



**Bedzin, April 2021**

**Report of the Management Board  
of the Parent Company on  
activities  
of the Elektrociepłownia  
"Będzin" S.A. Group of  
Companies in 2020**

(taking into account the requirements regarding  
the disclosure for the Report of the  
Management Board on activities of the Parent  
Company for the aforementioned period)

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## 1. Introduction

This Report of the Management Board on activities of the Elektrociepłownia "Będzin" Group of Companies and of Elektrociepłownia "Będzin" S.A. constitutes a part of the consolidated and separate report for 2020.

The Report of the Management Board contains information whose scope has been defined in § 70 and § 71 of the regulation of the Minister of Finance of 29 March 2018 on current and interim information delivered by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state (the Regulation).

Pursuant to § 71 para. 8 of the Regulation, this report also includes disclosures required for the Report on activities of the Parent Company and, accordingly, the Issuer has not prepared a separate Report on activities of the Parent Company.

The separate financial statements for 2020 have been prepared in accordance with the Act of 29 September 1994 on Accounting (the Accounting Act).

Pursuant to Art. 55 of the Accounting Act, the Group of Companies prepares consolidated financial statements of the Group of Companies in accordance with International Financial Reporting Standards as approved by the European Union and with the Regulation of the Minister of Finance of 29 March 2018 (consolidated text: Dz.U. [Journal of Laws] 2018.757) on current and interim information delivered by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state, on the basis of financial statements of entities which comprise the Group of Companies.

Pursuant to Art. 55 item 1 of the Accounting Act, subsidiaries are consolidated using the full method. This means that individual financial statement items are summed up in full, and then mutual transactions between entities comprising the Group of Companies are excluded.

Furthermore, the Parent Company takes advantage of exemption from the obligation to prepare financial statements in ESEF format under Art. 24 of the Act of 25 February 2021 on amendment of the Banking Law Act and certain other Acts, pursuant to which an Issuer whose securities have been admitted to trading on a regulated market may decide to not use a single electronic reporting format as defined in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ EU L 143 29.5.2019, p. 1, as amended.15)) for annual and consolidated annual reports containing financial statements and consolidated financial statements, respectively, for the financial year starting between 1 January and 31 December 2020 and to prepare these reports as before.

## 2. General information regarding the Elektrociepłownia "Będzin" S.A. Group of Companies

### 2.1. Parent Entity and Group of Companies Core Data

Subsidiaries are:

- Elektrociepłownia BĘDZIN Sp. z o.o. with its registered office in Będzin (40-500), at Małobądzka 141, in which the Company holds 100% of shares;
- Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring with its registered office in Poznań (61-144), in which, as at the end of 2020, the Company also held 100% of shares. After the reporting period, on 31 March 2021,

an agreement was concluded concerning conversion of debts due for redemption of bonds of Elektrociepłownia "Będzin" S.A. into shares in the subsidiary corresponding to approx. 53.6% of its share capital. As a result of performance of the aforementioned agreement, i.e. after transfer of shares in the subsidiary to banks that are parties to the agreement, the shareholder structure of this entity will be as follows:

- Poznański Bank Spółdzielczy – 26.8%

- Kujawsko-Dobrzański Bank Spółdzielczy – 26.8%
- Elektrociepłownia Będzin S.A. – 46.4%

ENERGO- BIOMASA Sp. z o.o. with its registered office in Suliszewo 97, (78-500) Drawsko Pomorskie, is a non-consolidated entity that is not a joint venture in which Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH (a subsidiary) holds, as at the end of 2020, 19.99% of total shares.

The production activity in the field of co-generation of heat and power is carried out at Elektrociepłownia BĘDZIN Sp. z o.o. (a subsidiary), while activities in the scope of provision of financial services, mainly leasing, are carried out by Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. under restructuring (a subsidiary).

The core business of the Elektrociepłownia "Będzin" S.A. Group of Companies is:

- production and supply of steam, hot water and air for air-conditioning systems,
- production of electricity,
- financial lease;
- other financial services.

### **1.1.Composition of the Elektrociepłownia "Będzin" S.A. Group of Companies**

## **2.3 Shareholder Structure**

### **1. Members of the managing and supervisory bodies of the Elektrociepłownia "Będzin" S.A. Group of Companies**

#### **1.1 Bodies of Elektrociepłownia "Będzin" S.A. (Parent Company)**

Information on members of the management and supervisory bodies of the Parent Company is presented in the Declaration on corporate governance in item 30.11 hereof.

#### **1.2 Bodies of Elektrociepłownia BĘDZIN Sp. z o. o. (subsidiary)**

##### **Management Board**

Members of the Management Board of this company changed during the reporting period.

As at 1 January 2020, the Management Board comprised the following members:

1. Piotr Kowalczyk – President of the Management Board,

On 12 May 2020, the EGM of Elektrociepłownia BĘDZIN Sp. z o.o. appointed Mr Bartosz Dryjski to the Management Board of the Company via resolution 1/2020.

On 1 June 2020, Mr Piotr Kowalczyk was dismissed from the Management Board of the Company. At the same time, Mr Henryk Borczyk was appointed to the Management Board of the Company.

On 24 June 2020, Mr Henryk Borczyk was dismissed from the position of the President of the Management Board of the Company.

In light of appointment on 24 June 2020 of Mr Kamil Kamiński, as at the day on which this report was prepared, the Management Board comprised the following members:

1. Kamil Kamiński – President of the Management Board,
2. Bartosz Dryjski – Member of the Management Board

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

#### **Management Board**

During the reporting period, i.e. between 1 January 2020 and 11 February 2020, the Management Board comprised the following members:

1. Krzysztof Kwiatkowski – President of the Management Board,
2. Bożena Poznańska – Vice-President of the Management Board,
3. Grzegorz Kwiatkowski – Member of the Management Board

On 11 February 2020, Mr Grzegorz Kwiatkowski resigned from the position of Member of the Management Board.

On 11 February 2020, the Extraordinary General Meeting of Shareholders, via Resolution no. 3/IX/2020, appointed Mr Jarosław Staniec to the Management Board of the subsidiary, who was dismissed on 22 June 2020.

On 2 June 2020, with effect as of 15 June 2020, Mr Krzysztof Kwiatkowski resigned from the position of President of the Management Board and Member of the Management Board.

Via Resolution of 4 June 2020, the Extraordinary General Meeting appointed, with effect as of 15 June 2020, Mr Adam Skowroński to the position of President of the Management Board.

As at the day on which this report was prepared, the Management Board of the Subsidiary comprised the following members:

1. Adam Skowroński – President of the Management Board,
2. Bożena Poznańska – Vice-President of the Management Board

#### **Supervisory Board**

Between 1 January 2020 and 25 February 2020, the Supervisory Board comprised the following members:

1. Łukasz Magin – Chairman of the Supervisory Board
2. Waldemar Organista – Vice-Chairman of the Supervisory Board,
3. Witold Grzybowski – Member of the Supervisory Board,
4. Wojciech Sobczak – Member of the Supervisory Board.

Mr Łukasz Magin was dismissed from the Supervisory Board via resolution no. 8/02/2020 of the Extraordinary General Meeting of the Subsidiary of 25 February 2020. Mr Witold Grzybowski was dismissed from the Supervisory Board via resolution no. 9/02/2020 of the

**Extraordinary General Meeting of the Subsidiary of 25 February 2020.**

On 25 February 2020, via Resolution no. 10/02/2020, the Extraordinary General Meeting appointed Mr Andrzej Włodarczyk to the Supervisory Board of the Subsidiary.

On 15 June 2020, via resolution no. 7/06/2020, the Extraordinary General Meeting of the Company appointed Mr Krzysztof Kwiatkowski to the Supervisory Board, effective 17 June 2020.

On 2 October 2020, via resolution no. 16/09/2020, the Ordinary General Meeting of the Company appointed Mr Sebastian Chęciński to the Supervisory Board, who replaced Mr Andrzej Włodarczyk.

Between 25 February 2020 and 31 December 2020, the Supervisory Board of the Subsidiary comprised the following members:

1. Waldemar Organista – Chairman of the Supervisory Board,
2. Sebastian Chęciński – Member of the Supervisory Board,
3. Krzysztof Kwiatkowski – Member of the Supervisory Board.

On 14 April 2021, via resolution no. 6/04/2021, the Extraordinary General Meeting of the Company appointed the following persons to the Supervisory Board:

1. Pawel Bursig – Chairman of the Supervisory Board,
2. Cezary Maciejewski – Member of the Supervisory Board,
3. Bartosz Dryjski – Member of the Supervisory Board.

The membership of the Supervisory Board did not change as at the date on which this report was prepared.

#### **4. Securities of the Company listed on the securities market**

Elektrociepłownia "Będzin" S.A. has been listed on the Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange] since 8 December 1998.

The price of shares of Elektrociepłownia "Będzin" S.A. on the Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange] in 2020 fluctuated as follows:

## 5. Employment at the Elektrociepłownia "Będzin" S.A. Group of Companies in 2019 and 2020

### 5.1. The number of employees at Elektrociepłownia "Będzin" S.A. (Parent Company).

Item	Number of employees as at 31.12.2020	Number of employees as at 31.12.2019
<b>Total number of employees, including:</b>	4	5
Management Board	2	2
Administration	2	3

There were no significant changes in the employment structure of the Parent Company during the reporting period.

### 5.2. The number of employees at Elektrociepłownia BĘDZIN Sp. z o.o. (subsidiary).

Item	Number of employees as at 31.12.2020	Number of employees as at 31.12.2019
<b>Total number of employees, including:</b>	138	142
Management Board	2	1
Administration	33	31
Engineers and technicians	14	18
Production employees	14	14
Direct production employees	75	78

The following staff changes occurred in 2020:

- a) hirings and appointments – 9 persons under an employment contract,
- b) terminations and dismissals – 13 persons, including:
  - 5 persons under Art. 30 § 1 item 1 of the LC – agreement between the parties – retirement,
  - 6 persons under Art. 30 § 1 item 2 of the LC – termination of the employment contract by notice,
  - 2 persons under Art. 30 § 1 item 1 of the LC – agreement between the parties.

### 5.3. The number of employees at Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring (subsidiary).

Item	Number of employees as at 31.12.2020	Number of employees as at 31.12.2019
<b>Total number of employees, including:</b>	13	19
Management Board	2	3
Administration	11	16

13 persons were employed at the Energetyczne Towarzystwo Finansowo-Leasingowe

**Energo-Utech S.A. under restructuring as at the end of 2020, which is fewer than in 2019. This stems**

primarily from the ongoing restructuring of the subsidiary. The average employment in the subsidiary in 2020 was 11.1 FTEs.

#### 5.4. Remuneration system in force at the Elektrociepłownia "Będzin" S.A. Group of Companies

In determining the remuneration policy, the Management Board of Elektrociepłownia Będzin S.A. is guided by provisions of applicable law and good corporate governance practices. There are no incentive or bonus programmes based on the Issuer's capital at the Parent Company.

Remuneration of Members of the Management Board of the Company and of the Supervisory Board is governed by the Remuneration Policy for Members of the Management Board and Supervisory Board of the Company adopted by the General Meeting of Shareholders of the Company on 7 September 2020 in accordance with provisions of the Act of 29 July 2005 on public offering and conditions for introducing financial instruments into the organised trading system and on public companies and partnerships (Dz.U. [Journal of Laws] of 2005, No. 184, item 1539, as amended, i.e. Dz.U. [Journal of Laws] of 2020, item 2080).

At Elektrociepłownia BĘDZIN Sp. z o.o., remuneration is governed by Remuneration Regulations of 26 October 2015, approved by resolution no. 52/2015 of 4 November 2015, which contain, in particular, base remuneration tables and rules for granting and paying annual and quarterly bonuses to employees of the company. Agreements with Members of the Management Board of Elektrociepłownia BĘDZIN Sp. z o.o. contain non-compete clauses effective during the employment relationship, which do not specify an obligation to pay compensation.

The remuneration policy in force at the Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech

S.A. under restructuring is shaped by the Management Board and is based on individually negotiated base remuneration and a bonus component dependent on the financial performance of the Company. In determining the remuneration policy, the Management Board is guided by good corporate governance practices of the major shareholder, which is a public company.

### 6. Payroll situation at the Elektrociepłownia "Będzin" S.A. Group of Companies in 2020.

#### 6.1. Value of remuneration, awards or benefits due to management and supervisory personnel of Elektrociepłownia "Będzin" S.A. (Parent Company) for 2020.

Value of remuneration, awards and similar benefits due to persons who are members of the Management Board of the Parent Company:

No.	Name	2020 gross remuneration in thousand PLN	Bonuses and awards paid in 2020 in thousand PLN	Additional benefits in thousand PLN	Total in thousand PLN
1.	Krzysztof Kwiatkowski until 31 August 2020	181.77	0	0	181.77
2.	Bartosz Dryjski	90	0	0.53	90.53
3.	Jarosław Staniec until 22 June 2020	44.83	0	0	44.83

4.	Kamil Kamiński from 22 June 2020	63	0	0.53	63.53
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Value of remuneration, awards and similar benefits due to persons who are members of the Supervisory Board of the Parent Company:

No.	Name	2020 gross remuneration in thousand PLN	Bonuses and awards paid in 2020 in thousand PLN	Additional benefits in thousand PLN	Total in thousand PLN
1.	Janusz Niedźwiecki until 7 September 2020	35.4	0	0	35.4
2.	Waldemar Organista	45.6	0	0.53	46.13
3.	Wiesław Głanowski until 7 September 2020	31.3	0	0.24	31.54
4.	Mirosław Leń until 6 September 2020	31.16	0	2.53	33.69
5.	Wojciech Sobczak until 6 September 2020	31.16	0	0.53	31.69
6.	Krzysztof Kwiatkowski from 7 September 2020	16.13	0	0.53	16.66
7.	Sebastian Chęciński from 7 September 2020	14.44	0	0.53	14.97
8.	Marcin Śledzikowski from 7 September 2020	14.44	0	0.53	14.97
9.	Waldemar Witkowski from 7 September 2020	14.44	0	0.53	14.97

There are no incentive or bonus programmes based on the Issuer's capital at the Parent Company.

There are no incentive or bonus programmes based on the Issuer's capital at the Elektrociepłownia "Będzin" S.A. Group of Companies.

#### 6.2. Value of remuneration due to management and supervisory personnel of the Issuer for performing functions in managing bodies of subsidiaries for 2020

Value of remuneration, awards and similar benefits due to management and supervisory personnel of the Issuer for serving on the Management Board of Elektrociepłownia BĘDZIN Sp. z o.o.:

No.	Name	Gross remuneration for 2020 in thousand PLN	Bonuses and awards paid in 2020 in thousand PLN	Additional benefits in thousand PLN	Total in thousand PLN
1.	Bartosz Dryjski (in Management Board of a subsidiary from 13.05.2020)	112	0	2.3	114.3
2.	Kamil Kamiński	225	0	13.9	238.9

Other Members of the Management Board and Supervisory Board of the Issuer did not receive any remuneration for serving on the Management Board of Elektrociepłownia BĘDZIN Sp. z o.o.

Value of remuneration, awards and similar benefits due to management and supervisory personnel of the Issuer for serving on the Management Board or Supervisory Board of ETFL "ENERGO – UTECH" S.A. under restructuring:

No.	Name	Gross remuneration for 2020 in thousand PLN	Bonuses and awards paid in 2020 in thousand PLN	Additional benefits in thousand PLN	Total in thousand PLN
1.	Krzysztof Kwiatkowski	280.33	0	0.53	280.86
2.	Jarosław Staniec	63.75	0	0	63.75
3.	Sebastian Chęciński	11.8	0	0	11.8
4.	Waldemar Organista	52.1	0	0	52.1

Other Members of the Management Board and the Supervisory Board of the Issuer did not receive any remuneration for serving on the Management Board and Supervisory Board of ETFL "ENERGO – UTECH" S.A. under restructuring.

## 7. Financial and assets position of the Elektrociepłownia "Będzin" S.A. Group of Companies.

### 7.1. Economic and financial standing.

Item (thousand PLN)	2020	2019
<b>Fixed assets</b>	<b>231,345</b>	<b>294,362</b>
<b>Current assets, including:</b>	<b>128,164</b>	<b>171,386</b>
Inventory	32,486	42,567
Current receivables	67,962	98,595
Cash and cash equivalents	27,528	8,189
<b>Equity</b>	<b>(4,232)</b>	<b>65,349</b>
Non-current liabilities	42,581	58,235
Current liabilities	321,160	342,164
<b>Balance sheet total</b>	<b>359,509</b>	<b>465,748</b>

#### Drivers of changes in fixed assets (decrease of 63,017 thousand PLN):

- the decrease in fixed assets stems from a decrease in non-current receivables at Energo-Utech and from depreciation of fixed assets.

#### Drivers of changes in current assets (decrease of 43,222 thousand PLN) primarily include:

- the decrease in receivables in the financial segment – at Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring – from leasing stems from the fact that no new lease agreements have been signed;
- the decrease in inventory stems from inventory write-offs and a decrease in the quantity and value of coal stockpiles;
- cash – the increase stems from accumulation of cash in the energy sector for buying emission allowances.

#### Drivers of changes in equity (decrease of 69,581 thousand PLN):

- loss due to subsidiary losses;

#### Drivers of changes in non-current liabilities (decrease of 15.654 thousand PLN):

- decrease in credit liabilities related to financing of leasing activities of Elektrociepłownia "Będzin" S.A. and of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech

S.A. under restructuring due to credit repayments and reduction of the leasing portfolio.

Drivers of changes in current liabilities (decrease of 21.004 thousand PLN):

- decrease in credit liabilities related to financing of leasing activities of Elektrociepłownia "Będzin" S.A. and of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. due to credit repayments and reduction of the leasing portfolio.

As of 31 December 2020, the Group's current liabilities amounted to PLN 321,160 thousand, which is PLN 192,996 thousand higher than the amount of current assets.

The surplus stems primarily from the need to reclassify credit liabilities from non-current liabilities. Due to breach of bank covenants, as of 31 December 2019 and as of 31 December 2020, the Subsidiary Company have not obtained declarations from banks that such breach would not result in termination of the loan contracts. The reclassified loan liabilities are used to finance, in particular, lease receivables, which in the statement are divided into current and non-current. The Subsidiary Company is under restructuring and continues to fulfil both the lease contracts and the loan liabilities that finance them (under the arrangement proposals). A more detailed description of the assumptions of the restructuring plan, which leads to the conclusion of an arrangement, is included in the introduction to the financial statement. Failure to adopt a restructuring arrangement results in a significant risk of bankruptcy proceedings.

The Group's profitability is contingent upon the signing of appendices to long-term heat supply contracts, the economic situation on the electricity market, as well as long-term lease and rental contracts.

According to the Parent Company's Management Board, a significant part of the aforementioned gap will be covered by funds constituting the Group's surplus cash flows from the sale of key assets in the period until maturity of individual current financial liabilities. In 2020, in order to cover the remaining part of the financial gap, the Group has undertaken steps aimed to:

- sale fixed assets from a lease contract to a financing bank;
- sale the transferred funds from terminated lease contracts;
- intensify the collection of overdue debt in Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. under restructuring;
- extend maturity of part of financial liabilities resulting from financing the purchase of shares in Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. under restructuring.

Successful implementation of the above topics is critical to the Group's liquidity.

The Group plans to cover the remaining amount with funds generated by the Group in subsequent years.

