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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
FOR THE PERIOD FROM
1 JANUARY 2017 TO 31 MARCH 2017
COMPLIANT WITH THE IAS 34 "INTERIM FINANCIAL
REPORTING"**

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1. General information

These financial statements for the period from 1 January to 31 March 2017 months have been produced pursuant to the International Financial Reporting Standards IAS 34 "Interim Financial Reporting", approved by the European Union.

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

- condensed consolidated interim statement of financial position produced as at 31 March 2017,
- condensed consolidated interim Profit and Loss Account and other comprehensive income for the period from 1 January to 31 March 2017,
- condensed consolidated interim statement of changes in equity for the period from 1 January to 31 March 2017, condensed consolidated interim Cash flow statement for the period from 1 January to 31 March 2017,
- Additional information to the condensed consolidated interim financial statements.

Management Board of Elektrociepłownia "Będzin" S.A.

Krzysztof Kwiatkowski
President of the Management Board

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

Bożena Poznańska

Poznań, 30 May 2017

2. Condensed consolidated statement of financial position

	<i>Note</i>	31.03.2017 unexamined	31.12.2016
Assets			
Fixed assets			
Tangible fixed assets	12	243 872	240 454
Intangible assets	13	4 772	4 984
Goodwill		1 937	1 937
Investments measured by equity method		697	659
Receivables under lease agreements		256 755	260 215
Granted loans		12 359	12 858
Other long-term investments		-	-
Trade debtors and other debtors		2 200	2 209
Deferred tax assets		1 142	1 109
Total fixed assets		523 734	524 425
Current assets			
Inventories		17 154	27 027
Receivables under lease agreements		90 683	90 444
Granted loans		19 397	22 922
Pozostałe inwestycje		-	-
Trade debtors and other debtors		15 773	39 492
Income tax receivables		-	-
Cash and cash equivalents		47 896	22 216
Accruals		339	60
Total current assets		191 242	202 161
Total assets		714 976	726 586

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	<i>Note</i>	31.03.2017 unexamined	31.12.2016
Liabilities			
Equity			
Share capital	16	37 728	37 728
Supplementary capital		45 352	45 352
Reserve capital		26 938	26 938
Defined benefits plan revaluation reserve		266	266
Retained profits		61 182	45 455
Total equity		171 466	155 739
Long-term liabilities			
Liabilities under loans, borrowings and other debt instruments		337 808	334 765
Liabilities under employee benefits	19	8 424	8 424
Trade creditors and other creditors		16 631	17 038
Provisions	20	7 412	7 412
Deferred income tax provisions		7 783	6 674
Grants		-	-
Total long-term liabilities		378 058	374 313
Short-term liabilities			
Liabilities under loans, borrowings and other debt instruments		134 573	150 462
Trade creditors and other creditors		21 796	21 890
Liabilities under employee benefits	19	2 186	4 165
Deferred income tax liabilities		2 447	5 213
Provisions	20	4 450	14 804
Grants		-	-
Total short-term liabilities		165 452	196 534
Total liabilities		543 510	570 847
Total liabilities		714 976	726 586

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

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

	01.01.2017 - 31.03.2017 not examined	01.01.2016 - 31.03.2016 not examined
Revenues	61 483	58 513
Other operating revenues	713	1 382
Change	-	-
Amortization and depreciation	(4 797)	(4 100)
Consumption of materials and energy	(21 175)	(21 619)
External services	(3 398)	(2 595)
Taxes and charges	(1 492)	(3 191)
Payroll and employee benefits	(6 200)	(4 186)
Other costs by type	(234)	(245)
Value of goods and materials sold	(377)	(516)
Other operating expenses	(496)	(467)
Profit on operating activities	24 027	22 976
Financial revenues	195	178
Financial expenses	(4 785)	(5 105)
Net financial revenues/ (expenses)	(4 590)	(4 927)
Share in net profit of entities measured by equity method	38	140
Gross profit	19 475	18 189
Income tax	(3 748)	(3 444)
Net profit	15 727	14 746
Other total income		
Other total income not taken to financial result in future reporting periods		
Revaluation of net liability under defined benefits plan	-	-
Income tax on items not taken to financial result	-	-
	-	-
	-	-
Other comprehensive income for reporting period	-	-
Profits or losses and other comprehensive income for reporting period	15 727	14 746
Net profit per share		
Main (in PLN)	5,0	4,7
Diluted (in PLN)	5,0	4,7

