation of the Capital Group of the Issuer**

Between 1 January 2019 and 30 June 2019, there were no changes in the organisation of Elektrociepłownia “Będzin” S.A. Capital Group.

### **III. LOANS**

In the period from 1 January to 30 June 2019, Elektrociepłownia "Będzin" S.A. did not conclude any loan agreements.

### **IV. MAJOR COURT CASES**

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

### **V. 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**

In the period from 1 January 2019 to 30 June 2019, Elektrociepłownia "Będzin" S.A. granted, without remuneration, bills of exchange for loans granted to the subsidiary Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. due to the operations carried out by mBank S.A. - investment loan in the amount of PLN 6.612.000 (financing of the Biogazownia Przybroda Sp. Z oo project) for the period ending on 28.06.2024 and the bank SGB Poznański Bank Spółdzielczy - working capital loan up to the amount of PLN 1.300.000, ending on 28.02.2022

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

In the further perspective, Elektrociepłownia "Będzin" S.A. 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.

#### **4. The position of the Management Board regarding the possibility of implementing previously published forecasts.**

Elektrociepłownia "Będzin" S.A. did not publish forecasts.

#### **5. Other information relevant for the assessment of the personnel, property, financial situation, financial result and their changes, as well as information relevant for the assessment of the issuer's ability to meet its obligations.**

The Company has other short-term liabilities to unrelated entities. The Company plans to repay these liabilities with dividend proceeds from subsidiaries from the earnings retained in previous years.

## VI. ASSESSMENT OF THE FINANCIAL RESOURCE MANAGEMENT

### Financial performance

Financial performance	Unit	Period	
		I-VI 2019 PLNk	I-VI 2018 PLNk
EBITDA*	PLN k	687	396
Profit on operating activity	PLN k	681	385
Loss on financial activity	PLN k	4 243	183
Profit before tax	PLN k	4 924	568
Income tax	PLN k	117	103
Profit after tax	PLN k	4 807	465

\*EBITDA = profit on operating activity + amortisation

In the first half of 2019, the Company generated net profit of PLN 4807k (say: four million eight hundred and seven thousand zlotys 00/100), mainly from receiving a dividend from the subsidiary Elektrociepłownia BĘDZIN Sp. z o.o. in the amount of PLN 15.000k and from revaluation of long-term financial assets by PLN 9.505k.

The revaluation charge is caused by the impairment of shares in Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. in connection with the change in the model of estimating expected losses due to impairment of financial assets according to IFRS 9.

The Management Board of Elektrociepłownia "Będzin" S.A does not anticipate the occurrence of any major risk threatening the continuity of business operations of the Company in the remaining months of the financial year.

## VII. CHARACTERISTICS OF EXTERNAL AD INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE COMPANY

The primary objective of Elektrociepłownia "Będzin" S.A. is the implementation of a strategy with a view to increasing the Company's value for the benefit of its shareholders. The Company intends to implement the Group's development strategy through continuation and development of business activities and in compliance with environmental care and the reduction of costs associated with the generation of heat and electric power and the expansion of business activities in the field of financial services.

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

- macroeconomic situation in Poland and economic situation in the areas where the Group operates,
- political factors,
- legal and regulatory environment,
- 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),
- environmental protection,
- situation in the heating and electricity sector (decisions of the President of the Energy Regulatory Office regarding tariff approval, CO2 emission allowances, heat and electricity demand, competition in the heat and energy market),



- situation in the financial sector (availability of short-term and long-term forms of business financing, interest rate fluctuations),  
market response to new types of financial services

#### **VIII. STAFFING AND PAYROLL IN THE COMPANY**

As at 30 June 2019, the manpower was 4 FTEs.

Between 1 January and 30 June 2019, the manpower in the Company did not change.

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

30 September 2019