On 10 April 2019, the terms of issue of series "A" bonds in the amount of PLN 16.2 million changed so that the issuing period was extended to 10 April 2022.

In February 2020, the parent company, Elektrociepłownia "Będzin" S.A., commenced negotiations with a financing bank regarding the sale of fixed assets leased to a customer under a lease agreement. On 30 July 2020, the entity sold the tangible assets related to the main contract for finance lease for PLN 20,830 thousand. The generated funds from the sale will allow the Company to settle all short-term liabilities in the amount of PLN 16,887 thousand including liabilities overdue as of the balance sheet date in the first place.

In March 2021, an agreement was signed with the lender - the payment of PLN 673 thousand was rescheduled till June 2022.

By the date of this report, no agreement with the creditors of the subsidiary ETFL ENERGO - UTECH S.A. was concluded under restructuring.

## 7.2. Financial performance.

The table below presents the highlights of the consolidated profit and loss account and income statement that influence the financial performance of Elektrociepłownia "Będzin" S.A. Group of Companies in 2020 versus the comparable data of the previous year.

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	2020	2019	2020	2019
Revenue	161 529	222 655	36 103	51 759
Other operating revenues	6 860	4 139	1 533	962
Costs by type	(217 716)	(205 187)	-48 661	-47 698
Value of goods and materials sold	(3,068)	(12,483)	-686	-2902
Other operating expenses	-2 324	(63,853)	-519	-14 843
Net loss due to impairment of financial assets	-	(40,204)	0	-9346
<b>Profit/loss on operating activities</b>	<b>-64 763</b>	<b>(109,378)</b>	<b>-14 475</b>	<b>-25 426</b>
Financial revenues	754	1,636	168	380
Financial expenses	-5 319	-3 704	-1 189	-861
Share in profits of subsidiaries accounted for by the equity method	-	-	0	0
<b>Profit/loss on business activities</b>	<b>-69 328</b>	<b>(111,446)</b>	<b>-15 495</b>	<b>-25 907</b>
<b>Income tax</b>	<b>-284</b>	<b>(6 567)</b>	<b>-63</b>	<b>-1527</b>
<b>Net profit/loss</b>	<b>-69 612</b>	<b>(104,879)</b>	<b>-15 559</b>	<b>-24 380</b>

The balance sheet items in the selected financial data were converted according to the average exchange rate of NBP applicable on the last day of the reporting period. Other data in the selected financial data was converted according to the exchange rate being the arithmetic mean of the average exchange rates announced by NBP valid on the last day of each of the 12 months of a given year.

## 7.3. Assessment of factors and events, including those of unusual nature, which had a significant impact on activities of the Group of Companies and on the consolidated financial statements, including on the result of the Group of Companies on activities for the financial year 2020.

Elektrociepłownia "Będzin" S.A. Group of Companies closed the year 2020 with a net loss of PLN 69,612 thousand . The above includes the result generated by the energy segment in the amount of PLN -61,482 thousand and a result by the financial segment of PLN -8,130 thousand .

An event of an unusual nature that affected the results generated by Elektrociepłownia

"Będzin" S.A. Group of Companies in 2020 was the pandemic

of the coronavirus which, because of i.a., the stoppage of the operation of the company was the cause of the reduction of the sale of electricity and heat by Elektrociepłownia BĘDZIN Sp. z o.o. and the lockdown was the cause of a significant economic slowdown, deterioration of the situation of many companies, extension of court proceedings, which translated into the extension of the arrangement proceedings of ETFL Energo - Utech S.A. under restructuring.

Factors that influenced the change of the net results of the Elektrociepłownia "Będzin" S.A. Group of Companies: In the energy sector:

- an increase in the prices of CO<sub>2</sub> emission allowance to approximately EUR 30 / tonne resulted in an increase in the prices of emission allowance by PLN 23,318 thousand. .
- a decline in the number of orders of heat from the main customer resulted in a decline in revenues from the sale of heat by PLN 34,254 thousand .
- a decline in the average selling prices of electricity resulted in a decline in the revenue of PLN 8,775 thousand. .

In the financial sector:

- no new leasing agreements signed in 2020
- receivables and inventories write-offs in the amount of PLN 42,251 thousand . As a result of the conducted analysis of losses on receivables as of the balance sheet date of 31 December 2020, the subsidiary –Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. under restructuring the outcomes are described in more detail in Note 22 to the consolidated financial statements)

#### 7.4. Liquidity and debt ratios of the Elektrociepłownia "Będzin" S.A. Group of Companies for the period 2019-2020.

Indicator	2020	2019
<b>Total debt<sup>1</sup></b>	1.01	0.86
<b>Long-term debt<sup>2</sup></b>	-	0.89
<b>Quick liquidity<sup>3</sup></b>	0.30	0.38
<b>Current liquidity<sup>4</sup></b>	0.40	0.50

1. *total liabilities to total assets*

2. *long-term debt to equity*

3. *current assets less inventory to short-term liabilities*

4. *current assets (inventory, receivables and claims, securities held for trading, cash and prepayments) to current liabilities.*

The levels of the ratios decreased due to the achieved loss.

## 8. Financial position of the Issuer.

### 8.1. Selected balance sheet items

Item	2020 in thousand PLN	2019 in thousan d PLN
Total assets	35 199	87 416
Current assets, including:	508	2 271
<i>Inventory</i>	-	-
<i>Current receivables</i>	158	2 212
<i>Cash</i>	320	48
<i>Short-term accruals and prepayments</i>	30	11
Equity	11 731	44 074
Provisions for liabilities	36	561
Non-current liabilities	16 616	25 880
Current liabilities	6 802	16 887
Prepayments and accruals	14	14
Indicators	2020	2019
Total debt <sup>1</sup>	0.67	0.49
Quick liquidity HCR <sup>2</sup>	0.07	0.13
Current liquidity CR <sup>3</sup>	0.07	0.13

<sup>1</sup> total liabilities to total assets

<sup>2</sup> current assets less inventory to short-term liabilities

<sup>3</sup> current assets (inventory, receivables and claims, securities held specifically for trading, cash and prepayments) to short-term liabilities.

### 8.2. Cost structure by type.

The structure of the costs by type of the Issuer are presented in the table below:

(in thousand PLN)

Item	Performance I-XII 2020	Cost structure % I-XII 2020	Performance I-XII 2019	Cost structure % I-XII 2019
Depreciation	1	0.1	7	0.5
Consumption of materials and energy	4	0.3	1	0.1
External services	748	48.1	705	48.4
Taxes and charges	35	2.2	39	2.7
Salaries and wages	672	43.2	618	42.5
Social security and other benefits	45	2.9	53	3.6
Other costs by type	51	3.3	33	2.3
Value of goods and materials sold	0	0.0	0	0.0
<b>TOTAL COSTS</b>	1 556	100.0	1 456	100.0

### 8.3. Financial performance of the Issuer.

**Elektrociepłownia "Będzin" S.A. in 2020, demonstrated a net loss  
in the amount of PLN 32,343 thousand .**

Financial result	Year s	
	2020 thous and PLN	2019 thous and PLN
EBITDA*	3 427	1 331
Profit from business activity	219	1 319
Profit on operating activities	3 426	1 324
Profit on financial activities	-32 050	-48 182
Gross financial result	-32 050	-48 182
Income tax	293	414
Net financial result	-32 343	-48 596

\*EBITDA= profit from operating activities + depreciation

\* The financial data of the year 2020 present the values which the Company achieved by running its supervisory activities in relation to subsidiaries and its service activities (lease).

The results of the Parent Company are directly related to the economic and financial situation of its subsidiaries. As of 31 December 2020, the company wrote off the shares due to impairment for the shares of Elektrociepłownia BĘDZIN Sp. z o.o. in the amount of PLN 33,432 thousand .

## 9. Primary risks and threats, characteristics of external and internal factors significant for the development of Elektrociepłownia "Będzin" S.A. Group of Companies

### 9.1. Perspectives for development.

The development strategy of the Group of Companies was formulated based on the determination of ways to respond to the changing situation in the market and the prediction of events that may have a major impact on the Group of Companies and on the effective management of the resources.

The key challenges affecting the implementation of the development strategy of the Group of Companies include environmental challenges, challenges determined by the heat and electricity market, challenges related to financial liquidity, the conclusion of an agreement with creditors Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO - UTECH S.A. under restructuring as well the general development objectives of the Group of Companies.

In 2020, taking into account the dynamic changes, a package of strategic initiatives for the

years 2021-2022 was defined, i.e.:

- increase of revenue from sale of electricity through participation in the power market,

- contract policy in the areas: sale of electricity, purchase of CO2 emission allowance
- preparation of Elektrociepłownia BĘDZIN Sp. z o.o. for burning fuels other than coal,
- completion of the restructuring process by signing an agreement to sell shares in Energo-Utech S.A. under restructuring and signing an agreement with the company's creditors,
- development of the product offer in the financial segment addressed to a corporate client as well as to the units of the local government, with particular consideration given to investment leasing and accounts receivable purchase,
- restoration of sale volume of individual operating segments along with margin build-up,
- establishment of long-term relations with clients,
- countering the negative effects associated with the coronavirus pandemic,
- optimal use of the organisation's potential.

## **9.2. Primary risks and threats to the development of Elektrociepłownia "Będzin" S.A. Group of Companies**

The Group of Companies identifies and actively manages the risk associated with liquidity, understood as the possibility of losing or limiting the ability to pay current expenses.

- I. With regards to the parent entity (holding activities in the group, not separately classified as a segment in the consolidated financial statements), the Management Board of the Parent Company, aware of the existence of uncertainty as to the continuation of the operation, has taken measures to restore liquidity. On 30 July 2020, the entity sold the tangible assets related to the main contract for finance lease for PLN 20,830 thousand. The generated funds from the sale allowed to settle all short-term liabilities in the amount of PLN 16,887 thousand including liabilities overdue as of 31 December 2019. According to the forecasted cash flow of the Company, the remaining surplus was used to finance current operations and settle future liabilities.

There is significant uncertainty related to the continuation of the operation due to i.a.:

- on 10 April 2019, the terms and conditions of the "A" series bond issue, amounting to PLN 16.200 thousand were changed in such a way that the issue period was extended to 10 April 2022. The Parent Company's Management Board analysed the terms and conditions of the bond issue due to significant asset impairment. Pursuant to point 23.1.17 of the Bond Issue Agreement, a breach of the terms and conditions of issue occurs in the event of a "loss of the issuer's balance sheet assets of significant value (...), which loss (...) may have a significant impact on the issuer's financial position and its ability to fulfil or meet its liabilities arising in connection with the bonds". The Management Board of the Parent Company believes that this condition is met regardless of the uncertainty associated with the imprecise contractual provision. According to the Management Board, despite the impairment of assets amounting to more than 10% of the balance sheet total, the second part of this condition is important, which states that the impairment would have to negatively affect the ability to meet the liabilities arising in connection with the bonds. In the opinion of the Management Board of the Parent Company, as a result of the actions taken, the entity holds sufficient resources to meet its interest liabilities in a timely manner, while the repayment of the debenture debts will take place in 2022 from the sale of shares in the subsidiary, i.e. Elektrociepłownia Będzin Sp. z o.o. (sale of energy segment assets). Therefore, the loss incurred does not affect the Parent Company's ability to fulfil its liabilities and the condition itself is not breached. The Management Board of the Parent Company claims that despite significant asset impairment, liabilities arising in connection with the bonds (payment of interest) have been and continue to be settled on an ongoing basis.

- the Parent Company issued a guarantee for repayment of three loans granted to its subsidiary company. As of the balance sheet date, this liability amounted to PLN 10,631 thousand, out of which PLN 2,228 thousand is the unsecured portion of tangible assets of ETFL ENERGO-UTECH S.A. under restructuring. The above-mentioned accelerated composition proceedings, which will be voted on in the coming months, are crucial in assessing the potential need to repay the unsecured amount. According to the Management Board, the proposals presented in the composition proceedings will be accepted by the creditors of the subsidiary company and, therefore, it will not be necessary to repay the above-mentioned contingent liability.

As of the balance sheet of 31 December 2020, current liabilities of the Parent Company exceed current assets by PLN 6,294 thousand .

At the reporting date, the Management Board of the Group of Companies identifies threats and uncertainties related to the continuation of the operations in relation to the financial segment, in connection with the failure to conclude an agreement with the creditors of the subsidiary ETFL Energo-Utech S.A. by the date of this report . If the agreement is not approved, the Group of Companies will face the possibility of the bankruptcy of the subsidiary and, consequently, the loss of control over the financial segment. Such a situation will not jeopardise the operation of the Group of Companies as a whole, only the operations in the financial segment.

The continuity of operations in the financial sector depends on the fulfilment of the above-mentioned conditions, and in the first place, on the conclusion of an arrangement with creditors – the lack the creditors' consent regarding the reduction of liabilities will indicate no continuation of the operations of this entity and, consequently, termination of operations in the financial sector of the Group of Companies. Details of the assumptions for the proposed restructuring plan are presented in point 7.5.

"Continuation of operations," subsection 7.5.2. "Restructuring of the financial sector (of subsidiary ETFL Energo-Utech S.A. under restructuring)". To strengthen the position of the Company in the context of negotiations with the creditors, the Management Board of the Parent Company, which owns 100% of the shares of Energo-Utech S.A., under restructuring has undertaken negotiations with the entities interested in purchasing the shares of the subsidiary. On 31 March 2021, an agreement was concluded concerning the conversion of debts due for the redemption of bonds of Elektrociepłownia "Będzin"

S.A. for shares of the subsidiary between the investors (2 cooperative banks) and Elektrociepłownia Będzin S.A. As a result of the above-mentioned agreement, The Banks will convert the receivables from the purchase for one Bond of PLN 10 thousand each into a total of 1,200 shares of Energo-Utech (600 for each Bank), amounting to a total of approx. 53% of the share capital of ETFL Energo-Utech SA under restructuring. The shares of the subsidiary constitute the collateral for the issue of bonds of Elektrociepłownia Będzin S.A., and the cooperative banks are among the bondholders. Due to the deterioration of the economic and liquidity situation of the Issuer of bonds and to increase the value of the bond collateral by strengthening the possibility of accepting the agreement by the creditors, cooperative banks, as part of the acquisition of the shares of the Company, undertook to take over the majority of the shares of ETFL Energo- Utech S.A. in bankruptcy along with a commitment to finance new projects in an amount not less than PLN 12 million.

With regard to the energy sector (corresponding to the business activity carried out by Elektrociepłownia Będzin Sp. z o.o.), the Group's Management Board has become aware of the following uncertainties regarding the continuity of operations:

With regard to the energy sector (corresponding to the business activity carried out by Elektrociepłownia Będzin Sp. z o.o.), the Group's Management Board has become aware of the following uncertainties regarding the continuity of operations:

In the year ending on 31 December 2020, the energy sector incurred a net loss of PLN 61,482 thousand. During 2020, the Management Board undertook drastic actions to

restore liquidity in the sector and implement a plan to switch to alternative fuel sources for heat and electricity production, since the current situation related to the European Union's policy aimed to reduce carbon emissions and the speculative nature of the market for CO<sub>2</sub> emission allowances renders the production from conventional sources unprofitable. That is why, the Management Board have undertaken the following moves:

- the agreement with PGG (the main coal supplier until 31 August 2020) was terminated due to the fact that the prices were not consistent with the arm's length principle, and there was no flexibility in terms of payment conditions. Furthermore, new agreements were concluded with different coal suppliers based on market parameters and with a 90-day payment term;
- in connection with the termination of the aforementioned agreement, the Subsidiary Company received a pro forma invoice for PLN 41 issued by PGG. The Management Board of the Company believes that the termination of this agreement was adequately justified, the agreement has been lawfully terminated, and the entity will not be obliged to settle the above-mentioned amount or any part of it.
- Therefore, no provision for the possible negative outcome of talks or disputes held with this counterparty has been included in the statement,
- a backup contract was signed with the main heat recipient, guaranteeing flow from the ordered capacity of additional 20 MW and capacity reservation of up to 100 MW;
- an application has been prepared to change the tariff to heat, which will cover the higher costs associated with the increase in the price of CO<sub>2</sub> emission allowances in late 2020 and the first quarter of 2021;
- an application has been prepared to change the Integrated Permit to allow the co-firing of up to 40% of the biomass, which will result in a significant reduction in CO<sub>2</sub> emissions by 2021;

Failure to comply with the aforementioned key changes related to the inclusion of the heat tariff increase by the Energy Regulatory Office, implementation of the policy of substituting coal as the main source of fuel and maintenance of the current coal prices, as well as the negative consequences of a failure to purchase all the emission allowances for 2020 may result in the imposition of penalties by the competent authority of EUR 100 for each tonne of CO<sub>2</sub> covered by allowances that were not surrendered on time (which does not exempt from the obligation to surrender the missing emission allowances) which, as a consequence, will cause a loss of liquidity and pose a significant threat to the continuity of operations. The Management Board actively undertakes measures to counteract negative consequences of the above-mentioned scenario, particularly by presenting a plan to the entities responsible for settlement of the emission allowances, which consists in the repayment of the non remitted part and an indication of an important social interest related to the operation of the heat and power plant, which may constitute the basis for waiving or significantly reducing the penalties imposed under the Tax Ordinance. The negative scenario for the settlement of payments for EUA emission takes into account the constant increase in prices and the possibility that the Company may additionally be subject to a penalty of EUR 100 for each tonne of CO<sub>2</sub> allowances that was not remitted on time.

The Company's current situation is new to the market and has an evolving character. Based on legal analyses, the liability arising from the non-surrendering of emission allowances is not monetary in nature as of 30 April 2020 and will not assume such a character in the near future. In the nearest future, the Management Board of the subsidiary company will undertake actions to make the concept of continuing business activity by the Company more plausible. The planned actions will be soon further specified and they may take the form of restructuring measures.

If the plan is not implemented due to the significant financial burden that may be imposed on the Company as a result of the above sanctions, the continuation of the Company's business activity in the energy sector will depend on the formal actions provided for in the restructuring law, which the Management Board will adopt.

Despite these material uncertainties, the Group's Management Board believes that the going concern basis adopted at the date of signing the statement is appropriate.

To sum up, the continuation of business activity of Elektrociepłownia Będzin S.A. in an unchanged form will depend on the positive approval of the arrangement with the creditors of the subsidiary and the fulfilment of the assumptions adopted by the Management Board of the Parent Company that there is no need to repay contingent liabilities due to guarantees granted and the maintenance of bond liabilities as non-current liabilities. With regard to the energy sector, its further operation will depend primarily on the resolution of the issue concerning the non-surrendered emission allowances for 2020 and the adoption of a plan to drastically reduce carbon emissions in the coming periods.

The Management Board of the Parent Company believes that the probability of a positive scenario is high and therefore considers that the going concern principle in an unchanged form is reasonable. Therefore, the consolidated financial statement for 2020 was prepared based on the assumption that the Company will continue its business activity for the foreseeable future, covering a period of not less than one year from the balance sheet date, without significantly reducing the scope of the activity.