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

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4. Condensed consolidated statement of changes in equity

	Share capital	Supplementary capital	Reserve capital	Defined benefits plan revaluation reserve	Retained profits	Non-controlling interests	Total equity
Equity as at 01.01.2017	37 728	45 352	26 938	266	45 455	-	155 739
Net profit distribution	-	-	-	-	-	-	-
Profits for reporting period							
Net profit for reporting period	-	-	-	-	15 727	-	15 727
Other comprehensive income for reporting period							
Revaluation of net liability under defined benefit plan (adjusted by tax)	-	-	-	-	-	-	-
Profit or losses or other comprehensive income for reporting period	-	-	-	-	15 727	-	15 727
Transactions with owners included directly in equity	-	-	-	-	-	-	-
Total payments to and from owners							
Issue of ordinary shares	-	-	-	-	-	-	-
Dividend payment	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	-	-
Exercise of share option	-	-	-	-	-	-	-
Total payments to and from owners	-	-	-	-	-	-	-
Equity as at 31.01.2016	37 728	45 352	26 938	266	61 182	-	171 466

	Share capital	Supplementary capital	Reserve capital	Defined benefits plan revaluation reserve	Retained profits	Non-controlling interests	Total equity
Equity as at 01.01.2016	37 728	42 636	15 261	83	40 389	-	136 097
Net profit distribution	-	-	-	-	-	-	-
Profits or losses for reporting period							
Net profit for reporting period	-	-	-	-	14 746	-	14 746
Other comprehensive income for reporting period							
Revaluation of net liability under defined benefit plan (adjusted by tax)	-	-	-	-	-	-	-
Profits or losses and other comprehensive income for reporting period	-	-	-	-	14 746	-	14 746
Offset related to the termination of the defined benefit plan	-	-	-	-	-	-	-
Transactions with owners included directly in equity	-	-	-	-	-	-	-
Total payments to and from owners	-	-	-	-	-	-	-
Equity as at 31.01.2016	37 728	42 636	15 261	83	55 135	-	150 843

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

5. Condensed consolidated cash flow statement

	01.01.2017 - 31.03.2017 not examined	01.01.2016 - 31.03.2016 not examined
Cash flows from operating activity		
Gross profit	19 475	18 189
<i>Adjustments</i>		
Depreciation of tangible fixed assets	4 582	3 910
Amortisation of intangible assets	214	190
Profit on investment activity	(68)	(54)
Share in profit of entities measured with equity method	(38)	-
	-	-
Change in receivables under lease agreements	8 107	(43 550)
Change in granted loans	3 054	24 628
Change in inventories	9 873	5 116
Change in trade debtors and other debtors	22 006	1 797
Change in trade creditors and other creditors	(3 358)	22 889
Change in provisions for employee benefits	(12 373)	(10 972)
Change in accruals	(279)	2 565
Change in subsidy	-	-
Other changes	326	-
Cash flows from operating activity	51 521	24 708
Net financial revenues/(costs)	4 493	4 685
Interest received	(46)	(14)
Interest paid	18	-
Income tax paid	(4 382)	(442)
Net cash flows from operating activity	51 604	28 937
Cash flows from investment activity		
Purchase of tangible fixed assets	(3 047)	(4 912)
Purchase of intangible assets	(2)	(23)
Purchase of shares and interests	(73)	-
Disposal of tangible fixed assets	68	54
Disposal of shares and interests	-	-
Received dividends	-	-
Received interest	46	16
Other outflows	-	-
Net cash flows from investment activity	(3 008)	(4 865)
Cash flows from financial activity		
Raised loans, credits and other debt instruments	50 683	95 448
Expenditure on repayment of loans, borrowings and other debt instruments	(66 710)	(97 390)
Payments under financial lease agreements	(1 932)	(18)
Interest paid	(4 957)	(4 146)
Dividends paid out	-	-
Other inflows (outflows)	-	(55)
Net cash flows from financial activity	(22 916)	(6 161)
Net cash flows from financial activity	25 680	17 911
Opening balance of cash and cash equivalents	22 216	10 196
Impact of exchange rate changes regarding cash and cash equivalents	-	-
Closing balance of cash and cash equivalents	47 896	28 107
4. including restricted cash	4 656	6 102

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

EXPLANATORY NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Elektrociepłownia "Będzin" S.A. is the parent company of Elektrociepłownia "Będzin" S.A. Capital Group registered in Poland with the registered office in Poznań (61-144) at ul. Bolesława Krzywoustego 7.