The Management Board of the Parent Company anticipates that the sale of 100% of shares of ECB Sp. z o.o. (Subsidiary Company) will allow generating unallocated cash to be used for new investments (as own contribution). However, in connection with the transaction of sale of 54% of shares in an entity representing the financial segment (loss of control over this entity, which is described in point 42 "Events after the end of the reporting period") and the plan to sell shares of a subsidiary representing the energy segment, it becomes necessary to define the subject of activity of the Group of Companies, the subsidiary. Due to its experience and knowledge of the market, the Parent Company plans to invest in the area of high-efficiency cogeneration from renewable sources (biomass) and (at designated points) from gas, both independently and in cooperation with partners (larger projects). The Company has been analysing available technologies in the context of wood biomass utilisation (burning, gasifying) and is interested in the biogas plant market. RDF utilisation technologies are also in the area of the Company's interest.

### **9.3. Risks associated with competition in the energy sector**

The main competitor of the subsidiary Elektrociepłownia BĘDZIN Sp. z o.o. on the local heating market are the sources belonging to TAURON Wytwarzanie S.A. (Łągisza Power Plant) and TAURON Ciepło Sp. z o.o. (ZW Katowice mining company), which belong to TAURON Polska Energia S.A. Group. Furthermore, there is a company functioning in the local market, namely TAMEH, in which TAURON Polska Energia S.A. holds 50% of shares.

Technical and economic possibilities of heat transmission constitute a key element of competitiveness in the Zagłębie Dąbrowskie heating market. The main distributor of heat, TAURON Ciepło Sp. z o.o., plays a crucial role in shaping heat sales markets of individual producers. z o.o. The fact that the heat distributor is controlled by TAURON Polska Energia S.A. is a threat to Elektrociepłownia BĘDZIN Sp. z o.o. in the context of the power ordered by TAURON Ciepło Sp. z o.o.

### **9.4. Risks associated with competition in the financial (leasing) sector**

In view of the deterioration of the quality of the portfolio of the financial assets and the decreasing payment discipline of contractors, short-term liabilities to banks in the amount of PLN 4.5 million, loans to other creditors in the amount of PLN 6 million and promissory notes in the amount of

3 million in the second half of 2019, and the negative flows forecasted for the following months, the Management Board has identified a significant risk of bankruptcy related to the entity. As a result, it was decided to file an application for the opening of accelerated arrangement proceedings. On 12 February 2020, A subsidiary Energetyczne

Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. under restructuring has entered into restructuring in the form of accelerated arrangement proceedings. The proceedings have been opened on 12 February 2020 and will be conducted until the financial statement is issued.

On 22 June this year, arrangement proposals, signed by the Company's Management Board, and the restructuring plan were submitted to the Court by the Judicial Supervisor. The list of receivables, the property statement and ballots were also submitted to the Court.

The restructuring plan takes into account the cash flow, balance sheet and income statement at the end of the financial periods in five subsequent years, the strategic plans in the context of the Company's growth potential and the financing of new projects, as well as the market opportunities.

The Company's Management Board evaluated the recoverable value of assets and the value of liabilities as of 31 December 2020. Nevertheless, given the coronavirus pandemic which has been present since March 2020, the cash flows included in the restructuring plan assume a significantly lower and prolonged cash realisation, in particular regarding the acquisition and sale of subjects of collateral for contracts eligible for termination, than the balance sheet as of 31 December 2019. This is largely influenced by factors related to external conditions that came to light in 2020 as a result of the COVID-19 pandemic. The Management Board has observed the following factors on the market:

- difficulties in payment of current loan instalments by certain entities, together with requests for grace;
- a decrease in economic activity in various industries, which affects the decline in demand for tangible assets transferred as collateral in lease contracts;
- reduction in the number of tenders or limited opportunities to inspect assets;
- limited opportunities for business meetings.

Due to the passage of time –it has been more than a year since the Company has entered into accelerated arrangement proceedings – verification of claims and quality of the collateral, as well as ongoing negotiations with major creditors, the restructuring plan has been updated with respect to the level of the proposed reduction, totals of receivable values in groups, and the period of sale of items from terminated agreements together with their collateral. Additionally, the plan includes investor's entry and a change in the way operating business is financed.

The assumptions of the restructuring plan indicated below are not formal in nature. After final agreements are carried out with the Company's major creditors, the updated "Restructuring Plan", together with the arrangement proposals, will be submitted to the Court Executive Supervisor for approval and subsequently to the court.

The restructuring plan, which is subject to further negotiations, includes proposals of the following reductions in individual creditor groups:

- Group 1 – the Social Insurance Institution (ZUS); no reduction is assumed, the total value of receivables in the group amounts to PLN 52 thousand.
- Group 2 – banks and other creditors whose receivables arise from loans granted to the Company and collateralised on the assets of ETF-L ENERGO-UTECH S.A. The assumed reduction is 18%, but not more than 90% of the non-collateralised amount, and the total value of receivables in the group is PLN 231.6 million.
- Group 3 – involves liabilities to public-law entities; the proposed reduction amounts to 60% of the value and the total value of receivables in the group is PLN 530 thousand.
- Group 4 – other entities financing business activity; the planned reduction is 20% and the total value of receivables in the group is PLN 16.2 million.
- Group 5 – other creditors; no reduction, the value of receivables in the group is PLN 1,215.1 thousand.

Financial flows, which are an element of the restructuring plan subject to further negotiations, provide for the sale of items from terminated contracts within two years from the conclusion of the arrangement, intensification of debt collection activities, reconstruction of the lease portfolio, as well as reduction of and grace period for receivables. Based on these plans and the assumption of a positive vote on the proposed arrangement, the cumulative cash flows between 2021 and 2026 will be PLN 4.43 million. The projected cash balances will be as follows:

- PLN 6.76 million in 2021,
- PLN 8.33 million in 2022,
- PLN 6.15 million in 2023,
- PLN 2.57 million in 2024,
- PLN 2.39 million in 2025,
- PLN 6.35 million in 2026.

The entity also anticipated a gradual return to operating business and the commencement of leasing activities at a given level, in individual years:

Year	Assumed amount of revenue from new contracts
2021	PLN 21.4 million
2022	PLN 46.9 million
2023	PLN 84.4 million
2024	PLN 112.5 million
2025	PLN 112.5 million
2026	PLN 112.5 million
2027	PLN 112.5 million

In 2021, Revenue from new agreements in the amount of PLN 12 million is planned as part of financing by new owners in the form of a buyout of lease receivables.

Assumptions to the plan also address the cost of funding required for new contracts. The entity assumes that with collateral security covering assets and leased assets, this cost will constitute the market cost and will not be significantly higher than the cost of financing the existing contracts/leased assets.

Negotiations are currently being held with creditors to determine the final arrangement proposals to be voted on. As of the date of signing this statement, the Commissioner Judge has not established any deadline for voting on the arrangement proposals.

The Management Board acknowledges that the lack of a positive vote on the proposed arrangement entails a significant risk of further existence of the Company.

Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO UTECH S.A. under restructuring, based in Poznań, intends to continue the financial activity mainly in two sectors of the economy – railway and widely-understood energy sectors.

#### Railway (commercial) sector

The Company has been funding entities from the railway sector for years. Assets in the

portfolio include commercial wagons, locomotives, and technical equipment necessary for railway traction to function. These assets currently make up approx. 50% of the portfolio, and are planned to be eventually increased to 60%.

## **10. Proceedings pending before a court, a body competent to conduct arbitration or a public administration body**

No court proceedings are pending against Elektrociepłownia "Będzin" S.A. or on its behalf.

No court proceedings are pending against Elektrociepłownia BĘDZIN Sp. z o.o. (subsidiary) or on its behalf.

Court proceedings on behalf of Energetyczne Towarzystwo Finansowo - Leasingowe ENERGO - UTECH

S.A. under restructuring against its contractors for payment of receivables in the total amount of PLN 547,000 are pending.

The subsidiary acts as a creditor in the restructuring proceedings of three contractors:

- accelerated composition proceedings, the amount subject to the proceedings - 4,487,450.63 as the debt covered by the composition agreement under the lease agreements, classified in group III for which repayment in the amount of 60% of the principal claim, in 48 monthly instalments, payable from January 2022, and waiving interest on the principal claim is proposed.
- accelerated composition proceedings. The amount subject to the proceedings – PLN 6,017,653.75, of which PLN 1,097,791.12 applies to liabilities under lease agreements, and PLN 4,872,750 – to liabilities under the surety for contractor 1. The claim has been classified in group II, for which repayment in the amount of 25% of the principal claim, in a single instalment, within one month from the date of sale of the debtor's business and waiving interest on the principal claim is proposed. Negotiations are currently underway regarding the composition proposals submitted, the release of the leased assets and the activation of the collaterals (sureties) established for the lease agreements.
- sanative procedure. The amount of claims covered by the composition agreement by virtue of law - PLN 26,516,887.10. The Company requested the administrator to release the leased property from the agreement and to pay compensation for non-contractual use in the amount of PLN 3,517,813.48. The Company has received a letter that the prosecutor's office has seized the line for a third party, the line was placed in the custody of the administrator, and that the prosecutor's office has taken action to determine the owner. The Management Board of Energo-Utech S.A. recognises that the documents held confirm the ownership of the leased property. At the moment of preparing these financial statements, this issue has not been resolved.

No court proceedings on behalf of other entities are pending against Energetyczne Towarzystwo Finansowo - Leasingowe ENERGO - UTECH S.A. under restructuring.

On 12 February 2020, accelerated composition proceedings of Energetyczne Towarzystwo Finansowo - Leasingowe ENERGO - UTECH S.A. under restructuring were opened. In view of the deteriorating quality of the financial assets portfolio and the declining payment discipline of contractors, the fact that current liabilities to banks amounting to PLN 4.5 million, to other creditors of a loan amounting to PLN 6 million and promissory notes amounting to PLN 3 million became immediately due and payable in the second half of 2019, and the negative cash flow projected for the following months, the Management Board of the subsidiary has identified a significant risk of bankruptcy relating to this entity. As a result, it was decided to file an application for the opening of accelerated arrangement proceedings with regard to this subsidiary company. These proceedings were opened on 12 February 2020 and will be conducted until financial statements are issued. A restructuring counselling agreement has been concluded.

Between the middle of March and the middle of May this year, an insolvency table was prepared. This process was considerably affected by the pandemic, which led to significant delays on the part of all parties involved. The Management Board worked on arrangement proposals for creditors. To do so, a restructuring plan was prepared.

On 15 June 2020, Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO – UTECH S.A. under restructuring submitted the restructuring plan to the court supervisor.

On 1 December 2020, The Judge-Commissioner appointed a Committee of Creditors, which consisted of representatives of five creditors. Details of the restructuring plan are presented in section 7.5.

"Judgments and estimates made", subsection 7.5.2. of the financial statement.

## **11. Information on the products manufactured of services provided by the entities belonging to the Elektrociepłownia "Będzin" S.A. Group of Companies.**

### **11.1. Parent Company.**

The Parent Company operates in limited scope. The Parent Company generated revenue primarily from leasing services and services provided within the Group of Companies.

Revenue from services provided by the Parent Company is given below.

<b>Revenue (in thousand PLN)</b>	<b>2020</b>	<b>2019</b>
revenue from leasing	914	1,831
other revenue from services	861	944
<b>Total</b>	<b>1,775</b>	<b>2,773</b>

Given the revenue generated by the Parent Company in 2020, the Issuer cooperated with contractors (e.g. service providers) with which the cooperation value exceeded 10% of unit revenue from sales. However, the Issuer is not a party to any agreement that would make the Issuer's business operations dependent on such agreement.

### **11.2. Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring.**

Subsidiary –Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. under restructuring – continues to perform leasing agreements as well as its financing obligations. ETFL ENERGO UTECH S.A. under restructuring funds its business mainly through bank loans. The company is insolvent, which violates contractual covenants and may result in the termination of the loan agreements. Entering into an arrangement with creditors will allow the Company to service its loan liabilities on the agreed terms.

Revenue from services provided by Energetyczne Towarzystwo Finansowo- Leasingowe Energo-Utech S.A. under restructuring was as follows:

Revenue(in thousand PLN)	2020	2019
revenue from leasing	10,484	18073
revenue from loans granted and factoring	2,099	2,876
other revenues	194	9,732
<b>Total</b>	<b>12,777</b>	<b>30,681</b>

Other revenue in 2019 include primarily revenue from sales of goods and materials amounting to PLN 9,445 thousand.

After the balance sheet date of 31 March 2021, the Company entered into a trilateral agreement with two banks being bondholders of Issuer's Series A bonds. The agreement covered the conversion of receivables from the purchase of Issuer's bonds into the shares of the subsidiary – Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring – ("Energo-Utech") ("Agreement") on the basis of which the Banks convert the receivables of each Bank against the Issuer corresponding to the value of one Bond ("Bonds") issued by the Issuer into Energo-Utech shares. The Banks will convert the receivables from the purchase for one Bond of PLN 10 thousand each into a total of 1,200 shares of Energo-Utech (600 for each Bank), amounting to a total of approx. 54% of the share capital of Energo-Utech and the same percentage of votes. The parties to the Agreement agreed on the use of the call option (repurchase of the shares subject to the transaction under the Agreement by the Issuer), which will be able to be used between 31 March 2025 and 31 March 2026. The repurchase price of Energo-Utech shares will be PLN 3,870,000.

### 11.3. Elektrociepłownia BĘDZIN Sp. z o.o.

The products produced by the Group of Companies include heat and electricity – in the subsidiary of Elektrociepłownia BĘDZIN Sp. z o.o.

The production structure in 2020 and 2019 was as follows:

Production	Unit	2020	2019
Heat in the form of water	GJ	1,309,923	2,358,929
Heat in the form of steam	GJ	265,758	312,209
Electricity	MWh	500,502	512,439

Sales volumes and values in 2020 and 2019 were as follows:

Sales	2020 by quantity	2020 by value in thousand PLN	2019 by quantity	2019 by value in thousand PLN
Heat	1,304,866 GJ	55,792	2,375,088 GJ	90,044
Electricity (from own production)	428,911 MWh	90,816	433,863 MWh	99,594

## 12. Information on primary sales markets, sources of supply and main consumers of the Elektrociepłownia "Będzin" S.A. Group of Companies

### 12.1. Sales markets

For Elektrociepłownia "Będzin" S.A., as a holding company that manages subsidiaries, the sales markets are those of the subsidiaries. The Group's business activities are not geographically diversified; all of the Group's business activities are conducted in Poland, therefore, they have not been divided into geographical areas.

Elektrociepłownia BĘDZIN Sp. z o.o., which is the subsidiary of Elektrociepłownia "Będzin" S.A., is the main source of heat in the field of heating, hot utility water and technological heat for Sosnowiec and partly for Będzin and Czeladź. The produced electricity is transmitted to the national power system.

In 2020, the subsidiary – Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. under restructuring – continued to perform financial services agreements concluded in previous years and concerning mainly power, railway, and road transport industries. However, given the ongoing process of approving the subsidiary's restructuring plan, no new agreements were concluded.

### 12.2. Sources of supply of materials for production, goods, services.

#### Main materials used for production in Elektrociepłownia BĘDZIN Sp.

##### z o.o.: Hard coal

Name of supplier	Supplies in Mg	Value of deliveries in thousand PLN	Percentage share in the supply of coal
Polska Grupa Górnicza S.A.	113,908.98 Mg	37,644	42.8 %
Supplier 1	50,718.70 Mg	11,906	19.0 %
Supplier 2	36,842.52 Mg	8,829	13.8 %

##### Lime

Name of supplier	Supplies in Mg	Value of deliveries in thousand PLN	Percentage share in the supply of lime
Zakłady Wapiennicze Lhoist S.A.	7,282.92 Mg	2,891	97 %

##### Urea

Name of supplier	Supplies in Mg	Value of deliveries in thousand PLN	Percentage share in the supply of urea
Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.	527.24 Mg	382	100 %

All supplies of Elektrociepłownia Będzin Sp. z o.o. are delivered on the domestic market. The Company is not dependent on one coal supplier. There are no formal relations between the coal suppliers whose share in the total sales of the Group of Companies reaches at least 10% and the Issuer.

### 12.3. Main consumers.

The contractors that generate revenue of at least 10% of revenue of the Group of Companies include entities belonging to the Tauron Polska Energia S.A. Group (value in 2020: PLN 57,808 thousand, including other operating revenues of PLN 975 thousand; value in 2019: PLN 94,110 thousand, , including other operating revenues of PLN 560 thousand) and Noble Securities (intermediary in the sale of electricity) – value in 2020: PLN 90,936 thousand, while in 2019: PLN 96,933 thousand.

Name of customer	Quantity of production received	Sales value in thousand PLN	Percentage share in the consumers of electricity
<b>CONSUMERS OF ELECTRICITY</b>			
Towarowa Giełda Energia S.A.	428,937 MWh	90,936	96.8 %
TAURON Polska Energia S.A.	14,375 MWh	2,891	3.2 %

Name of customer	Quantity of production received	Sales value in thousand PLN	Percentage share in the consumers of heat
<b>CONSUMERS OF HEAT</b>			
TAURON Ciepło Sp. z o.o.	1,259,432 GJ	53,888	96.5 %
Wojewódzki Szpital Specjalistyczny nr 5 im. Św. Barbary	38,855 GJ	1,620	3.0 %
C.E.W.S. Media Sp. z o.o.	6,579 GJ	284	0.5 %

All supplies of Elektrociepłownia Będzin Sp. z o.o. are delivered on the domestic market. The Company is not dependent on a single consumer. There are no formal relations between the Tauron Polska Energia S.A. Group/Noble Securities whose share in the total sales of the Group of Companies reaches at least 10% and the Issuer.

### 12.4. Information concerning effective agreements significant for the activities of entities which form the Group of Companies in 2020.

#### Contracts for the sale of heat

On 3 December 2020, Elektrociepłownia BĘDZIN Sp. z o.o. entered into a complementary Contract for the sale of heat ("Contract") with Tauron Ciepło Sp. z o.o. based in Katowice (Consumer) within the scope of increasing the ordered thermal power, heat, heat carrier, performed by the Seller for the Consumer to the Consumer's Infrastructure as specified in the Contract. During the term of the contract, which is the same as in the main heat supply contract of 19 December 2013 with appendixes thereto (referred to in current report no. 21/2019), i.e. until 31 August 2026, the Seller is particularly obliged to deliver thermal power and heat in the amount of up to 100 MWt in accordance with the control table of heat carrier temperatures constituting an Appendix to the Contract and to guarantee the provision of additional ordered power in the amount of 20 MWt. The parties allow the ordered thermal

power to be changed; however, it cannot be lower than 20 MWt.

Given the auxiliary nature of the contract, the estimated contract value cannot be established and depends on the supply order on the part of Tauron Ciepło Sp. z o.o. Still, the value of the guaranteed ordered capacity of 20 MW amounts to PLN 1.7 million per annum.

#### **Contracts for the performance of works and provision of services**

26 February 2020 saw the conclusion of contract no. 12/EC/2020 for the performance of maintenance works in terms of the delivery and replacement of filter bags of the bag filter installed in the Flue Gas Desulphurisation Plant. The net contract value was PLN 768 thousand, while the completion date was 14 April 2020.

12 May 2020 saw the conclusion of contract no. 25/EC/2020 for the performance of maintenance works on the pressure part and fittings of boiler OP140 no. 7 as part of the planned medium overhaul of the boiler together with the preparation of the pressure parts for testing and diagnostic procedures under the internal revision of the Office of Technical Inspection. The contract value was PLN 574 thousand, with the completion date being by 2 July 2020.

On 23 December 2020, contract no. 65/EC/2020 for the supply of Sorbacal HS and Sorbacal H90 was concluded. The estimated net value of the contract is PLN 3.6 million and its term is 1 January 2021 - 31 December 2021.

#### **Lease contracts**

On 30 September 2014, Elektrociepłownia BĘDZIN Sp. z o.o. concluded a contract for the performance of the task entitled "Construction of a flue gas desulphurisation and denitrification plant in Elektrociepłownia BĘDZIN Sp. z o.o." with SBB ENERGY S.A. The value of the contract is PLN 129,975 thousand. The funds for the investment were acquired under the Group of Companies by Towarzystwo Finansowo-Leasingowe Energo- Utech S.A. under restructuring from a bank loan. The investment was completed in March 2018 and involved the acceptance of the final part of the plant. As at 31 December 2020, the amount due for the Lease Contract concluded between the subsidiaries, i.e. ETFL Energo – Utech S.A. under restructuring and Elektrociepłownia "Będzin" Sp. z o.o. was PLN 41,370 thousand.

On 22 December 2014, Elektrociepłownia BĘDZIN Sp. z o.o. and Energetyczne Towarzystwo Finansowo–Leasingowe Energo-Utech S.A. under restructuring concluded a lease contract for a flue gas desulphurisation plant for boilers OP-140 no. 6, OP 140 no. 7 and WP-70 no. 5 (Plant

"A"), a flue gas denitrification system for boiler OP 140 no 7 (Plant "B"), a flue gas denitrification system for boiler OP 140 no. 6 (Plant "C"), and a flue gas denitrification system for boiler WP-70 no. 5 (Plant "D"). On 28 November 2016, the parties to the contract concluded Appendix 4 due to a change to the subject matter of the lease involving the exclusion of buildings, structures, and modifications from the existing lease. Following the change, the final value of the subject matter of the lease was PLN 96,779 thousand. As on 31 December 2020 the debt of Elektrociepłownia BĘDZIN Sp. z o.o. due to the lease contract is PLN 35,475 thousand.

On August 2020, Elektrociepłownia BĘDZIN Sp. z o.o. concluded a car lease contract with Volkswagen Financial Services. The subject matter of the lease is a passenger car whose net value is PLN 337 thousand. The monthly principal instalment is PLN 6 thousand net, with the last instalment to be paid in July 2025.

#### **Coal supply contracts**

On 2 October 2017, Elektrociepłownia BĘDZIN Sp. z o.o. and Polska Grupa Górnicza S.A. concluded a long-term contract for the supply of power coal (II A coal dust, class 22/22/06) from the Staszic Coal Mine (II A coal dust, class 22/23/01) and the Sońnica Coal Mine until the end of 2020. On September 2019, an appendix thereto was concluded to extend

its term until the end of 2022 and to expand the number of coal mines according to which between 2020–2022, the supplies of power coal in the amount of 280 thousand Mg per year will be provided from the Staszic Coal Mine (II A coal dust, class 21/23/06), the Sońnica Coal Mine (II A coal dust, class 21/26/08), the Bolesław Śmiały Coal Mine (II A coal dust, class 22/23/12), and the Halemba Coal Mine (II A coal dust, class 23/22/08).

On 31 August 2020, Elektrociepłownia BĘDZIN Sp. z o.o. terminated the long-term contract for the supply of power coal.

In connection with the termination of the contract with Polska Grupa Górnicza S.A., Elektrociepłownia BĘDZIN Sp. z o.o. made spot purchases of coal and concluded contracts for the supply of power coal from independent suppliers.

In addition, on 30 December 2020, Elektrociepłownia BĘDZIN Sp. z o.o. and one of the suppliers concluded a contract for the reservation and storage of coal suitable for energy purposes (II A coal dust, class 22/22/12) in the amount of:

- 15,000 Mg (between 1–31 January 2021),
- 10,000 Mg (between 1 February–31 March 2021).

In 2020, the companies belonging to the Group of Companies did not enter into any significant insurance contracts or any cooperation and collaboration agreements apart from those described in these financial statements. The Issuer is also unaware of any significant agreements between shareholders.

### 13. Information concerning organisational or equity relationships of the Group of Companies with other entities.

Organisational or equity relationships were described in the section concerning the composition of the Elektrociepłownia BĘDZIN Group of Companies.

Apart from holding shares in

- Elektrociepłownia BĘDZIN Sp. z o.o.,
- Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. under restructuring, and – indirectly – in ENERGO-BIOMASA Sp. z o.o.,

the Issuer has no other capital or foreign investments, in particular securities, financial instruments, including capital investments outside its group of related entities.

In 2020, the Issuer did not purchase any intangible assets or real estate. As at 31 December 2020, the Issuer owned two properties: in Sosnowiec with an area of 2,520 m<sup>2</sup> and in Wojkowice with an area of 6,376 m<sup>2</sup> on the basis of perpetual usufruct.

#### Value of land in perpetual usufruct by the Parent Company:

Item	B.Z. 31 December 2019					B.Z. 31 December 2020				
	Area in m2	Administrative value	Gross value	Extract	Net value	Area in m2	Administrative value	Gross value	Extract	Net value
plot of land in Sosnowiec no. 693	2,520	58	14	14	0	2,520	58	14	14	0
plot of land in Wojkowice no. 293/5	6,376	140	103	0	103	6,376	140	103	0	103
<b>Total</b>	<b>8,896</b>	<b>198</b>	<b>117</b>	<b>14</b>	<b>103</b>	<b>8,896</b>	<b>198</b>	<b>117</b>	<b>14</b>	<b>103</b>

#### 14. Information about major transactions made by the Group of Companies with affiliates on terms other than market terms.

The Group entities did not enter into any transactions with affiliates on different terms than arm's length transactions.

#### 15. Information concerning concluded and terminated loan and credit agreements.

All liabilities under loans and borrowings and factoring agreements are in local currency.

Both the short- and long-term part of loans and borrowings relate mainly to liabilities financing the operations of Energetyczne Towarzystwo Finansowo- Leasingowe ENERGO-UTECH S.A. under restructuring, which cooperates with banks in this regard. The amount of borrowing and lending commitments as on 31 December 2020 in total was PLN 234,989 thousand.

**The amounts of credit and loan commitments of ETFL Energo-Utech S.A. under restructuring as on 31.12.2020:**

Type of loan/borrowing	Bank/lender name	Value of liability as on 31.12.2020	Short-term part	Long-term part	Interest rate conditions at the balance sheet date	Security for repayment
loans for financing activity	Santander Bank S.A.	3,260,282.00	2,475,985.13	784,296.87	variable	bills of exchange, assignment of receivables
loans for financing activity	PKO BP S.A.	22,255,750.14	6,706,642.99	15,549,107.15	variable	bills of exchange, assignment of receivables
loans for financing activity	PEKAO S.A.	91,072,344.27	45,740,031.90	45,332,312.37	variable	bills of exchange, assignment of receivables
loans for financing activity	Bank Gospodarstwa Krajowego	10,218,598.44	2,730,766.11	7,487,832.33	variable	bills of exchange, assignment of receivables
loans for financing activity	Poznański Bank Spółdzielczy	3,567,715.00	1,891,693.00	1,676,022.00	variable	bills of exchange, assignment of receivables
loans for financing activity	SGB Bank S.A.	18,113,447.31	4,995,117.40	13,118,329.91	variable	bills of exchange, assignment of receivables
loans for financing activity	Alior Bank S.A.	4,128,852.23	2,927,202.23	1,201,650.00	variable	bills of exchange, assignment of receivables
loans for financing activity	mBank S.A.	39,181,410.67	13,947,357.80	25,234,052.87	variable	bills of exchange, assignment of receivables

<b>loans for financing activity</b>	Bank Spółdzielczy w Gliwicach	1,665,048.60	486,589.67	1,178,458.93	variable	bills of exchange, assignment of receivables
<b>borrowing for financing activity</b>	PHU MDW Głanowski Wiesław	6,400,800.02	6,400,800.02		variable	promissory note
<b>borrowing for financing activity</b>	EC Będzin Sp. z o.o.	833,215.95	833,215.95		5%	none
<b>TOTAL</b>		<b>200,697 464.63</b>	<b>89,135,402.20</b>	<b>111,562,062.43</b>		

In 2020, the company Energetyczne Towarzystwo Finansowo-Leasingowym Energo-Utech S.A. under restructuring did not sign any new loan or credit agreements

EC Będzin S.A. as on 31 December 2020 has no liabilities on account of loans and borrowings. In 2020, the company took out and repaid loans in the total amount of PLN 633 thousand.

#### **16. Information concerning loans granted during the financial year, with a particular emphasis on loans granted to affiliated entities.**

In 2019 and 2020, Elektrociepłownia BĘDZIN Sp. z o.o. granted loans to an affiliated entity – Energetyczne Towarzystwo Finansowo-Leasingowe "Energo-Utech" S.A.

Pursuant to agreement of 10 February 2020 concluded between Elektrociepłownia BĘDZIN Sp. z o.o., Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring and Elektrociepłownia "Będzin" S.A., the loan of PLN 5,000 thousand, together with accrued interest, was assumed by Elektrociepłownia "Będzin"

S.A. in place of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring. The remaining amount, after deducting offsets against the Company's liability, continued to constitute a loan receivable due from Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring.

On 26 June 2020, an annex was signed to extend the repayment deadline for the receivable due from Elektrociepłownia "Będzin" S.A. until 30 June 2021.

As at the end of 2020, the loan receivable due to Elektrociepłownia BĘDZIN Sp. z o.o. from Energetyczne Towarzystwo Finansowo-Leasingowe "Energo-Utech" S.A. amounted to PLN 726 thousand plus interest valued at PLN 41 thousand and PLN 107 thousand on account of settlement of the agreement, while the loan receivable due from Elektrociepłownia "Będzin" S.A. amounted to PLN 4,770 thousand plus interest valued at PLN 297 thousand.

After the balance sheet date, on 29 March 2021, the Parent Company concluded with Elektrociepłownia BĘDZIN Sp. z o.o. another annex to the agreement, concerning extension of repayment of liabilities of the Parent Company of PLN 5,000 thousand until 30 June 2022.

After the balance sheet date, on 29 March 2021, the Parent Company concluded with Elektrociepłownia BĘDZIN Sp. z o.o. a loan agreement for PLN 350 thousand, with an annual interest rate of 5.5% and repayment date set for 30 June 2022.

Apart from those described in the report, the Issuer's Group of Companies has no other off-balance-sheet liabilities.

#### **17. Information concerning sureties and guarantees granted and received during the financial year, with a particular emphasis on sureties and guarantees granted to affiliated entities.**

##### **Sureties and guarantees granted:**

1. On 22 July 2016, the Company acceded to the debt of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. (subsidiary) stemming from three factoring agreements concluded on 22 July 2016 with regard to purchase and financing of lease receivables nos.: 879/07/2016, 880/07/2016 and 881/07/2016, under which PKO BP Faktoring SA seated in Warsaw granted the Debtor a financing limit totalling PLN 20,000,000 (say: twenty million Polish zlotys) until 21 July 2021. In accordance with the concluded agreement, the liability of the Party Acceding to the Debt and of the Debtor

is

of a joint and several nature, and the Factor may demand full or partial performance from both obligors jointly or from either one separately. The credit balance as at 31 December 2019 was PLN 4,256 thousand, while as at 31 December 2020, it was PLN 4,118 thousand. The subsidiary received from PKO Faktoring a grace period in repayment of installments until June 2020, and then applied for another grace period until completion of accelerated composition proceedings or until the sale of buses, assuming payment from November of reduced installments of PLN 30 thousand.

2. On 28 February 2019, the Company issued a blank promissory note with a blank promissory note agreement as security for repayment of a revolving credit facility of PLN 1,300 thousand granted to Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO- UTECH S.A. (subsidiary) by Poznański Bank Spółdzielczy. The balance of the revolving credit facility as at 31 December 2019 was PLN 939 thousand, while as at 31 December 2020, it was PLN 903 thousand. The credit is not being repaid on account of the fact that the Subsidiary has entered a restructuring process. The credit is 80% secured by the Polish Development Fund.
3. On 19 June 2019, the Company issued a blank promissory note with a blank promissory note agreement as security for repayment of an investment credit of PLN 6,612 thousand granted to Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO- UTECH S.A. under restructuring (subsidiary) by mBank S.A. The credit balance as at 31 December 2019 was PLN 6,183 thousand, while as at 31 December 2020, it was PLN 5,311 thousand. The credit is being repaid on an ongoing basis.

Total value of granted guarantees for repayment of liabilities of ETFL Energo-Utech S.A. (subsidiary) is PLN 27,912 thousand. The Management Board has analysed the risks related to the power of the creditors to enforce the guarantees. Until a composition agreement with the creditors is reached, the Subsidiary should repay its liabilities on an ongoing basis, and the creditors cannot terminate the agreements or enforce the guarantees. During negotiations of composition proposals, the Management Board of the Issuer will be agreeing with the creditors on separate composition proposals related to the guarantees. Should negotiations with the creditors fail and the subsidiary be at risk of bankruptcy, the creditors may demand the full amount of the debt from the guarantor. Credits granted to the subsidiary are also secured against its assets; the Management Board estimates that, as at the balance sheet date, the value of these assets is PLN 6,756 thousand, which means that the potential exposure of the company on account of granted guarantees, taking into account the balance of liabilities as at 31.12.2020, i.e. PLN 10,332 thousand, is PLN 3,576 thousand. The Management Board of the Company is of the opinion that the proposals presented during composition proceedings will be accepted by the creditors of the subsidiary, and thus the contingent liability will not have to be repaid; nevertheless, an adverse development of the situation may threaten the liquidity of the Company.

#### **Sureties and guarantees received:**

Elektrociepłownia BĘDZIN Sp. z o.o. (subsidiary) received on 31 January 2019 a blank promissory note agreement to a blank promissory note issued by the St. Barbara Regional Specialist Hospital in Sosnowiec for an amount corresponding to receivables due as at the day on which the promissory note was issued, stemming from agreement no. 22/EC/2019, up to PLN 1,780 thousand.

On 7 January 2020, the Company received annex no. 4 to the performance guarantee for agreement no. BOFH16009135/GP/K concluded with SBB Energy S.A. to contract no. 99/EC/2014. The guarantee extension was effective until 20 March 2020.

On 17 November 2016, a performance and retention guarantee was received from

Energomontaż Zachód Wrocław Sp. z o.o. with a maximum amount of PLN 32.75 thousand. This guarantee concerns agreement no. 49/EC/2016 "Comprehensive replacement of the 3rd stage steam superheater of the OP-140 boiler no. 6". Until 18 September 2017, it applied to non-performance or

improper performance of works under the agreement, while until 18 September 2021 (inclusive), it applies to non-remediation or improper remediation of physical defects or faults in the subject matter of the agreement under the granted warranty and guarantee.

In the 1st half of 2017, a performance and retention guarantee was received from the consortium formed by the following companies: IP PROINSTAL, PROXIMA, KOMOBEX-INEL, in relation to performance of the investment task "Modernisation of the water preparation station". The guarantee was granted for up to PLN 580 thousand applicable to non-performance or improper performance of the subject matter of the agreement, effective until 31 December 2017, and up to PLN 174 thousand applicable to non-performance or improper performance of obligations during the warranty or guarantee period, effective from 1 January 2018 until 31 January 2021.

The Company received from ACE Instal an insurance performance and retention guarantee (INTERRISK) no. 32GG04/0329/18/0004. It is effective between 27 August 2018 and 27 November 2021 for up to PLN 28 thousand.

#### **18. Issuance of securities.**

The Parent Company did not issue securities in 2020.

#### **19. Explanation of differences between financial results disclosed in the annual report and previously published performance forecasts for the year.**

The Company did not publish performance forecasts for 2020.

#### **20. Assessment and justification of financial resource management, with a particular emphasis on the capacity to meet financial commitments.**

Elektrociepłownia BĘDZIN Sp. z o.o. has in 2020 met all its financial commitments, although the financial position of the Company led to delays in payments for coal (a consequence of the severe increase in the cost of CO<sub>2</sub> emission allowances). In 2020, the Company incurred a net loss of PLN 66,726 thousand. Its current liabilities (including short-term provisions) as at 31.12.2020 exceeded current assets by PLN 86,197 thousand. The current financial position of the Company, which stems primarily from the severe increase in the cost of CO<sub>2</sub> emission allowances, poses a risk of loss of liquidity.

As at the reporting date, the entity had a significant excess of current liabilities over current assets. Termination of 10 lease agreements concluded with customers of ETFL ENERGO-UTECH S.A. under restructuring (subsidiary), who went bankrupt or found themselves in a difficult financial position and failed to pay their debts, resulted in a liquidity risk for that entity. The balance of the entity's (subsidiary's) outstanding (due and unpaid) liabilities as at 21 December 2020 was PLN 4.5 million towards banks, PLN 6 million towards other creditors on account of loans and PLN 3 million on account of promissory notes. On 12 February 2020, the Court issued a decision to initiate accelerated composition proceedings, which protected the Company from enforcement measures undertaken by its creditors. The Subsidiary expects to conclude a composition agreement with its creditors, which will enable it to continue its activities.

The current situation of the Subsidiary has a direct impact on the inability to obtain financing for new Contracts. The Management Board of the Company found it necessary to focus on difficult topics (debt collection and customer restructuring). The Company conducted debt

collection

in 2020. In 2019 and 2020, the Company recovered a portion of its own funds invested in so-called "difficult" contracts. Despite this, the effectiveness of the Company in collecting its receivables from unreliable counterparties proved insufficient. Furthermore, with respect to termination of lease agreements, the effectiveness of sale of assets acquired under these agreements was, for a number of reasons, relatively low (by the end of 2020, agreements were signed for the sale of 3 buses for an amount of PLN 1,914 thousand), which contributed to freezing of funds and generation of additional costs related to securing of these assets. The current financial position of the Company, which stems primarily from the aforementioned factors, is difficult and poses a risk related to loss of liquidity by the subsidiary.

## **21. Assessment of the capacity to realise investment plans, including capital investments, compared to held resources.**

### **21.1. Investment activity of the Elektrociepłownia "Będzin" S.A. Group of Companies in 2020.**

Between 1 January 2020 and 31 December 2020, the Parent Company incurred no capital expenditures.

As at the end of 2020, the Parent Company has liabilities related to issue of bonds, the nominal value of which is PLN 16,200 thousand. These liabilities stem from the Parent Company's issue on 13 April 2015 of 3,000 bearer bonds, dematerialized, carrying only cash benefits, unsecured, with a maturity period of 3 years, with a nominal value of PLN 10 thousand each, i.e. with a total nominal value of all bonds of PLN 30,000 thousand; the issue was carried out under Art. 9 para. 3 of the Act of 29 June 1995 on bonds (consolidated text: Dz.U. [Journal of Laws] 2014.730, as amended). In 2018, the issue period was extended until 10 April 2019. On 9 April 2019, pursuant to the amended Terms and Conditions for Bond Issue, the issue period of the above bonds has been extended until 10 April 2022. Other Terms and Conditions for Issue of Series "A" Bonds have remained unchanged. On 10 April 2019, bonds in the amount of PLN 13,800 thousand were redeemed.

#### **Investment activity of Elektrociepłownia BĘDZIN Sp. z o.o. in 2020**

Between 1 January and 31 December 2020, the Company carried out investment projects amounting to PLN 760,5 thousand, including PLN 376 thousand for car lease, and incurred expenditure for purchase of CO<sub>2</sub> emission allowances of PLN 43,086 thousand.