The condensed consolidated interim financial statements for the period from 1 January to 31 March 2017 incorporate the financial statements of the parent company and its subsidiaries (referred to jointly as the "Capital Group").

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

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

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

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

- heat generation (water steam and hot water),
- electricity generation,
- financial leasing,
- other financial services.

Subsidiaries as at 31 March 2017

Name and registered office	Country	% share	
		31.03.2017	31.12.2016
Elektrociepłownia BĘDZIN Sp. z o.o. ul. Małobądzka 141, Będzin	Poland	100	100
Energetyczne Towarzystwo Finansowo- Leasingowe Energo-Utech S.A. Ul. Bolesława Krzywoustego 7, Poznań	Poland	100	100

Associates as at 31 March 2017

Name and registered office	Country	% share	
		31.03.2017	31.12.2016
ProMobil Fleet Sp. z o. o. ul. Karola Libelta 29/8, Poznań	Poland	40	40

As at the day of approving these consolidated financial statements for issue and as at 31 March 2017, the composition of the management and supervisory bodies of the parent company was as follows:

Management Board

Krzysztof Kwiatkowski - President of the Management Board

Supervisory Board

Janusz Niedźwiecki - Chairman of the Supervisory Board
Waldemar Organista - Deputy Chairman of the Supervisory Board
Wiesław Głanowski - Member of the Supervisory Board
Józef Piętoń - Member of the Supervisory Board
Maciej Węgorkiewicz - Member of the Supervisory Board
Grzegorz Kwiatkowski - Member of the Supervisory Board

Audit Committee at the Supervisory Board

Janusz Niedźwiedzki - Chairman of the Audit Committee
Waldemar Organista - Member of the Audit Committee
Józef Piętoń - Member of the Audit Committee

7. Basis for the consolidated financial statements

7.1 Statement on compliance

These consolidated financial statements for the period from 1 January to 31 March 2017 have been produced as per the International Financial Reporting Standards ("IFRS") approved by the European Union ("EU") and the Resolution of the Ministry of Finance dated 19 February 2009 (Journal of Laws from 2014, item 133) on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized as being equivalent to information required by regulations of law of a state which is not a member state.

7.2 Basis for valuation

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

7.3 Functional and presentation currency

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

7.4 Judgements and estimates

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

These consolidated financial statements have been produced assuming business continuity in the foreseeable future.

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

The significant judgments and estimates made by the Management Board of the Parent Company in the preparation of the condensed consolidated interim financial statements remained unchanged against the judgments and estimates adopted in preparing the annual consolidated financial statements for 2016.

7.5 Changes in International Financial Reporting Standards

The Capital Group intends to adopt the revised but not binding as of the date of publication of these condensed interim consolidated financial statements changes in IFRS in accordance with the date of their entry into force.

8. Description of key accounting principles

The preparation of these condensed interim consolidated financial statements of the Capital Group applies the accounting policies applied in the preparation of the annual consolidated financial statements for 2016.

Due to the expansion of the scope of activity by the financial activity of Elektrociepłownia "Będzin" S.A., the Capital Group has changed the allocation of its activities from the energy sector - generation of electricity and heat in conventional sources as well as production of electricity and heat in the combustion and co-incineration of biomass, into the financial sector - financial and service activities in the field of rent, leasing or making the components of fixed assets available in other forms.

9. Fair value measurement

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

Non-derivative financial assets and liabilities

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

Trade debtors/creditors and other

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

10. Financial risk management

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

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

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

11. Business segments reporting

The Capital Group presents financial information with a break down into two segments: energy segment covering production of electricity and heat both in conventional sources and through firing

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and co-firing of biomass and the financial-services segment covering renting, leasing or providing access to fixed assets in another form.