The achievement of the planned investment objectives gave anticipated economic and environmental effects, including:

- recovery of fixed assets;
- optimisation of generation costs;
- meeting the requirements of occupational safety, environmental protection regulations, and fire code provisions.

On 23 March 2020, the final acceptance and commissioning of the task entitled:

"Installation and replacement of air conditioners" was carried out.

On 30 October 2020, the final acceptance and commissioning of the task entitled: "Replacement of the refrigerant dryer for compressed air generated by the GA90W compressors" was carried out.

On 12 March 2020, the final acceptance and commissioning of the task entitled:

"Installation for elimination/reduction of bacteria (microorganisms) in the water preparation system supplied by river water, hereinafter referred to as the Bacteria Reduction Installation" was carried out.

On 31 December 2020, the final acceptance and commissioning of the task entitled: "Modernisation of a Q-450 kg hydraulic crane installed at the Elektrociepłownia Będzin Sp. z o.o. plant, UDT No. 3105002071".

### **Planned investment activity of the Elektrociepłownia "Będzin" S.A. Group of Companies in 2021**

The Parent Company does not plan any capital expenditure in the 12 months following the balance sheet date.

#### **Planned investment activity of Elektrociepłownia BĘDZIN Sp. z o.o. in 2021**

Investment expenditures planned for 2021 include:

- adjusting production infrastructure to the applicable legal requirements,
- lowering operating costs,
- increasing the reliability of the electricity and heat production.

Elektrociepłownia BĘDZIN Sp. z o.o. plans to incur in 2021 expenditures of PLN 4,995.5 thousand for investments concerning the adaptation of the Company to operating after 2021.

Among internal investment projects in 2021, the following projects are planned to be implemented:

- modernisation – reconstruction – replacement of the pressure part of the WP-70 boiler no. 5 together with installation of a process air heating system – pre-implementation phase,
- modernisation of adjustment mechanisms for BD18A/1300 rotary air heater blades,
- reconstruction of the PZ3 feedwater pump,
- modernisation of the electricity generation control system,
- modernisation of the R6W substation power supply bays (2 bays),
- modernisation of the acid and lye pumping station to adapt its equipment to specifications of operation of the plant together with adaptation of the pumping station room to OSH requirements,
- installation and replacement of air conditioners,
- improvement – adaptation of the internal road running along the retaining wall and the backup transformer near the machine shop to heavy transport.

In addition, a task started in 2020 titled:

"Modernisation of the pass guide control system for boiler no. 7" will be continued in 2021.

Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring does not plan investments in its own assets.

#### **Renovation activity of the Elektrociepłownia "Będzin" Group of Companies in 2020**

In 2020, the budget for renovation activities amounted to PLN 11,895 thousand. The material scope of completed works amounted to PLN 11,714 thousand. Repairs were made according to the schedule.

The major overhauls of the production equipment directly involved in the generation of electricity and heat scheduled for this period involved, inter alia, a mean repair of the OP-140 boiler No. 7 together with an electrostatic precipitator, a current repair of the 81.5 MW 13UCK80 turbine set and the OP-140 steam boiler No. 6 together with an electrostatic precipitator. Due to economic reasons the current repair of the WP- 70 boiler no. 5 was abandoned in favour of service and inspection works. The electrostatic precipitator of the boiler WP-

70 No. 5 was overhauled due to its emergency condition. At the flue gas desulphurisation plant, filter bags in the bag filter were completely replaced.

In 2020, necessary repair work was also performed on other power equipment and installations as well as on buildings and structures.

## **Planned renovation activity of the Elektrociepłownia "Będzin" Group of Companies in 2021**

In 2021, the projected funding for renovation activity amounts to PLN 6999.7 thousand. Within these funds, the following works will be carried out: mean repair of TG1 turbine set including generator as well as necessary service and inspection works of basic production equipment in order to ensure its availability during the heating season.

The ability to execute the assumed investments and renovations in the Group companies compared to the amount of funds held by them in 2021 depends on a number of factors, both internal and external ones, including, among other things, the switch, at least in part, to alternative fuel sources.

## **22. Characteristics of external and internal factors significant for the development of the Group of Companies and description of perspectives for development of activities of the Group of Companies**

A description of the impact of COVID-19 and the restructuring process is more fully described in Section 29.14 of this Report.

### **Factors associated with running a business.**

The main objective of the Group entities is to ensure stable and safe production of electricity and heat, in compliance with the latest environmental requirements, and to develop financial services for the financial and investment needs of the broadly understood power industry and railroad industry, while striving to increase the value of the Group companies.

### **Key macroeconomic indicators.**

The economic and financial situation as well as the economic activities conducted by Elektrociepłownia "Będzin" Group of Companies are influenced by factors relating to the general condition of the domestic economy as well as the economic situation of the areas in which individual Group companies operate. Among macroeconomic indicators, the dominant ones are: GDP, industry value added, domestic demand, gross fixed capital formation, industrial output sold, inflation, average nominal gross wages in the corporate sector, unemployment rate, trade balance, national electricity consumption.

### **Political factors.**

Due to the strategic nature of the energy sector, its operations may be affected by political decisions, both at the national and the European Union level. The decisions taken may concern both the directions of energy policy and detailed legal solutions, which may influence, inter alia, the prices of electricity and CO2 emission rights.

### **Legal and regulatory environment.**

The activities of the Group of Companies in the energy sector are conducted in an environment subject to specific legal regulations, either at the national or the European Union level. Legal regulations are often a result of political decisions, hence a risk of frequent changes in this area which cannot be predicted by the Group of Companies.

The activities of the Group companies are regulated by the current legal system, which defines the framework for conducting business activities on the domestic market, including in the areas of the tax system, labour law, competition and consumer protection, environmental protection, legal requirements for environmental protection are becoming more stringent, which may necessitate the expenditure of additional funds in the future. There is a risk of changes in the aforementioned areas both on the basis of specific

legal acts and individual interpretations which may become the source of potential liabilities of the Group Companies.

Activities in the energy sector are also regulated by the President of the Energy Regulatory Office, being the body that issues decisions, approves tariffs and controls application thereof. The regulatory and control powers held by the President of the Energy Regulatory Office create opportunities to influence the activities of Elektrociepłownia BEDZIN Sp. z o.o., as well as of the Group of Companies in the power engineering segment.

In connection with the amendment to the Energy Law, starting from 2019, an energy company engaged in electricity generation is required to sell the generated electricity on commodity exchanges within the meaning of the Commodity Exchange Act of 26 October 2000, on a market organised by an operator of a regulated market on the territory of the Republic of Poland, or on an organised trading platform.

On 2 August 2017, the President of the Republic of Poland signed the Water Law Act regulating water management, including the formation and protection of water resources, water use and management of water resources, ownership of water and land covered by water and the principles of management of those components in relation to the property of the State Treasury. The act removes exemptions from fees in respect of the economic use of water for energy purposes and imposes additional fees in this respect starting from 2018.

#### **Investments.**

The Group of Companies within the subsidiary Elektrociepłownia BĘDZIN Sp. z o.o. made investments to enable environmentally compliant operations and to increase electricity production. These include, in particular:

- construction of desulphurisation and denitrification plants that enabled the Company to operate after 1 January 2016; in 2016, the desulphurisation plant on boilers OP-140 No. 6, OP-140 No. 7, WP-70 No. 5 and the flue gas denitrification plant on boiler OP-140 No. 7 were accepted for operation as part of the ongoing investment, in 2017 the flue gas denitrification plant on boiler OP-140 No. 6, and in 2018 the flue gas denitrification plant on boiler WP-70 No. 5.

#### **Liquidation of low emissions in the area that can be heated by the district heating system supplied from Elektrociepłownia BĘDZIN Sp. z o.o.**

The subsidiary Elektrociepłownia BĘDZIN Sp. z o.o. and Tauron Ciepło Sp. z o.o. undertook actions aimed at changing the current non-ecological way of heating buildings by connecting them to the district heating network. When acting in furtherance of the objectives, the entities signed a marketing agreement on 27 February 2015, as amended by an addendum of 1 June 2015, in which the parties estimated the increase in the contracted capacity related to the elimination of low emissions of 54 MWt. However, due to the temporary withdrawal by TAURON Ciepło from the implementation of the Low Emission Elimination Program, those actions do not bring measurable results to Elektrociepłownia BĘDZIN Sp. z o.o. .

#### **New environmental requirements.**

On 17 August 2017, Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and of the Council, for large combustion plants was published. The publication of the legally binding document began a 4-year adjustment period for plants to comply with the requirements set forth in the aforementioned document. The document shows that the requirements set out in the BAT conclusions will take effect starting from 17 August 2021. In accordance with the Waste Act of 14 December 2012, the Company was preparing to change its waste record keeping in 2019. As of 1 January 2020,

the waste records are maintained on an ongoing basis in the Product, Packaging and Waste Management Database (BDO).

### **European EU ETS.**

On 8 April 2018, the Directive 2018/40 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to strengthen the cost-effectiveness of emission reductions and low-carbon investments and Decision (EU) 2015/1814 (Official Journal EU L No 76 p.3 et seq.). The document introduced a number of reforms to the existing system. The changes apply to Period IV of the system from 2021 to 2030. The main objectives of Phase IV of the EU ETS include:

- activation of the Market Stability Reserve (MSR) mechanism,
- increasing the Liner Reduction Factor (LRF),
- creation of an Innovation and modernisation fund,
- the number of allowances to CO<sub>2</sub> emission allowances available at auctions,
- The number of free allowances granted during the regulation period.

### **Financial markets (MiFID2).**

In January 2018, new regulations, MiFFiD II, aimed to strengthen markets in financial instruments became effective. With them, CO<sub>2</sub> emission allowances became a financial instrument at the beginning of the year, making it possible for large financial institutions to participate in this market.

On 21 April 2018, the Act of 1 March 2018 amending the Act on trading in financial instruments and certain other acts (Journal of Laws of 2018, item 685) entered into force. The purpose of this Act was to introduce the so-called MIFIDII Directive in Polish law. The purpose of the amendments was to enhance the safety and transparency of contracting and to reinforce regulatory oversight of derivative contracts, emission allowances, and their derivatives.

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

Pursuant to 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 rules for the allocation of free CO<sub>2</sub> emission allowances applied in the 2013–2020 settlement period.

The above period saw a decrease in the amount of free CO<sub>2</sub> emission allowances compared to the period of 2005 to 2012. The amount of free allowances granted to heat generating installations is reduced every year, with 2020 set to be the last year with free allowances.

Between 2013 and 2020, the heat production volume of the plant is verified annually. Should heat production decrease significantly, free allowances for the following years are adjusted.

Free allowance allocations are insufficient to account for all CO<sub>2</sub> emissions, which requires purchasing additional allowances on the free market.

In 2019, the subsidiary – Elektrociepłownia BĘDZIN Sp. z o.o. – applied for the allocation of free emission allowances in the EU ETS for the fourth trading period – between 2021 and 2030. The estimated volume of free allowances will be considerably lower from the allocations granted for the third trading period.

### **Electricity prices**

The electricity price is affected by many factors, including market and regulatory ones. The following are the main factors affecting energy prices at the national level:

- production fuel costs,
- CO<sub>2</sub> emission allowance purchase cost,
- the amount of energy generated from RES,
- investments in the modernisation of generating units related to environmental protection requirements,

- investments in new generating capacity and replacing old, worn-out generating units,
- investments in the distribution system.

### **Demand for electricity**

In line with the forecast of the Ministry of Economy presented in the document "Update of the forecast of demand for fuels and energy until 2030", demand for electricity in the coming years is expected to increase in all sectors of the economy, with net electricity production being expected to increase to 193.3 TWh by 2030. In addition, according to the document "Conclusions from forecast analyses for the purposes of Energy Policy of Poland until 2050", by 2050 electricity production is expected to increase by approx. 40% – from 158 TWh in 2010 to 223 TWh in 2050.

### **Energy Policy of Poland until 2040.**

In 2019, the Ministry of Energy complete the phase of national public consultation under the strategic environmental impact assessment of "Energy Policy of Poland until 2040". In line with this document, the objective of the energy policy of a state is to guarantee energy security, while ensuring the competitiveness of the economy, energy efficiency, and lower environmental impact of the energy sector, making optimal use of its own energy resources.

The main policy directions for the years to come include:

- optimal use of country's own energy resources,
- expansion of electricity generation and grid infrastructure,
- diversification of gas and oil supplies and expansion of network infrastructure,
- development of energy markets,
- implementation of nuclear power,
- development of renewable energy sources,
- development of heating and combined heat and power technologies
- improvements to energy efficiency.

The following indicators have been adopted as a global measure of PEP2040 objective achievement:

- 56-60% share of coal in electricity generation in 2030,
- 21-23% share of RES in final gross energy consumption in 2030,
- implementation of nuclear power in 2033,
- higher energy efficiency by 23% by 2030 compared to the 2007 forecasts,
- reduction of CO<sub>2</sub> emissions by 30% by 2030. (compared to the year 1990).

### **Long-term energy market development.**

On 16 February 2016, the Polish government adopted the document "Plan towards the responsible development of Poland". It specifies main directions of action to be taken by Poland and new stimuli to ensure the stable development of Poland in future.

The basic assumption of the plan is to base Poland's development on five pillars, i.e.:

- reindustrialisation,
- innovation,
- capital,
- foreign expansion,
- social and regional development.

In line with the provisions of the document concerning energy market, to improve energy efficiency and unlock investments after 2020 (including to avoid blackouts and to become energy independent), Poland is to support, among other things, the development of energy infrastructure (including, for example, electricity storage technologies, energy bridges), to free up market areas, as well as to introduce a power market mechanism to possible serve as a stimulus for investments in the conventional energy segment.

### **Power market.**

In 2017, the Power Market Act was enacted (Dz. U. /Journal of Laws/ 2018, item. 9), which aims to ensure continuity and stability of electricity supply for both industry and households. The introduction of a power market will entail a change of the energy market from a market with one product to a market with two products, where transactions will involve not only the electricity generated but also the readiness to deliver energy to the grid (net available capacity). The power market entities to be awarded will be selected based on Dutch auctions. The power market will feature power auctions, in which capacity providers will offer a capacity obligation, i.e. the provider's obligation to remain ready to deliver specific electrical power to the system through a power market entity within a delivery period and to deliver specific electrical power to the system during emergency periods. The first auctions were held in 2018 and covered the delivery period of 2021 to 2023. Elektrociepłownia BĘDZIN Sp. z o.o. was subject to a capacity obligation of 55 MWe in 2021 and 2022. The estimated revenue is PLN 13.2 million and PLN 10.89 million respectively. In 2019, an auction was held for 2024, as a result of which Elektrociepłownia BĘDZIN Sp. z o.o. became subject to a capacity obligation of 55 MWe in 2024. The estimated revenue in 2024 is PLN 14.29 million.

### **Situation in the domestic coal mining sector.**

The energy price curve will largely depend on the cost of acquiring production fuel. The situation in the sector and the need to restructure it in the medium term will undoubtedly result in changes in production fuel prices. The direction of change in the sector is unclear. Considering the above and the fact that production fuel is the main component of electricity generation costs, this generates additional risks in the process of concluding production fuel supply contracts, particularly in the long term.

### **General Data Protection Regulation (GDPR).**

From 25 May 2018, the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC applies.

GDPR applies to all member countries. The Regulation introduces new rules for the processing of personal data and imposes additional obligations on data controllers. When conducting their business, all members of the Elektrociepłownia Będzin Group of Companies take into account the requirements of the new regulations, with particular emphasis on ensuring the security of the data being processed to guarantee the protection of the rights and freedoms of data subjects.

## **23. Amendments in the basic principles of management of an enterprise in the Group entities.**

Elektrociepłownia "Będzin" S.A. acting within the Group of Companies, exercises permanent owner supervision through the Shareholders Meeting of subsidiaries Elektrociepłownia BĘDZIN Sp. z o.o. and of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring.

Elektrociepłownia "Będzin" S.A. has a Corporate Governance and Investor Relations Department, which conducts the Company's affairs, among other things, with respect to the obligations set forth in the Regulation of the Minister of Finance of 29 March 2018. on current and interim information delivered by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state.

There were no changes in the management principles of the Group entities in 2020.

**24. Agreements concluded between entities comprising the Group of Companies and management personnel which provide for compensation in the event of their resignation or dismissal from their position without a valid reason or if their dismissal or termination stems from merger of the parent company by acquisition.**

In accordance with the resolution of the Supervisory Board, the contract of the President of the Management Board of Elektrociepłownia "Będzin" S.A. (the Parent Company) does not contain provisions regarding non-competition and does not provide for any compensations for resignation or in case of dismissal from the position held.

Agreements with members of the Management Board of Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. under restructuring do not contain non-compete clauses that result in compensation payments.

Agreements with Members of the Management Board of Elektrociepłownia BĘDZIN Sp. z o.o. do not contain non-compete clauses from which compensation payments arise.

**25. Information concerning pension and similar liabilities in companies comprising the Group of Companies.**

Companies of the Elektrociepłownia "Będzin" S.A. Group of Companies have no liabilities arising from pensions or benefits of a similar nature for former management or supervisory members, as well as other administrative bodies. They do not have liabilities incurred in connection with such pensions either.

**26. Total number and nominal value of all shares in the Parent Company of the Group of Companies held by management and supervisory personnel of the Issuer.**

Share capital of Elektrociepłownia "Będzin" S.A. (Parent Company) is PLN 15,746 thousand. and is divided into 3.149.200 Series A ordinary bearer shares numbered from A00000001 to A03149200 with a nominal value of PLN 5 each.

The persons managing and supervising the Issuer hold, as at 31.12.2020, shares of Elektrociepłownia „Będzin” S.A. as listed below:

As at 31 December 2020					
Persons managing and supervising	Shares [number of shares]	Votes	Shares [%]	Votes [%]	Nominal value of shares
<b>Kamil Kamiński</b>	0	0	0	0	0
<b>Bartosz Dryjski</b>	0	0	0	0	0
<b>Krzysztof Kwiatkowski*</b>	626,462	626,462	19.89	19.89	3,132,310
<i>*including: ELPE</i>	72,000	72,000	2.29	2.29	
<b>Waldemar Organista</b>	123,146	123,146	3.91	3.91	615,730
<b>Waldemar Witkowski</b>	325,000	325,000	10.32	10.32	1,625,000
<b>Marcin Śledzikowski</b>	0	0	0	0	0
<b>Sebastian Chęciński</b>	0	0	0	0	0

**As at the date of preparation of these statements, managing or supervising persons of the Issuer hold shares of Elektrociepłownia „Będzin” S.A. as listed below:**

Status as at the date of the report					
Persons managing and supervising	Shares [number of shares]	Votes	Shares [%]	Votes [%]	Nominal value of shares
<b>Kamil Kamiński</b>	0	0	0	0	0
<b>Bartosz Dryjski</b>	0	0	0	0	0
<b>Krzysztof Kwiatkowski</b>	626,462	626,462	19.89	19.89	3,132,310
<b>Waldemar Organista</b>	123,146	123,146	3.91	3.91	615,730
<b>Waldemar Witkowski</b>	325,000	325,000	10.32	10.32	1,625,000
<b>Marcin Śledzikowski</b>	0	0	0	0	0
<b>Sebastian Chęciński</b>	0	0	0	0	0

Persons managing and supervising the Issuer do not hold shares in companies belonging to the Issuer's Group of Companies.