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

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

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

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

Assets and liabilities of segments as at 31.03.2017	Energy segment	Financial segment	Total
Segment assets	283 186	431 790	714 976
Total assets	283 186	431 790	714 976
Segment liabilities	130 171	418 235	548 406
Total equity	153 015	13 555	166 570
Total liabilities and equity	283 186	431 790	714 976

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Operational segments for the period from 01.01.2016 to 31.03.2016	Energy segment	Financial segment	Total
Revenues from external customers	50 308	8 205	58 513
Other operational revenues	429	953	1 382
Segment total revenues	50 737	9 158	59 895
Amortisation	(2 678)	(1 422)	(4 100)
Consumption of materials and energy	(21 577)	(42)	(21 619)
Third party services	(2 410)	(185)	(2 595)
Taxes and fees	(2 861)	(330)	(3 191)
Remuneration and employee benefits	(2 916)	(1 270)	(4 186)
Other costs by type	(245)		(245)
Value of sold goods and materials	(516)		(516)
Other operating costs	(48)	(419)	(467)
Operational activity bottom line	17 486	5 490	22 976
Financial revenues	68	110	178
Financial expenses	(328)	(4 777)	(5 105)
Earnings from associates accounted for using the equity method		140	140
Profit before tax	17 226	963	18 189
Income tax	(3 284)	(160)	(3 444)
Net profit	13 942	804	14 746

Assets and liabilities of segments as at 31.03.2015	Energy segment	Financial segment	Total
Segment assets	235 055	494 465	729 520
Total assets	235 055	494 465	729 520
Segment liabilities	98 624	480 052	578 676
Total equity	136 431	14 412	150 843
Total liabilities and equity	235 055	494 464	729 519

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12. Tangible fixed assets

Gross value of tangible fixed assets	Land, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Total
Gross value as at 01.01.2016	44 048	90 533	45 862	917	60 151	241 511
Purchase	26 388	86 272	256	261	59 676	172 853
Purchase in effect of acquisition of business units	-	-	-	-	-	-
Sale	-	(7)	(520)	-	-	(527)
Liquidation	-	(4)	-	(3)	-	(7)
Settlement	-	-	(1 755)	-	(113 809)	(115 564)
Gross value as at 31.03.2016	70 436	176 794	45 598	1 175	6 018	298 266
Gross value as at 01.01.2017	70 435	176 794	43 843	1 173	7 927	300 172
Purchase	54	156	105	37	5 986	6 338
Sale	-	(7)	(166)	-	-	(173)
Liquidation	(265)	(5)	-	(9)	-	(279)
Settlement/change of classification	-	-	-	-	(225)	(225)
Gross value as at 31.03.2017	70 224	176 938	43 782	1 201	13 688	305 833

Depreciation and impairment charges	Land, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Total
Depreciation and impairment charges as at 01.01.2016	5 009	25 777	11 173	483	-	42 442
Depreciation	2 357	8 831	4 495	154	-	15 837
Sale	-	(8)	(440)	-	-	(448)
Liquidation	-	(3)	-	(3)	-	(6)
Settlement/change of classification	-	-	(13)	-	-	(13)
Depreciation and impairment charges as at 31.12.2016	7 366	34 597	15 215	634	-	57 812
Depreciation and impairment charges as at 01.01.2017	7 366	34 597	15 215	632	-	57 810
Depreciation	727	2 708	1 108	38	-	4 581
Sale	-	(12)	(144)	-	-	(156)
Liquidation	(265)	-	-	(9)	-	(274)
Impairment charges	-	-	-	-	-	-
Settlement/change of classification	-	-	-	-	-	-
Depreciation and impairment charges as at 31.03.2017	7 828	37 293	16 179	661	-	61 961

Net value	Land, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Total
01.01.2016	39 039	64 756	34 689	434	60 151	199 069
31.12.2016	63 070	142 197	30 383	541	6 018	240 454
01.01.2017	63 069	142 197	28 628	541	7 927	242 362
31.03.2017	62 396	139 645	27 603	540	13 688	243 872

13. Intangible assets

Gross value of intangibles	Patents, licences, software	Other intangible assets	Total
Gross value as at 01.01.2015	785	5 512	6 297
Acquisition	161	-	161
Purchase as part of economic units acquisition			-
Gross value as at 31.12.2015	944	5 512	6 456
Gross value as at 01.01.2016	944	5 512	6 456
Acquisition	2	-	2
Purchase as part of the acquisition of business units	-	-	-
Liquidation	-	-	-
Gross value as at 31.12.2016	946	5 512	6 458

Amortisation and impairment charges	Patents, licences, software	Other intangible assets	Total
Amortisation and impairment charges as at 01.01.2016	244	413	657
Amortisation	264	551	815
Amortisation and impairment charges as at 31.12.2016	508	964	1 472
Amortisation and impairment charges as at 01.01.2017	508	964	1 472
Amortisation	76	138	214
Liquidation	-	-	-
Amortisation and impairment charges as at 31.03.2017	584	1 102	1 686

Net value			
01.01.2016	541	5 099	5 640
31.12.2016	436	4 548	4 984
01.01.2016	436	4 548	4 984
31.03.2016	362	4 410	4 772

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

14. Impairment charges on lease receivables

Change in impairment losses on lease receivables	31.03.2017	31.12.2016
Opening balance	(3 365)	(1 884)
Increases as part of the acquisition of business entities	-	
Increases	-	(3 365)
Releases	431	1 884
Closing balance	(2 934)	(3 365)

15. Impairment charges on loans granted

Change in impairment losses on loan receivables	31.03.2017	31.12.2016
Opening balance	(552)	(552)
Increases	-	
Releases	-	
Reklasyfikacja	-	-
Closing balance	(552)	(552)

16. Equity

Equity	31.03.2017	31.12.2016
Opening number of shares	3 149 200	3 149 200
Closing number of shares (fully paid up)	3 149 200	3 149 200

Equity as at	31.03.2017	Number of shares (in items)	Nominal value per share (in PLN)	Balance sheet value (in PLN k)
A-series shares		3 149 200	5	15 746
Total number of shares		3 149 200		
Nominal value of share capital				15 746
Share capital resulting from hyperinflation revaluation				21 982
Total share capital				37 728
Supplementary capital				45 352
Reserve capital				26 938
Total other capital				72 290
Defined benefits plan revaluation reserve				266
Retained profits				61 182
Total equity				171 466

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

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

Ownership structure of the share capital as at 31.03.2017.

Shareholder	Number of shares	Nominal value of shares	Shareholding (%)
Krzysztof Kwiatkowski	808 698	4 043	25,68%
Waldemar Organista	688 146	3 441	21,85%
AgioFunds TFI SA	334 747	1 674	10,63%
Bank Gospodarstwa Krajowego	311 355	1 557	9,89%
Familiar S.A. SICAV - SIR	271 526	1 358	8,62%
Skarb Państwa	157 466	787	5,00%
Other shareholders	577 262	2 886	18,33%
	3 149 200	15 746	100,00%

Dividends

The parent company did not pay dividends in the 3 months of 2017.

17. Inventories

CO2 emission allowances	31.03.2017	31.12.2016
At the beginning of the period	15 780	19 079
Generation	-	8 513
Sale	2 728	3 200
Impairment charge	(14 451)	(15 012)
At the end of the period	4 057	15 780

As of 31 March 2017, the materials were primarily carbon stocks. The impairment charge on reflect the feasible net sale price, as at 31 March, 2017 amounted to PLN 1556k. (as at 31 December 2016 it amounted to PLN 1645k).

The Capital Group did not hold inventories as collateral for financial liabilities as at 31 March 2017.

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CO2 emission allowances	31.03.2017	31.12.2016
At the beginning of the period	15 780	19 079
Generation	-	8 513
Sale	2 728	3 200
Impairment charge	(14 451)	(15 012)
At the end of the period	4 057	15 780

Energy certificates	31.03.2017	31.12.2016
At the beginning of the period	1 241	1 714
Purchase	1 268	2 580
Received (free of charge allocation)	(687)	(2 443)
Cancellation (as per annual emission)	-	(610)
At the end of the period	1 822	1 241

18. Profit per share

	31.03.2017	31.03.2016
Opening number of shares	3 149 200	3 149 200
Closing number of shares	3 149 200	3 149 200
Average weighted number of issued shares	3 149 200	3 149 200

	31.03.2017	31.03.2016
Net profit distributed amongst shareholders of dominant entity (in PLN k)	15 727	14 746
Number of shares	3 149 200	3 149 200
Main profit per share (PLN/share)	5,0	4,7