**27. Information concerning agreements known to the Group of Companies (including those concluded after the balance sheet date) which in the future may lead to changes in proportions of shares held by existing shareholders and bondholders.**

The Group of Companies has no information about agreements (including those concluded after the balance sheet date) which in the future might lead to changes in proportions of shares held by existing shareholders and bondholders.

**28. Information concerning the audit system for employee share schemes.**

The Elektrociepłownia „Będzin” Group of companies does not operate audit systems for employee share schemes.

**29. Information concerning the entity authorised to audit financial statements of the Parent Company and other entities comprising the Group of Companies.**

In joint-stock companies belonging to the Group, entities authorised to auditing financial statements are appointed by the Supervisory Boards of companies, while in Elektrociepłownia BĘDZIN SSp. z o.o. they are appointed by the General Meeting of Shareholders.

On 17 March 2021, the Supervisory Board of the Parent Company appointed UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw at ul. Połczyńska 31A (a company entered in the Register of Entrepreneurs maintained by the District Court for in Warsaw in Warsaw, 12th Commercial Division of the National Court Register under KRS (National Court Register) number 0000418856 (NIP (Tax ID) 6772272888), entered on the list of entities authorised to audit financial statements kept by the Polish Agency for Audit Supervision under the number 3115 for auditing financial statements for the financial years 2021 and 2022. The Company has not previously used the services of the auditing firm UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością sp. k. to audit financial statements. The agreement for the provision of services involving auditing financial statements will be concluded for the period of auditing Company's financial statements for the years 2021 and 2022.

The auditor of the 2019 and 2020 financial statements was selected:

- in the company Elektrociepłownia „Będzin” S.A. by resolution of the Company's Supervisory Board of 27 February 2019,
- in the company Elektrociepłownia Będzin Sp. z o.o. by resolution of the Ordinary Meeting of Shareholders of the Company of 9 July 2019,
- in the company Energetyczne Towarzystwo Finansowo Leasingowe ENERGÓ - UTECH S.A. under restructuring by resolution of the Company's Supervisory Board of 29 May 2019

In 2019, pursuant to agreements of 12 July 2019 (concluded for the period of 2 years) for the audit of the separate and consolidated financial statements and for the review of the interim separate and consolidated financial statements, the entity authorised to audit was Deloitte Audyt Sp. z o.o. Sp. k. with its registered office in Warsaw: Al. Jana Pawła II 22 (KRS (National Court Register) number: 0000446833).

Remuneration of Deloitte Audyt Sp. z o.o. Sp. k. for the audit of the Parent Company under the agreement was PLN 80 thousand plus VAT for 2019 and PLN 80 thousand for 2020 plus VAT for 2020.

Remuneration of Deloitte Audyt Sp. z o.o. Sp. k. for the audit of the financial statements of Elektrociepłownia Będzin Sp. z o.o., resulting from the concluded agreement, was PLN 43 thousand for 2019 plus VAT, for the audit of the reporting package prepared in accordance with IFRS for 2019: PLN 10 thousand plus VAT, for the review of the interim reporting package for 2019: PLN 20 thousand plus VAT and for auditing of the financial statements of Elektrociepłownia Będzin Sp. z o.o. PLN 43 thousand plus VAT for 2020, for auditing the reporting package prepared in accordance with IFRS for 2020: PLN 10 thousand plus VAT, for the review of the interim reporting package for 2020: PLN 20 thousand plus VAT.

Remuneration of Deloitte Audyt Sp. z o.o. Sp. k. for auditing Energetyczne Towarzystwo Finansowo - Leasingowe ENERGÓ - UTECH S.A. under restructuring, arising from the concluded agreement, was PLN 54 thousand plus VAT for 2019 and PLN 54 thousand plus VAT for 2020.

The parent company previously used the services of the auditing firm Deloitte Audyt Sp. z o.o. Sp. k. for the audit of the 2019 financial statements.

## **30. Additional information**

### **30.1. Information concerning major achievements in research and development**

Elektrociepłownia BĘDZIN Sp. z o.o. received a grant for the implementation of the R&D project entitled "Innovative technological system that provides the optimal cooperation between the power station and the system of high efficiency heat accumulation aided by a smart system for decision-making on the market of electricity heat energy sales" from 1 April 2017 to 17 August 2019. As part of the project, research and – development activities were carried out, with industrial work completed by 31 December 2018 and development work conducted starting from 1 January 2019.

The purpose of the research and development activities was as follows:

- preparation of implementation documents concerning the innovative technological system of a low- and medium-power combined heat and power plant integrated with the system of high efficiency heat accumulation and a management system equipped with a model for optimising system operating conditions,

- preparation of implementation documents concerning a management system for the combined heat and power production process in Elektrociepłownia BĘDZIN Sp. z o.o. operating in an existing process system,
- implementation into operating practice of Elektrociepłownia BĘDZIN Sp. z o.o. of the management system for the combined heat and power production process.

Elektrociepłownia BĘDZIN Sp. z o.o. received a grant in the total amount of PLN 1,758 thousand for this purpose, while the grant of PLN 697 thousand in 2019 resulted from the implementation of development work and the final settlement of the project.

30 December 2019 saw the beginning of a three-year sustainability period of the R&D project entitled "Innovative technological system that provides the optimal cooperation between the power station and the system of high efficiency heat accumulation aided by a smart system for decision-making on the market of electricity heat energy sales", in which the effects of the project that were declared to be achieved in the application for funding are to remain unchanged in form and scope. In addition, the sustainability period will also include monitoring visits to maintain project implementation and dissemination.

As part of the project, an IT management system using modelling and optimisation – the so-called NWOD optimiser – was developed and implemented. It allows current energy production and delivery to be adjusted to dynamically changing consumers' needs. The NWOD optimiser uses weather forecast data, energy market data, and operating conditions of the CHP plant to support the decision-making process concerning the electricity and heat production schedule. The management system for the combined heat and power production process (SZPSP-EEiC) is based on the operation of the IT decision-making tool (NWOD) and makes use of the opportunities created by the optimisation of the operating conditions of individual CHP plant system devices.

When prepared, the implementation documents also make it possible to build a heat accumulation system for CHP plants of different sizes. Therefore, another activity to be taken based on the results obtained will be to conduct a widely-understood marketing campaign to eventually sell the licence for the considerably improved technological system that provides the optimal cooperation between the power station and the system of high efficiency heat accumulation aided by a smart system for decision-making on the market of electricity heat energy sales. The technology offered will be evaluated on an individual basis for a potential customer with the use of the developed technical and economical models.

On the request of Elektrociepłownia BĘDZIN Sp. z o.o. the patent attorney filed an application with the Patent Office on 12 March 2020 for the final solutions obtained during the implementation of the above-mentioned project.

**30.2. Information concerning purchase of own shares, in particular concerning the purpose of the purchase, the number and nominal value of purchased shares, the portion of share capital represented by the shares, the purchase price and the sale price of these shares in the event of their disposal.**

None occurred in 2020.

**30.3. Information concerning the entity's branches (establishments)**

Do not exist.

#### **30.4. Information concerning financial instruments**

Group of Companies is exposed to a number of financial risks related to financial instruments. The main risks include: credit risk, liquidity risk, selling price and strategic cost risk, and interest rate risk. The objective of financial risk management in the Group of Companies is to reduce risks and minimise the impact of market factors on the Group's financial performance.

Apart from transactions involving the purchase of CO2 emission allowances, the Group of Companies is not exposed to currency risk on account of purchase and sale transactions in various currencies because the transactions are carried out in the domestic market and in the domestic currency.

The Group Of Companies did not enter into any transactions hedging currency risk during the reporting period.

The following risks: price risk, credit risk, risk of significant cash flow disruptions and risk of loss of financial liquidity, to which the entity is exposed and information on the objectives and methods of financial risk management adopted by the entity, including hedging methods for significant types of planned transactions for which hedge accounting is used are further described in section 35.2 of the consolidated financial statements.

#### **30.5. Description of structure of the main capital deposits or the main capital investments made within the Issuer's Group of Companies in 2020.**

The Group of Companies made no capital deposits or capital investments in 2020.

#### **30.6. Characteristics of the policy on development directions of the Issuer's Group of Companies.**

The long-term objective of the Management Board, in particular after the disposal of the investment in the subsidiary Elektrociepłownia Będzin Sp. z o.o., after the liabilities are settled, is to invest in small co-generation assets (RES) using financing through Energo-Utech. The Company anticipates that the sale of 100% of shares in ECB sp. z o.o. will allow generating unallocated cash to be used as own contribution. Due to its experience and knowledge of the market, the Parent Company plans to invest in the area of high-efficiency co-generation of energy from renewable sources (biomass) and (in dedicated points) gas sources on its own and in cooperation with partners (larger projects). The Company has been analysing available technologies in the context of wood biomass utilisation (burning, gasifying) and is interested in the biogas plant market. RDF utilisation technologies are also in the area of the Company's interest.

#### **30.7. Environmental issues.**

##### **Air pollutant emissions.**

In the Group of Companies, the subsidiary Elektrociepłownia BĘDZIN Sp. z o.o. is a plant that generates heat and power based on hard coal combustion. Electricity is produced by the high performance cogeneration. Combustion of hard coal results emits dirt and gas pollutants into the air. Emissions

depend both on the quality of the fuel burned and the efficiency of the protective equipment used in the installation.

The primary issue is to minimise the amount of pollutants and thus decrease its environmental impact.

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

Elektrociepłownia BĘDZIN Sp. z o.o. submits all required reports and settles fees for the use of natural environment for business purposes as scheduled. In 2016, the flue gas desulphurisation system was commissioned for use enabling the Company to meet the emission standards defined in the new IED and BAT conclusions.

The year 2018 saw the completion of an investment to build a flue gas denitrogenation system for each of the Company's boilers. The tests of the system confirmed that it may be used continuously when the operating regime valid from 1 January 2019 is followed.

#### **Emission allowance trading.**

The verification of the annual CO<sub>2</sub> emission report for 2020 will be carried out in March 2021 by an accredited verifier from TÜV Rheinland Polska Sp. z o.o. The annual report was reviewed favourably.

In the account of Elektrociepłownia BĘDZIN Sp. z o.o. 783 EUA allowances remained in the Union Registry

#### **European EU ETS.**

On 8 April 2018, the Directive 2018/40 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to strengthen the cost-effectiveness of emission reductions and low-carbon investments and Decision (EU) 2015/1814 (Official Journal EU L No 76 p.3 et seq.). The document introduced a number of reforms to the existing system. The changes apply to Phase IV of the system operation in the period of 2021 to 2030. The main features of Phase IV of the EU ETS include:

- activation of the Market Stability Reserve (MSR) mechanism,
- increasing the Linear Reduction Factor (LRF),
- creation of an Innovation and modernisation fund,
- the number of allowances to CO<sub>2</sub> emission allowances available at auctions,
- The number of free allowances granted during the regulation period.

#### **Integrated Permit.**

The permit issued to the company Elektrociepłownia BĘDZIN Sp. z o.o. 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.

On 27 December 2019, Elektrociepłownia BĘDZIN Sp. z o.o. received a decision to amend its integrated permit. The aforementioned amendment was required due to the need to adjust to the new BAT conclusions. As part of the permit, an exemption from complying with the NO<sub>x</sub>.. threshold values was obtained, among others.

Additionally, in 2019, the subsidiary received a permit to treat surface water and sell demineralized water to residential customers.

#### **New environmental requirements**

On 7 August 2017, the Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 establishing best available techniques (BAT) conclusions,

under Directive 2010/75/EU of the European Parliament and of the Council, for large combustion plants was published.

The publication of the legally binding document began a 4-year adjustment period for plants to comply with the requirements set forth in the aforementioned document. The requirements set out in the BAT conclusions will take effect starting from 17 August 2021. In January 2020, a decision of the Marshal of the Śląskie Voivodship to issue a decision granting an integrated permit to Elektrociepłownia BĘDZIN Sp. z o.o. was received. This document takes into account the requirements of the BAT Conclusions.

### **Inspections concerning environmental protection**

From 19 February to 17 March 2020, the Silesian Voivodeship Inspectorate for Environmental Protection verified the compliance with environmental regulations concerning emissions of gases and dust into the air, fulfilment of obligations arising from participation in the greenhouse gas emission allowance trading scheme, the sulphur content in heating oil, as well as compliance with environmental protection requirements arising from the integrated permit and payment of fees for the use of the environment. The inspection was related to the malfunction of the flue gas desulphurization plant, which occurred due to damage to some of the filter bags.

As a result of the 2019 inspection, the Inspectorate determined that the allowable emissions for dust, NO<sub>x</sub> and SO<sub>2</sub> specified in the permit were exceeded. Based on the data collected, the Authority imposed an administrative fine on the Company. On 19 June 2020, the penalty of PLN 229 thousand was appealed against.

### **30.8. Actions towards the local community undertaken by the Elektrociepłownia "Będzin" S.A. Group of Companies, sponsoring and donations**

Participation in the life of the region of the Silesian-Dabrowa agglomeration as well as Poznań and its surroundings, activities for the benefit of the local community is a manifestation of commitment of the Elektrociepłownia "Będzin" S.A. Group of Companies in the development of the region and the welfare of its residents.

The Corporate 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 by popularising various sport disciplines. The Group of Companies 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. These ideas and projects are primarily addressed to communities of the region in which the Group of Companies operates.

Elektrociepłownia BĘDZIN Sp. z o.o. for many years has taken action for the benefit of the region and its residents, but due to the difficult financial situation, in 2020 the Company limited its support for social initiatives in the Zagłębie Dąbrowskie region.

In 2020, Elektrociepłownia BĘDZIN Sp. z o.o. as part of its promotional and advertising activities, signed an agreement and sponsored another year the Zagłębie Museum in Będzin and the Sosnowiec Museum - Schoen Palace. Moreover, the Company has once again supported the International Festival of Carols and Pastorals in Będzin.

### **30.9. Quality management system audits**

Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. holds a certificate for the management system according to PN-EN ISO 9001:2015 issued by the certification body TUV NORD Polska Sp. z o.o. Certificate registration number: AC090 100/0544/477/2013.

The recertification audit took place on 10 October 2019. The use of the certificate was suspended as of 22 September 2020.

### **30.10. Events after the balance sheet date**

Accelerated composition proceedings in the subsidiary ETFL Energo-Utech S.A. in bankruptcy

On 12 February 2020, the Subsidiary Company, Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A., has entered into restructuring in the form of accelerated arrangement proceedings.

In view of the deterioration of the quality of the portfolio of the financial assets and the decreasing payment discipline of contractors, short-term liabilities to banks in the amount of PLN 4.5 million, loans to other creditors in the amount of PLN 6 million and promissory notes in the amount of

3 million in the second half of 2019, and the negative flows forecasted for the following months, the Management Board has identified a significant risk of bankruptcy related to the entity. Accordingly, it was decided to file an application to open an accelerated composition procedure (hereinafter "composition procedure", "restructuring procedure").

On 22 June this year, arrangement proposals, signed by the Company's Management Board, and the restructuring plan were submitted to the Court by the Judicial Supervisor. The list of receivables, the property statement and ballots were also submitted to the Court

The restructuring plan takes into account the cash flow, balance sheet and income statement at the end of the financial periods in five subsequent years, the strategic plans in the context of the Company's growth potential and the financing of new projects, as well as the market opportunities.

The Company's Management Board evaluated the recoverable value of assets and the value of liabilities as of 31 December 2020. Nevertheless, given the coronavirus pandemic which has been present since March 2020, the cash flows included in the restructuring plan assume a significantly lower and prolonged cash realisation, in particular regarding the acquisition and sale of subjects of collateral for contracts eligible for termination, than the balance sheet as of 31 December 2020, This is mainly influenced by the factors associated

with external conditions that emerged in 2020 as a result of the COVID- pandemic.

19. The Management Board has observed the following factors on the market:

- difficulties in payment of current loan instalments by certain entities, together with requests for grace;
- a decrease in economic activity in various industries, which affects the decline in demand for tangible assets transferred as collateral in lease contracts;
- reduction in the number of tenders or limited opportunities to inspect assets;
- limited opportunities for business meetings.

Due to the passage of time –it has been more than a year since the Company has entered into accelerated arrangement proceedings – verification of claims and quality of the collateral, as well as ongoing negotiations with major creditors, the restructuring plan has been updated with respect to the level of the proposed reduction, totals of receivable values in groups, and the period of sale of items from terminated agreements together with their collateral. Additionally, the plan includes investor's entry and a change in the way operating business is financed.

The assumptions of the restructuring plan indicated below are not formal in nature. After final agreements are carried out with the Company's major creditors, the updated "Restructuring Plan", together with the arrangement proposals, will be submitted to the Court Executive Supervisor for approval and subsequently to the court.

The restructuring plan, which is subject to further negotiations, includes proposals of the following reductions in individual creditor groups:

- Group 1 – the Social Insurance Institution (ZUS); no reduction is assumed, the total value of receivables in the group amounts to PLN 52 thousand.
- Group 2 – banks and other creditors whose receivables arise from loans granted to the Company and collateralised on the assets of ETF-L ENERGO-UTECH S.A. The assumed reduction is 18%, but not more than 90% of the non-collateralised amount, and the total value of receivables in the group is PLN 231.6 million.
- Group 3 – involves liabilities to public-law entities; the proposed reduction amounts to 60% of the value and the total value of receivables in the group is PLN 530 thousand.
- Group 4 – other entities financing business activity; the planned reduction is 20% and the total value of receivables in the group is PLN 16.2 million.
- Group 5 – other creditors; no reduction, the value of receivables in the group is PLN 1,215.1 thousand.

Financial flows, which are an element of the restructuring plan subject to further negotiations, provide for the sale of items from terminated contracts within two years from the conclusion of the arrangement, intensification of debt collection activities, reconstruction of the lease portfolio, as well as reduction of and grace period for receivables. Based on these plans and the assumption of a positive vote on the proposed arrangement, the cumulative cash flows between 2021 and 2026 will be PLN 4.43 million. The projected cash balances will be as follows:

- PLN 6.76 million in 2021,
- PLN 8.33 million in 2022,
- PLN 6.15 million in 2023,
- PLN 2.57 million in 2024,
- PLN 2.39 million in 2025,
- PLN 6.35 million in 2026.

The entity also anticipated a gradual return to operating business and the commencement of leasing activities at a given level, in individual years:

Year	Assumed amount of revenue from new contracts
2021	PLN 21.4 million
2022	PLN 46.9 million
2023	PLN 84.4 million
2024	PLN 112.5 million
2025	PLN 112.5 million
2026	PLN 112.5 million
2027	PLN 112.5 million

In 2021, Revenue from new agreements in the amount of PLN 12 million is planned as part of financing by new owners in the form of a buyout of lease receivables.

Assumptions to the plan also address the cost of funding required for new contracts. The entity assumes that with collateral security covering assets and leased assets, this cost will constitute the market cost and will not be significantly higher than the cost of financing the existing contracts/leased assets.

The projected cash flows, which take into account the positive vote on the proposed arrangement with creditors, include a positive cash flow of PLN 10 million. resulting from an unrelated party's assurance of repayment. These receivables (with a net book value of PLN 9,003.4 thousand), as of the balance sheet date, are secured by way of an assignment of receivables, while the repayment deadline is 31 December 2021.

Negotiations are currently being held with creditors to determine the final arrangement proposals to be voted on. As of the date of signing this statement, the Commissioner Judge has not established any deadline for voting on the arrangement proposals.