19. Employee benefits

Change in current value of liabilities under defined employee benefits	01.01.2017 - 31.03.2017	01.01.2016 - 31.12.2016
Opening balance of liabilities under defined employee benefits	4 165	3 148
Increases resulting from purchase of business units	-	-
Current employment cost	-	1 249
Interest cost	-	103
Defined benefits plan revaluation reserve recognized in other comprehensive income	-	(226)
Future employment cost	-	(23)
Restrictions/ liquidation of plan	-	-
Benefits paid	(1 979)	(86)
Closing balance of liabilities under defined employee benefits	2 186	4 165

Elektrociepłownia "Będzin" S.A. Capital Group

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

Change in current value of liabilities under defined employee benefits	01.01.2017 - 31.03.2017	01.01.2016 - 31.12.2016
Opening balance of liabilities under defined employee benefits	8 424	7 447
Increases resulting from purchase of business units	-	
Current employment cost	-	4 599
Interest cost	-	127
Defined benefits plan revaluation reserve recognized in profit or loss in current reporting period	-	(286)
Benefits paid	-	(3 444)
Released	-	(19)
Closing balance of liabilities under other staff benefits	8 424	8 424

Change in balance of liabilities under employee benefits	Service anniversary awards	Retirement and disability severance payments	The right to reduced payment for purchase of energy	Other liabilities	Total
As at 01.01.2017	4 087	2 886	-	5 616	12 589
Raised	240	-	-	706	946
Acquired in effect of purchased business units	-	-	-	-	-
Utilised	(25)	(43)	-	(2 130)	(2 885)
Released	-	-	-	(40)	(40)
Revaluation of provisions recognized in other comprehensive income	-	-	-	-	-
As at 31.03.2017	4 302	2 843	-	3 465	10 610
long-term provisions	3 699	2 570	-	2 155	8 424
short-term provisions	603	273	-	1 310	2 186

Change in balance of liabilities under employee benefits	Service anniversary awards	Retirement and disability severance payments	The right to reduced payment for purchase of energy	Other liabilities	Total
As at 01.01.2016	4 611	2 946	-	3 038	10 595
Raised	209	208	-	5 548	5 965
Acquired in effect of purchased business units	-	-	-	-	-
Utilised	(384)	(84)	-	(2 711)	(3 531)
Released	-	-	-	(214)	(214)
Revaluation of provisions recognized in other comprehensive income	-	(181)	-	(45)	(226)
As at 31.03.2016	4 087	2 889	-	5 616	12 589
long-term provisions	3 699	2 570	-	2 155	8 424
short-term provisions	388	316	-	3 461	4 165

20. Provisions

Provisions	Provision for CO2 emission allowance	Other provisions	Total
Value at 01.01.2017	14 451	7 765	22 216
Raised	4 057	206	4 263
Utilised	(14 451)	(166)	(14 617)
Released	-	-	-
Value at 31.03.2017	4 057	7 805	11 862
long-term	-	7 412	7 412
short-term	4 057	393	4 450

21. Fair value of financial instruments

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

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

	Current value	Fair value
As at 31.03.2017		
Financial instruments measured at fair value through profit or loss		
Loans and receivables, including:	444 697	443 610
<i>leasing agreements</i>	347 438	346 351
<i>granted loans</i>	31 756	31 756
<i>trade receivables and other</i>	17 607	17 607
<i>cash and cash equivalents</i>	47 896	47 896
Investments held to maturity	-	-
Other financial liabilities, including:	(492 496)	(491 489)
<i>liabilities under loans and credits</i>	(472 381)	(471 374)
<i>other liabilities</i>	(20 115)	(20 115)
	(47 799)	(47 879)

	Current value	Fair value
As at 31.12.2016		
Financial instruments measured at fair value through profit or loss	-	-
Loans and receivables, including:	430 513	429 324
<i>leasing agreements</i>	350 659	349 470
<i>granted loans</i>	35 780	35 780
<i>trade receivables and other</i>	21 858	21 858
<i>cash and cash equivalents</i>	22 216	22 216
Investments held to maturity	-	-
Other financial liabilities, including:	(449 344)	(448 214)
<i>liabilities under loans and credits</i>	(485 227)	(484 097)
<i>other liabilities</i>	35 883	35 883
	(18 831)	(18 890)

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

On 30 September 2014, Elektrociepłownia BĘDZIN Sp. z o.o. has entered into a contract for the execution of an investment project under the name of "Construction of flue gas desulphurisation and denitrogenation at Elektrociepłownia BĘDZIN Sp. z o.o. "with SBB Energy S.A. (formerly Przedsiębiorstwo Inwestycyjno-Remontowe Energetyki i Przemysłu "Remak-Rozruch S.A."). The contract amounts to net PLN 130 m and is currently underway.

As of March 31, 2017, the total value of expenditures incurred on the above contract amounted to PLN 112 m.

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

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

There is no seasonality in the financial segment.

24. Conditional liabilities and proceedings pending before court

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

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

On 19 November 2014, Energetyczne Towarzystwo Finansowo- Leasingowe Energo-Utech SA (subsidiary) brought a case for the payment of claim arising from recourse factoring, said claim of PLN 679.5k.

25. Security on property

There are collaterals on the Capital Group's assets in connection with the loan agreement intended to finance the investment in Elektrociepłownia BĘDZIN Sp. z o.o. December 16, 2014.

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

- total mortgage of the highest priority and the sum of PLN 196.984k on real estate of Elektrociepłownia BĘDZIN Sp. z o.o. located in Sosnowiec, for which land registers are kept in the District Court in the Sosnowiec 6th Department of Land and Mortgage Registers, with the numbers KA1S / 00033883/2 and KA1S / 0034647/3 and on the property located in Bedzin for which land register are kept in the District Court in Bedzin, the 5th Land and Mortgage Register Department with the number KA1B/00016873/8
- a registered pledge on a set of things and laws defined as a set of all movables and property rights belonging to the company ie Elektrociepłownia BĘDZIN Sp.z o.o. (excluding the rights to bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o. and the rights being the subject of transfer of rights to collateral concluded between Bank Polska Kasa Opieki SA and Elektrociepłownia BĘDZIN Sp. z o.o., as well as the real estate and other rights which in the light of regulations cannot be burdened with a registered pledge within the meaning of the catalog of the method of description of pledged objects constituting Appendix 1 to the Regulation of the Minister of Justice of 15 October 1997 on the detailed organization of the way of keeping a register of pledges constituting a set of things and rights constituting an economic whole, even if its composition was variable within the meaning of the Pledge Act - The value of the pledge is PLN 123.808k,
- heat Purchase Agreement for Elektrociepłownia BĘDZIN Sp. z o.o. - contract of transfer of rights to the collateral,
- electricity sales agreements and other contracts generating revenues of over PLN 200k per year for Elektrociepłownia BĘDZIN Sp. z o.o. - contract of transfer of rights to collateral
- Power of attorney for bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o.

26. Transactions with connected entities

Transactions with persons holding managerial or supervisory positions

During the reporting period ending on 31 March 2017, no advances, loans, credits, guarantees or other liability-raising agreements were provided or made with persons holding managerial or supervisory positions, their spouses, or persons related to them by blood or by marriage.

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

	31.03.2017	31.03.2016
Base salaries, bonuses, other	399	147
	399	147

As at 31.03.2017	Receivables	Liabilities
MDW Głanowski		4 938
Wademar Organista		4 127
Autodirect SA		
Promobil Fleet sp. z o. o.	14	
	14	9 065

As at 31.03.2017	Sales of products	Other income
Promobil Fleet sp. z o. o.	14	-
Autodirect SA	5	-
	19	-

As at 31.03.2017	Purchased services	Other purchases
MDW Glanowski	75	-
	75	-

27. Events after the balance sheet date

The subsidiary Towarzystwo Finansowo-Energetyczne "ENERGO-UTECH" S.A. on May 12, 2017, purchased 95 shares with a total nominal value of PLN 4,750.00 in MAG-ZOF (now ENERGO-BIOMASA z o.o.) with its registered office in Drawsko Pomorskie, which constitutes 95% of the total shares. Shares were acquired for a total price of PLN 4,750.00. The main business of the Company is the production of wood products, the production of cork products, straw and plaiting materials and sawmill products.

28. Manpower

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

Manpower		
Average manpower in the Capital Group	31.03.2017	31.12.2016
Production staff	86	89
Office staff	76	79
	162	168

29. Approval of consolidated financial statements

These condensed consolidated interim financial statements were produced and approved for publication by the Management Board of the dominant entity on 30 May 2017.