The Management Board acknowledges that the lack of a positive vote on the proposed arrangement entails a significant risk of the Company becoming bankrupt.

#### **The situation caused by the SARS-Cov-2 pandemic**

At the end of 2019, news from China regarding COVID-19 (coronavirus) appeared for the first time. In the first months of 2020, the virus spread around the globe while its negative impact involved many countries. Although the situation is constantly changing at the time of publication of this financial statement, it appears that the negative impact on global trade, production and the entity/group of companies may be more serious than originally expected.

The management has assessed the impact of COVID-19 on the Group of Companies' operations in all material areas. No significant disruption to operations has been found, except for a reduction in prices on the electricity market due to a decline in demand and import of a significant amount of electricity from abroad, both of which affected the profitability of electricity production (in the energy segment). Electricity prices in March and April 2020 dropped to an average of PLN 163/MWh compared to the projected average of PLN 231/MWh, which translated into lower revenue in these months by approximately PLN 6 million. After a period of decline, electricity prices returned to the level of approximately PLN 220-230 / MWh in May, June and July 2020.

With regard to the financial industry, there has been a reduction in demand for leasing services along with the limited lending activity of banks and a decrease in revenue due to the lower WIBOR (Warsaw Interbank Offered Rate) which, in the short term, may translate into smaller interest in financing through leasing or renting. Few customers requested a grace period for lease instalments, which was passed on to the financing banks. As of the date of signing the financial statement, the Management Board does not project any increased risk associated with customer's bankruptcies or observe any increased payment difficulties involving customers. No contracts were terminated after the balance sheet date. With regard to new contracts concluded after the balance sheet date, since the arrangement proceedings were initiated at the beginning of 2020, the Company has not entered into such contracts after 1 January 2020.

The Group's management has analysed the impact of the pandemic on legal and contractual terms. In addition to the situation described in point 7.4, which relates to the termination of the contract with Polska Grupa Górnicza S.A., as of the date of signing the financial statement, no decisions have been made.

The pandemic has affected the working capital and liquidity of subsidiary companies from the Group of Companies. Elektrociepłownia BĘDZIN Sp. z o.o. obtained funding in the amount of PLN 3.5 million from the Polish Development Fund and applied for funding within the framework of subsequent protection programmes. Due to a temporary decline in energy prices and high fluctuation of energy prices on the market, the Group's Management Board anticipates that the acquisition of funds in the form of a dividend from this entity may not be possible in the nearest future.

The situation may change dramatically throughout 2021 due to another possible wave of coronavirus, the associated restrictions and their impact on the macroeconomic situation.

### **The sale of tangible assets and agreements concluded in the Parent Company**

In February 2020, the parent company, Elektrociepłownia "Będzin" S.A., commenced negotiations with a financing bank regarding the sale of fixed assets leased to a customer under a lease agreement. On 30 July 2020, the entity sold the tangible assets related to the main contract for finance lease for PLN 20,830 thousand. The generated funds from the sale will allow the Company to settle all short-term liabilities in the amount of PLN 16,887 thousand including liabilities overdue as of the balance sheet date in the first place.

In June 2020, an agreement on spreading out the payment of the liability of PLN 2.8 million, which was due by 31 March 2020, was signed with one of the lenders. Additionally, amendments to the maturity of a portion of the short-term liabilities as of 31 December 2019 were agreed upon as well. The period for the repayment of PLN 2.9 mln in short-term liabilities to unaffiliated entities was extended to 30 November 2020.

The company settled its outstanding futures contracts between January and March 2020 at spot prices, with a date of execution of 31 March 2020. The Management Board decided to settle the outstanding contracts due to a change in the Act on Value Added Tax applicable from 1 July 2019, which removed the exemption from value-added tax for the purchases of CO<sub>2</sub> certificates through Brokerage Houses. If the contracts had been executed through a Brokerage House, the Company would have been required to pay a value-added tax of nearly PLN 6,900 thousand. Obtaining a refund of the value-added tax from the Tax Office takes up to 90 days, which could negatively affect the Company's cash flows in its current financial position.

The Company purchases CO<sub>2</sub> certificates for its own use, and as such, benefits from an exemption from the need to value CO<sub>2</sub> emission certificate purchase contracts at the balance sheet date. The Management Board deemed the above event as a one-time occurrence and concluded that the exemption applied at the balance sheet date was justified.

## **31. Declaration on corporate governance**

### **31.1. Indication of the applied set of principles of corporate governance**

In 2020, the Company applied the principles of the corporate governance contained in the document "Best practices of companies listed on GPW 2016" adopted by the Resolution of the board of the Warsaw Stock Exchange S.A. No. 26/1413/2015 of 13 October 2015.

The Company Management Board exercises due diligence to ensure compliance with the Best Practice principles. The text of the Best Practice, as adopted for application, has been made available on the website of Giełda Papierów Wartościowych w Warszawie S.A. dedicated to corporate

governance principles applicable to companies listed on the Warsaw Stock Exchange at <http://www.gpw.pl>, whereas the Company declaration on corporate governance is published on the company website at <http://ecbedzin.pl>/<http://ecbedzin.pl> and as part of the Company's annual report.

### **31.2. Information about the withdrawal from the application of provisions of the corporate governance**

In 2020, the Company applied the "Best Practice for GPW Listed Companies 2016" in terms of Information Policy and communicating with investors, except for the provisions related to publishing information regarding item *I.Z.1.15. information containing a description of the company's diversity policy concerning its governing bodies and key managers; the description should take into account such elements of the diversity policy as age, gender, field of study and professional experience, as well as indicating the objectives of the diversity policy and how it is implemented in the given reporting period. If the company has not developed and introduced a diversity policy, it shall publish reasons for this decision on its website.*

At the Company, Supervisory Board members are appointed by the General Meeting – per the provisions of the Articles of Association – whereas the Management Board members are appointed by the Company Supervisory Board. In this respect, the Company policies do not impose age or gender restrictions on being part of the governing bodies of the Company or its Subsidiaries or participating in qualification proceedings.

At the same time, the Company does not apply the principle concerning item I.Z. 1.20. – *recording the proceedings of the General Meeting in audio or video format.* The Company does not rule out implementing this principle in the future if the Company shareholders express such expectations.

The Company applies the principles of the Good Practices for preventing conflicts of interest and concluding transactions with affiliated entities in circumstances where conflicts of interest may occur, except for the provisions of item *V.Z.6. The Company's internal regulations determine the criteria and circumstances in which a conflict of interest may occur at the Company, as well as the rules of conduct in the face of a conflict of interest or the possibility of its occurrence. The Company's internal regulations include methods of preventing, identifying and resolving conflicts of interest, as well as the rules of excluding members of the Management Board or Supervisory Board from participating in the consideration of issues subject or potentially subject to conflicts of interests and more.*

The Company has begun preparing internal regulations taking into account the methods of preventing, identifying and resolving conflicts of interest, as well as the rules of excluding Members of the Management Board or Supervisory Board from participating in the consideration of issues subject or potentially subject to conflicts of interests.

### **31.3. Remuneration Policy for Members of the Management Board and the Supervisory Board of the Parent Company.**

Regarding remuneration and item:VI.R.1 DPSN – The remuneration of members of company bodies and key managers should be based on the adopted remuneration policy:

On 7 September 2020, acting under art. 90 d sec. 1 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Dz.U. /Journal of Laws/ of 2005 No. 184, item 1539, as amended), the General Meeting of Shareholders adopted the "Remuneration Policy for Members of the Management Board and Supervisory Board of Elektrociepłownia 'Będzin' S.A." by resolution No. 14. The policy outlines the rules for paying remuneration to Members of the Management Board and Supervisory Board of the Company to implement the Company's business strategy and long-term interests and ensure its stability while taking into account the Shareholders' interests. The Policy's content has been made available to the public on the Company website, under the tab dedicated to corporate documents.

#### **31.4. Description of the main features of internal audit and risk management systems used in the Company in relation to the process of preparation of financial statements.**

The Company's Management Board is responsible for the internal control system and its effectiveness in the preparation of financial statements and periodic reports; the Management Board also continuously analyses the data prepared by the financial and accounting services, as well as making and implementing decisions.

In terms of functional control, the auditor's verification of the financial statements prepared by the Chief Accountant is the accepted norm. This stage also includes identifying and analysing possible risks, as well as taking decisions aimed at eliminating threats.

Once they have been reviewed by the auditor, the financial statements are presented to the Company Management Board that analyses them and submits their final version to the Supervisory Board along with the auditor's report and feedback. Before the financial statements are assessed by the Supervisory Board, they are reviewed by the Audit Committee that provides its opinion and recommendation concerning the statements to the Company Supervisory Board.

The Company's Supervisory Board performs an audit of the financial statements – including drawing up minutes – and issues an opinion on the statements in the form of a resolution. The report on the audit and the Supervisory Board's opinion on the Company financial statements are presented to the shareholders at the General Meeting of Shareholders as the basis for a decision to approve the financial statements for the given financial year.

Companies of the Elektrociepłownia "Będzin" S.A. Group of Companies utilise various IT and organisational solutions to control access to the financial and accounting system and ensure the proper security and archiving of accounting books. Access to IT systems is limited to authorised employees through the use of the appropriate permissions.

The risk management process implemented at the Company consists in analysing the current situation in terms of market, financial and macroeconomic aspects. The relevant departments shall present their assessment concerning both these aspects and the factors that currently affect the Company's economic and financial performance or may potentially do so in the future, as well as an estimate of the potential damage to the annual financial result.

Each analysed risk is classified as one of the following categories: market, operational, financial, environmental, or other. Each of the presented risks is subject to individual analysis resulting in a decision determining the threat level; only risks whose damage exceeds the assumed critical threat level are taken into account. In the face of these risks, a range of countermeasures is developed and implemented to prevent or mitigate potential harm. The outcomes of the procedures applicable to the above aspects are constantly monitored by both the Management Board and Supervisory Board of the Company.

**31.5. Shareholders of the Company holding substantial blocks of shares**

To the knowledge of Elektrociepłownia "Będzin" S.A., as of 31 December 2020, the following shareholders hold more than 5% of the share capital and the same percentage of votes in the General Meeting of Shareholders:

As at 31 December 2020					
Name of the entity	Shares [number of shares]	Votes	Shares [%]	Votes [%]	Nominal value of shares
<b>Krzysztof Kwiatkowski*</b> <b>including ELPE</b>	626,462 72,000	626,462 72,000	19.89 2.29	19.89 2.29	3,132,310
<b>VALUE Closed- end investment fund with a separate subfund 1</b>	334,747	334,747	10.63	10.63	1,673,735
<b>Waldemar Witkowski</b>	325,000	325,000	10.32	10.32	1,625,000
<b>Bank Gospodarstwa Krajowego</b>	311,355	311,355	9.89	9.89	1,556,775
<b>Familiar S.A. SICAV-SIR</b>	271,526	271,526	8.62	8.62	1,357,630
<b>AUTODIRECT S.A.</b>	258,037	258,037	8.19	8.19	1,290,185
<b>State Treasury</b>	157,466	157,466	5.00	5.00	787,330
<b>Other</b>	864,607	864,607	27.45	27.45	4,323,035
<b>Summary</b>	3,149,200	3,149,200	100	100	15,746,000

To the knowledge of the Parent Company of Elektrociepłownia "Będzin" S.A., as of the date of the report, the following shareholders hold more than 5% of the share capital and the same percentage of votes in the General Meeting of Shareholders:

As at the date of the report					
Name of the entity	Shares [number of shares]	Votes	Shares [%]	Votes [%]	Nominal value of shares
<b>Krzysztof Kwiatkowski</b>	626,462	626,462	19.89	19.89	3,132,310
<b>VALUE Closed- end investment fund with a separate subfund 1</b>	334,747	334,747	10.63	10.63	1,673,735
<b>Waldemar Witkowski</b>	325,000	325,000	10.32	10.32	1,625,000
<b>Bank Gospodarstwa Krajowego</b>	311,355	311,355	9.89	9.89	1,556,775
<b>Familiar S.A. SICAV-SIR</b>	271,526	271,526	8.62	8.62	1,357,630
<b>AUTODIRECT S.A.</b>	258,037	258,037	8.19	8.19	1,290,185
<b>State Treasury</b>	157,466	157,466	5.00	5.00	787,330
<b>Other</b>	864,607	864,607	27.45	27.45	4,323,035
<b>Summary</b>	3,149,200	3,149,200	100	100	15,746,000

### **31.6. Holders of securities with special control rights.**

The shares of the Parent Company are ordinary bearer shares listed on the regulated market of the Warsaw Stock Exchange. The shares are not priority shares.

### **31.7. Restrictions on the exercise of voting rights based on existing shares.**

There are no restrictions on the exercise of voting rights based on existing shares of the Parent Company.

### **31.8. Limitations related to transfer of ownership of securities of the Company.**

There are no restrictions, known to the Company, on the transfer of ownership of the securities of the Parent Company.

### **31.9. Principles regarding appointment and dismissal of the management and supervisory personnel of the Issuer and their rights**

#### **32.9.1. .**

- **Principles for appointing and dismissing the members of the Management Board**

The Management Board consists of 1 to 5 persons. The number of Members of the Management Board is determined by the Company's Supervisory Board. According to the rules set forth in the Articles of Association of the Company, all members of the Management Board are appointed by a resolution of the Supervisory Board for a joint term of three years. The members of the Management Board may be dismissed or suspended for important reasons by the Company's Supervisory Board in a secret ballot.

- **Competences of the Management Board**

The Management Board manages the Company's affairs and represents the Company in all court and out-of-court matters, not reserved by the provisions of law or the Articles of Association for the Management Board of the Company or the Supervisory Board. The detailed procedure of operation of the Management Board is outlined in the Regulations of the Management Board, adopted by the Management Board, and approved by a resolution of the Company's Supervisory Board.

In accordance with the Articles of Association of the Company, resolutions of the Management Board are required for all matters exceeding the scope of ordinary activities of the Company, in particular the matters listed in the table below:

<b>Matters that require a resolution of the Management Board</b>
<ol style="list-style-type: none"><li>1. changes to the organisational regulations of the Company,</li><li>2. taking credits and loans,</li><li>3. granting loan guarantees and proprietary guarantees,</li><li>4. adoption of an annual economic plan,</li><li>5. in matters in which the Management Board addresses the General Meeting or the Supervisory Board.</li></ol>

Incurring liabilities and performing acts of disposal of a value exceeding PLN 200,000 (two hundred thousand) constitutes an act exceeding the rights of ordinary management, in particular, the right to decide on the issue or redemption of shares.

Pursuant to the resolution of the Company's Articles of Association, the decisions regarding the issuance or redemption of shares are made during the Company's Annual General Meeting of Shareholders.

### 32.9.2. Supervisory Board

- **Principles for appointing and dismissing the members of the Supervisory Board**

The Supervisory Board operates in accordance with the principles set forth in the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Supervisory Board. According to the current provisions of the Articles of Association, the members of the Supervisory Board are appointed or dismissed during the General Meeting for a joint term of five years. At least two members of the Supervisory Board should meet the criteria of independence from the Company and the entities with significant connections with the Company, within the meaning of the *Recommendation of the European Commission of 15 February 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC)*, taking into account the Best Practices. In the event of a situation causing failure to meet the prerequisites for independence, a member of the Supervisory Board shall promptly notify the Company thereof.

- **Competencies of the Supervisory Board**

Members of the Company's Supervisory Board perform their duties exclusively in person. The Company's Supervisory Board holds meetings when necessary, but not less than four times a year. A meeting of the Company's Supervisory Board is convened by its Chairman or, if the Chairman is absent or otherwise unable to perform his/her duties, by the Vice-Chairman or a person designated by the Chairman.

The Company's Supervisory Board adopts resolutions by an absolute majority of votes cast by the current members of the Board in the presence of at least half of the Board's composition.

The Company's Supervisory Board exercises constant supervision over the Company's activities in all areas of its operations. The scope of competencies of the Company's Supervisory Board includes, in particular:

<b>Matters requiring adopting a resolution by the Supervisory Board</b>
<ol style="list-style-type: none"><li>1. approving the Regulations of the Company's Management Board and issuing opinions on regulations determining the organisation of the Company's business,</li><li>2. approving the economic plan,</li><li>3. establishing rules for remunerating the Management Board and the amount of remuneration for the members of the Company's Management Board,</li><li>4. appointing and dismissing members of the Management Board or the entire Management Board in a secret vote,</li><li>5. suspending, for a valid reason and by a secret vote, of one or more members of the Management Board,</li><li>6. delegating a member or members of the Supervisory Board to temporarily perform duties of a member of the Company's Management Board in the event of suspension or dismissal of members of the Management Board or the entire Management Board, or in the event, the Management Board cannot act due to other reasons,</li><li>7. at the request of the Management Board, granting authorisations to establish branches abroad,</li><li>8. at the request of the Management Board, granting members of the Management Board authorisations to hold offices in the authorities of companies in which the Company holds shares and to receive remuneration on this account,</li></ol>

9. selecting a certified auditor to audit the financial statement,

10. assessing the financial statement with regard to both the conformity with the books and records, as well as the factual state,
11. evaluating the report on the Company's activities and the Management Board's proposals regarding the profit-pooling or coverage of losses,
12. submitting to the General Meeting a written report on the results of activities referred to in point 10 and 11,
13. consenting to the establishment of another company by the Company, the acquisition or purchase of stock or shares in other companies, except for the acquisition of stock or shares in a company to secure the Company's liabilities and as part of the arrangement, bankruptcy or settlement proceedings,
14. determining the manner of exercising voting rights, resulting from stock or shares, at the General Meeting of companies in which the Company holds more than 50% of stock or shares, with regard to the following matters:
  - a) amending the Articles of Association and the Contract,
  - b) increasing or reducing the share capital,
  - c) merging with another company or conducting transformation,
  - d) disposing of stock or shares of the company,
  - e) disposing of and leasing a business, establishing the right to use or dispose of its properties,
15. granting authorisations to issue advance payments to shareholders on account of expected dividends,
16. granting authorisations to issue securities and bonds other than those specified in Art. 23 sec. 1 point 9, except for checks and promissory notes,
17. consenting to the sale of acquired or purchased stock or shares in other companies by the Company, including determining the conditions and procedures for such sale.

The Company's Supervisory Board, at the request of the Management Board, makes decisions by way of resolutions on providing consent to the purchase and sale of properties, perpetual usufruct or a share in the property by the Company, except for properties, perpetual usufruct or a share in the property purchased and sold by the Company for resale or leased in connection with the Company's business activities.

### **31.10. Description of the rules for changing the Company's Articles of Association.**

The Company's Articles of Association may only be amended by a resolution of the General Meeting of Shareholders.

### **31.11. Description of the procedure of the General Meeting and its essential powers as well as rights of shareholders and the manner of their exercise.**

The procedure of the General Meeting and its powers are specified in the Company's Articles of Association, as well as the Regulations of the *General Meeting of Shareholders of Elektrociepłownia "Będzin" S.A.*, which is available on the Company website at <http://www.ecbedzin.pl>

#### **32.11.1. Procedure of the General Meeting.**

General Meetings may only be held at the Company's registered office or in any other place indicated by the Management Board, but only within the territory of the Republic of Poland. The General Meeting may only be convened and prepared according to the procedure and principles outlined in the Commercial Companies Code, Company Articles of Association and the Regulations of the General Meeting of Shareholders. The General Meeting shall be valid irrespective of the number of shares represented. The General Meeting may be attended by persons meeting the prerequisites specified in Art. 406<sup>1</sup> to 406<sup>3</sup> of the Commercial Companies Code or proxies of such persons, Members of the Company Management Board and Supervisory Board, as well as other persons – provided that the Meeting consents to their

presence.

The rights and obligations of shareholders are in accordance with the regulations contained in the Commercial Companies Code.

### **32.11.2. Competences of the General Meeting.**

In accordance with the Company's Articles of Association, the matters listed in the table below require a resolution of the General Meeting.

<b>Matters requiring a resolution of the General Meeting</b>
<ol style="list-style-type: none"><li>1. examination and approval of the financial statements for the previous financial year and the Management Board's report on the Company's activities,</li><li>2. granting approval to the Members of the Company's bodies for the performance of their duties,</li><li>3. distribution of profit/coverage of loss,</li><li>4. a change in the Company's line of business,</li><li>5. amendment to the Company's Articles of Association,</li><li>6. increasing or decreasing the share capital,</li><li>7. manner and conditions of share redemption,</li><li>8. merger of the Company and transformation of the Company,</li><li>9. dissolution and liquidation of the Company,</li><li>10. issuing convertible bonds or bonds with pre-emptive rights and issuing subscription warrants, as referred to in Article 453 sec. 2 of the Commercial Companies Code.</li><li>11. sale and lease of an enterprise, establishment of a right of usufruct on it,</li><li>12. creation or dissolution of Company's funds;</li><li>13. any decisions concerning claims for redress of damage caused upon formation of the Company or in the course of management or supervision,</li></ol>

### **31.12. Composition, changes thereto and description of the procedure of management and supervisory bodies of the Parent Company and their committees.**

#### **32.12.1. Management Board of the Issuer.**

The current, tenth term of the Management Board has begun in 2018. According to the Company's Articles of Association, the term of office is 3 years.

From 1 January 2020 to 10 February 2020, the Company's Management Board of the tenth term of office consisted of:

- |                          |   |                                   |
|--------------------------|---|-----------------------------------|
| 1. Krzysztof Kwiatkowski | – | President of the Management Board |
| 2. Bartosz Dryjski       | – | Member of the Management Board    |

On 10 February 2020, the Issuer's Supervisory Board adopted a resolution on appointing, as of 10 February 2020, Mr Jarosław Staniec as a Member of the Issuer's Management Board.

Accordingly, between 10 February 2020 and 22 June 2020, the Company's Management Boards of the tenth term consisted of:

- |                          |   |                                   |
|--------------------------|---|-----------------------------------|
| 1. Krzysztof Kwiatkowski | – | President of the Management Board |
| 2. Bartosz Dryjski       | – | Member of the Management Board    |
| 3. Jarosław Staniec      | – | Member of the Management Board    |

On 22 June 2020, the Issuer's Supervisory Board adopted Resolution No. 3/IX/2020 on removing Mr Jarosław Staniec from the Management Board of Elektrociepłownia "Będzin" S.A.

At the same time, the Supervisory Board adopted Resolution No. 4/IX/2020 of 22 June 2020 on appointing, as of 22 June 2020, Mr Kamil Kamiński as a Member of the Issuer's Management Board.

Accordingly, from 22 June 2020 to 31 August 2020, the Company's Management Board of the tenth term consisted of:

1. Krzysztof Kwiatkowski – President of the Management Board
2. Bartosz Dryjski – Member of the Management Board
3. Kamil Kamiński – Member of the Management Board

On 9 July 2021, Mr Krzysztof Kwiatkowski submitted his resignation from the office of a Member of the Company's Management Board and, simultaneously, the President of the Management Board of Elektrociepłownia Będzin S.A. effective as of the date of the Company's Annual General Meeting for 2020, but no later than 31 August 2020.

Between 31 August 2020 and 31 December 2020, the Company's Management Board of the tenth term consisted of:

4. Bartosz Dryjski – Member of the Management Board
5. Kamil Kamiński – Member of the Management Board

As of the date of signing this report, the composition of the Company's Management Board has not changed.

### **32.12.2. Description of activities undertaken by the Issuer's Management Board.**

Rules of operation of the Management Board of Elektrociepłownia "Będzin" S.A. are set forth in the Company's Articles of Association and the Regulations of the Management Board approved by the Company's Supervisory Board. According to the provisions established in the Articles of Association, the Management Board may consist of one to five members. The number of Members of the Management Board is determined by the Company's Supervisory Board. The joint term of office of the Management Board is three years. The Company's Supervisory Board appoints and dismisses the President and other Members of the Management Board. The detailed method of operation of the Management Board is outlined in the Regulations of the Management Board, adopted by the Management Board, and approved by a resolution of the Company's Supervisory Board.

### **32.12.3. The Issuer's Supervisory Board.**

In the period from 1 January 2020 to 6 September 2020, The Supervisory Board of the ninth term was composed of:

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. Mirosław Leń – Member of the Supervisory Board
5. Wojciech Sobczak – Member of the Supervisory Board

On 3 August 2020, the Chairman of the Company's Supervisory Board - Mr Janusz Niedźwiecki handed in his resignation from his position in the Supervisory Board of the Company, resigning from all functions held in the Supervisory Board. In his statement of

resignation, Mr Janusz Niedźwiecki indicated that he was resigning effective as of the date of the Company's 2019 Annual Meeting of Shareholders.

On 13 August 2020, Mr Mirosław Leń, by letter of 11 August 2020, resigned from his position as a member of the Company's Supervisory Board effective as on 6 September 2020.

On 4 September 2020, by letter of 4 September 2020, Mr Wojciech Sobczak resigned from his position of a Member of the Supervisory Board of the Company, with effect on 6 September 2020.

On 7 September 2020, the Annual General Meeting of the Company adopted a Resolution on determining the number of members of the Company's Supervisory Board in connection with the election of the Supervisory Board by voting in separate groups. The Ordinary General Meeting of the Company set the number of members of the Company's Supervisory Board at 5 (five) persons. Subsequently, resolutions were adopted to elect members of the Supervisory Board under Art. 385 sec. 6 of the Commercial Companies Code (supplementary election) and the following members of the Company's Supervisory Board were appointed successively: Mr Waldemar Witkowski, Mr Waldemar Organista, Mr Krzysztof Kwiatkowski and Mr Sebastian Chęciński. During the sitting of the Ordinary General Meeting on 7 September 2020, the Group of Shareholders of Elektrociepłownia "Będzin" S.A. adopted, by way of group voting, a Resolution on appointing Supervisory Board members by separate groups and delegating selected members to perform supervisory activities individually on a permanent basis, and appointed Mr Marcin Śledzikowski as a Supervisory Board member and delegated him as a Supervisory Board member appointed by way of group voting to perform supervisory activities individually on a permanent basis.

In connection with the above changes, a Supervisory Board of the 10th term comprising the following members operated between 7 September 2020 and 31 December 2020:

1. Krzysztof Kwiatkowski	–	Member of the
2. Waldemar Organista	–	Supervisory
3. Waldemar Witkowski	–	Board,
4. Sebastian Chęciński	–	Member of the
5. Marcin Śledzikowski	–	Supervisory
		Board,
The elected Supervisory Board	of	Member of the
		Supervisory
		Board,
		Member of the
		Supervisory
		Board,
		Member of the
		Supervisory
		Board.

was formed at the meeting held on 5 November 2020 by electing Mr Krzysztof Kwiatkowski as the Chairman of the Supervisory Board and Mr Waldemar Organista as the Vice-Chairman of the Supervisory Board.

As of the date of signing this report, the composition of the Company's Supervisory Board has not changed.

#### **32.12.4. Description of activities of the Issuer's Supervisory Board.**

Rules of operation of the Supervisory Board of Elektrociepłownia "Będzin" S.A. are set forth in the Company's Articles of Association and the Regulations of the Management Board approved by the Company's Supervisory Board. According to the Articles of Association, the Supervisory Board may consist of five to six members. The number of members of the Company's Supervisory Board is determined at the Company's General Meeting. The Company's Supervisory Board appoints and dismisses the President and other Members of the Management Board. The detailed method of work of the Company's Supervisory Board is outlined in the Regulations of the Company's Supervisory Board.

### **32.12.5. Audit Committee:**

The Audit Committee has been established on 19 June 2017.

In the period from 1 January 2020 to 6 September 2020, The Audit Committee of the Company's Supervisory Board for the 9th term of office was composed of the following members:

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

At the Company's Annual General Meeting, which took place on September 2020, A group of the Company's Shareholders has passed, by vote, a resolution to elect a member of the Company's Supervisory Board by voting in separate groups. For this reason, the terms of office of the remaining members of the Supervisory Board expired and the Audit Committee was automatically dissolved. Therefore, at the meeting of the Supervisory Board on 5 November 2020, a new three-member Audit Committee was appointed.

Accordingly, during the period from 5 November 2020 until 31 December 2020, the Audit Committee of the Supervisory Board of the tenth term consisted of:

- |                          |   |                                    |
|--------------------------|---|------------------------------------|
| 1. Sebastian Chęciński   | – | – Chairman of the Audit Committee, |
| 2. Krzysztof Kwiatkowski | – | Member of the Audit Committee,     |
| 3. Marcin Śledzikowski   | – | Member of the Audit Committee.     |

As of the date of signing the financial statement, the composition of the Audit Committee of the Company's Supervisory Board has not changed.

The members of the Audit Committee meet the criteria and requirements contained in Art. 70 sec. 6 point 5 of the Regulation of the Minister of Finance of 29 March 2018 on Current and Periodical Information Submitted by Issuers of Securities and the Conditions for Approving as Equivalent Information Required by the Law of a Non-Member State (consolidated text, Dz.U. [Journal of Laws] 2018, item 757).

The majority of the members of the Audit Committee meet the statutory criteria for independence.

The Chairman of the Audit Committee meets the independence criteria set out in Annex II to European Commission Recommendation 2005/162/EC of 15 February 2005.

At least one member of the Audit Committee possesses:

- knowledge and skills in accounting or auditing of financial statements,
- knowledge and skills in the industry in which the Issuer operates.

a) Sebastian Chęciński - Chairman of the Audit Committee who meets the independence criteria indicated in Art. 129 sec. 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, hereinafter referred to as "the Act", having knowledge in the field of accounting or auditing in accordance with Art. 129 sec. 1 of the Act. He holds a PhD in economics and is a graduate of the Poznań University of Economics, at the Faculty of Management. Moreover, he lectures at the Poznań University of Economics in the subjects of financial and economic analysis, economic evaluation

investment profitability, restructuring of economic entities, value management and valuation of institutions. Since 2011 he has been running the Office of Economic Consultancy. He acquired his professional experience by holding the position of Member of the Management Board of MS Food Sp. z o.o. from 2016 to 2018, and from 2017 to 2018 he was the Coordinator of the Financial Department at the Management Board of Komunalne Zasoby Lokalowe Sp. z o.o., since 2018 he has been a Member of the Management Board of JMTP Solutions Sp. z o.o., President of the Management Board of Projekt Inwestycyjny Sp. z o.o. and President of the Board of Poznańskie Centrum Fizjoterapii Funkcjonalnej Sp. z o.o. Mr Sebastian Chęciński was a member of the Supervisory Board of Energetyczny Towarzystwo Finansowo-Leasingowe Energo-Utech S.A.

b) Krzysztof Kwiatkowski - Member of the Audit Committee having the skills in the industry in which the Issuer operates indicated in Art. 129 sec. 5 of the Act. Graduate of the Poznań University of Economics, at the Faculty of Management. He acquired his professional experience by holding the position of Deputy Director for Economic Affairs at Zakład Energetyczny Poznań PP from 1989 to 1993, while from 1993 to 1994 he was a member of the Management Board for economic affairs at Zielonogórskie Zakłady Energetyczne PP in Poznań; in 1995-2004 he was a Member of the Management Board, Director for Economic Affairs at PU „UTECH” Sp. z o.o.; in 1996-2020, he was the President of the Management Board of Energetyczny Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. in Poznań, from 2014 to 2020 he was the President of the Management Board of Elektrociepłownia "Będzin" S.A. in Poznań. He is currently the President of the Management Board of EU PIEKARNIE Sp. z o.o. in Poznań and is a member of the Supervisory Boards of the following companies: "Power Engineering" S.A. in Czerwonak - Chairman and ELPE Elektroprodukt Sp. z o.o. in Kraków - Member of the Supervisory Board.

c) Marcin Śledzikowski - Member of the Audit Committee who meets the independence criteria indicated in Art. 129 sec. 3 of the Act. He holds a PhD in law (specialising in commercial law) and graduated from the University of Wrocław. He has completed post-graduate studies in tax consultancy at the Wrocław University of Economics. He acquired his professional experience while working for a renowned international law firm, providing services to public and non-public companies, including those with foreign capital. Since December 2012 he has worked as a legal advisor at Schampera, Dubis, Zajęc i Wspólnicy sp.k. law firm in Wrocław, and since March 2020 as the Head of Legal Department of PPHU Komobex-Intel Sp. z o.o. sp.k. in Częstochowa. He is the author of nearly 100 articles and scientific publications on commercial law and corporate governance in capital companies.

The Committee held four meetings in 2020, on 23 January 2020, 4 March 2020, 16 April 2020, 22 June 2020 and adopted three Resolutions.

In 2020, no permitted non-audit services were provided to the Issuer by the audit firm that audits its financial statements.

The main assumptions of the policy adopted in the Company for the selection of the audit firm to carry out the audit of the financial statements:

- the total price offered for the performance of interim reviews and annual audits of the financial statements (plus statutory VAT), specifying prices for individual interim reviews and annual audits of the financial statements and payment dates for remuneration for the performed services

- the planned dates for the execution of the work, including in particular the dates of delivery of the auditor's opinion and reports;
- the entity's experience in auditing the financial statements of entities with a similar profile to the Company;
- the entity's experience in auditing public interest entities;
- the composition of the audit team(s) dedicated to the review and audit of the financial statements, together with information on the mandates held by the members of the teams and their experience;
- the independence of the auditor and the authorised entity.

The maximum duration of audit engagements for statutory audits carried out by the same audit firm or by an audit firm affiliated with that audit firm or any member of the network within the countries of the European Union to which those audit firms belong shall not exceed 5 years.

The main principles of the policy adopted in the company concerning the provision of permitted non-audit services by the audit firm, by entities related to the audit firm and by a member of the audit firm's network:

- The Statutory Auditor, the audit firm performing the statutory audit of the Company's financial statements do not directly or indirectly provide any prohibited non-audit services to the Company,
- prohibited services are not those referred to in Art. 136 sec. 2 of the act on Statutory Auditors,
- the provision of the services referred to in paragraph 2 above shall be possible only to the extent not related to the Company's tax policy, after an assessment of the risks and safeguards of independence and approval by the Audit Committee.

The Audit Committee's recommendation to select an audit firm to audit the Company's 2020 and 2021-2022 financial statements complied with the Company's procedures and policies for selecting an audit firm to audit the financial statements. The recommendation was made following a selection procedure organised by the Issuer which met the applicable criteria.

The main duties of the Audit Committee are as follows:

- monitoring of the financial reporting process in the Company;
- monitoring of the effectiveness of the Company's internal control, internal audit and risk management systems;
- monitoring of the performance of auditing activities in the Company;
- monitoring of the integrity of the statutory auditor and the entity authorised to audit the Company's financial statements,
- developing and approving a policy and procedure for the selection of an audit firm to carry out audits,
- developing a policy on the provision of permitted non-audit services by the audit firm, by affiliates of the audit firm and by a member of the audit firm's network,
- making recommendations to ensure the integrity of the Company's financial reporting process

The Audit Committee is an advisory body to the Company's Supervisory Board, to which it makes recommendations. The Audit Committee particularly advises the Supervisory Board as to the selection of the entity authorised to audit financial statements in order to perform a financial audit of the Company. The Company's Supervisory Board may adopt a Resolution to extend the scope of the Audit Committee by indicating other areas of the Committee's activities.

**32. Statements and information of the Management Board of the Parent Company regarding the consolidated and separate statements for 2020 and the audit firm.**

**32.1. Statement of the Management Board of Elektrociepłownia "Będzin" S.A. on the annual separate and consolidated financial statements and the Management Board's report on the activities of Elektrociepłownia "Będzin" S.A. and the Elektrociepłownia "Będzin" Group of Companies.**

Acting in accordance with Art. 70 sec. 1 point 6 and Art. 71 sec. 1 point 6 of the Regulation of the Minister of Finance of 29 March 2018 on current and interim information delivered by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state, the Management Board of Elektrociepłownia "Będzin" S.A. declares that, to the best of its knowledge:

- the annual financial statement of Elektrociepłownia "Będzin" S.A. for 2020 and comparative data and the annual consolidated financial statement of Elektrociepłownia "Będzin" Group of Companies for 2020 and comparative data were prepared in accordance with the applicable accounting principles and that they reflect in a true, reliable and clear manner the property and financial position as well as the financial result of Elektrociepłownia "Będzin" S.A. and the Elektrociepłownia "Będzin" Group of Companies,
- the annual statement of the Management Board on the activities of Elektrociepłownia "Będzin" S.A. and the Elektrociepłownia "Będzin" Group of Companies gives a true picture of the development, achievements and situation of Elektrociepłownia "Będzin" S.A. and Elektrociepłownia "Będzin" Group of Companies, including a description of the main threats and risks,

The Management Board of Elektrociepłownia „Będzin" S.A.

Bartosz Dryjski	–	Member of the Management Board	.....
Kamil Kamiński	–	Member of the Management Board	.....

**32.2. Information of the Management Board of the Parent Company pursuant to the statement of the Supervisory Board on the selection of the auditing company to audit the separate and consolidated annual financial statements of Elektrociepłownia "Będzin" S.A. and the Elektrociepłownia "Będzin" Group of Companies for 2020.**

Acting in accordance with Art. 70 sec. 1 point 7 and Art. 71 sec. 1 point 7 of the Regulation of the Minister of Finance of 29 March 2018 on current and interim information delivered by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state, the Management Board of Elektrociepłownia "Będzin" S.A. informs, pursuant to the statement of the Supervisory Board of Elektrociepłownia "Będzin" S.A., that:

- the audit company conducting the audit of the annual financial statement of Elektrociepłownia "Będzin" S.A. and the annual consolidated financial statement of the Elektrociepłownia "Będzin" Group of Companies for 2020 was selected in accordance with the provisions of law, including those regarding the selection and procedure for selecting the auditing company,
- the audit firm and the members of the audit team fulfilled the conditions for the preparation of the unbiased and independent audit report on the annual financial statement of Elektrociepłownia "Będzin" S.A. and the annual consolidated financial statement of the Elektrociepłownia "Będzin" Group of Companies for 2020 in accordance with the applicable regulations, professional standards and principles of professional ethics,
- the applicable rules relating to the rotation of the audit firm and the key statutory auditor and the mandatory grace periods are complied with,
- the Issuer shall have a policy regarding the selection of the audit firm and a policy regarding the provision of additional non-audit services to the Issuer by the audit firm, an affiliate of the audit firm or a member of its network, including services conditionally exempt from the audit firm's prohibition.

The Management Board of Elektrociepłownia „Będzin" S.A.

Bartosz Dryjski	–	Member of the Management Board	.....
Kamil Kamiński	–	Member of the Management Board	.....

Poznań, 30 April 2021