ELEKTROCIEPŁOWNIA "BĘDZIN" S.A.
CAPITAL GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM
1 JANUARY 2018 TO 30 SEPTEMBER 2018
COMPLIANT WITH THE IAS 34 " INTERIM FINANCIAL REPORTING"

Contents

1. General information

These financial statements for the period from 1January to 30 September 2018 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 30 September 2018,
- condensed consolidated interim Profit and Loss Account and other comprehensive income for the period from 1January to 30 September 2018,
- condensed consolidated interim statement of changes in equity for the period from 1January to 30 September 2018, condensed consolidated interim Cash flow statement for the period from 1January to 30 September 2018,
- Additional information to the condensed consolidated interim financial statements.

Management Board of Elektrociepłownia "Będzin" S.A.

Krzysztof Kwiatkowski
President of the Management Board

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

Bożena Poznańska

Poznań, 29 November 2018

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

2. Condensed consolidated statement of financial position

	Note	30.09.2018 unexamined	31.12.2017
Assets			
Fixed assets			
Tangible fixed assets	*12*	242 807	251 643
Intangible assets	*13*	3 655	4 187
Goodwill		1 937	1 937
Receivables under lease agreements		241 252	223 622
Granted loans		11 196	10 669
Trade debtors and other debtors		1 500	1 500
Deferred tax assets		913	971
Total fixed assets		**503 260**	**494 529**
Current assets			
Inventories		32 426	20 546
Receivables under lease agreements		114 480	113 412
Granted loans		20 292	27 774
Trade debtors and other debtors		24 613	23 397
Income tax liabilities		1 914	411
Cash and cash equivalents		14 415	30 228
Accruals		30	77
Total current assets		**208 170**	**215 845**
Total assets		**711 430**	**710 374**

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

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

	Note	30.09.2018 unexamined	31.12.2017
Liabilities			
Equity	*16*		
Share capital		37 728	37 728
Supplementary capital		67 613	48 288
Reserve capital		44 843	44 843
Defined benefits plan revaluation reserve		(89)	(125)
Retained profits		20 458	38 960
Total equity		**170 553**	**169 694**
Liabilities			
Liabilities under loans, borrowings and other debt instruments		262 716	289 099
Liabilities under employee benefits	*18*	5 554	9 305
Trade creditors and other creditors		5 944	5 597
Provisions	*19*	339	4 744
Deferred income tax provisions		7 496	8 496
Total long-term liabilities		**282 049**	**317 241**
Short-term liabilities			
Liabilities under loans, borrowings and other debt instruments		191 675	172 530
Trade creditors and other creditors		32 927	31 788
Liabilities under employee benefits	*18*	3 220	4 754
Income tax liabilities		-	465
Provisions	*19*	31 006	13 902
Total short-term liabilities		**258 828**	**223 439**
Total liabilities		**540 877**	**540 680**
Total liabilities		**711 430**	**710 374**

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

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

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

	01.07.2018- 30.09.2018 unexamined	***01.07.2017- 30.09.2017 unexamined***	***01.01.2018 - 30.09.2018 unexamined***	***01.01.2017 - 30.09.2017 unexamined***
Revenues	*48 259*	*38 409*	142 107	140 942
Other operating revenues	*4 377*	*1 038*	6 044	2 184
Amortization and depreciation	(4 594)	(4 815)	(14 365)	(14 425)
Consumption of materials and energy	(33 733)	(19 936)	(82 769)	(58 198)
External services	(4 963)	(9 320)	(13 377)	(16 235)
Taxes and charges	*(1 097)*	*(1 475)*	(3 392)	(4 351)
Payroll and employee benefits	*(6 132)*	*(6 543)*	(14 605)	(18 409)
Other costs by type	*(476)*	*(46)*	(1 536)	(341)
Value of goods and materials sold	(1 831)	(1 164)	(4 114)	(1 761)
Other operating expenses	*419*	*(523)*	(441)	(1 752)
Profit (loss) on operating activities	**229**	**(4 375)**	**13 552**	**27 654**
Financial revenues	*325*	*343*	3 798	1 005
Financial expenses	(5 776)	(5 013)	(16 092)	(16 053)
Net financial revenues/ (expenses)	**(5 451)**	**(4 670)**	**(12 294)**	**(15 048)**
Share in net profit of entities measured by equity method	-	92	(505)	186
Gross profit (loss)	**(5 222)**	**(8 953)**	**753**	**12 792**
Income tax	*1 109*	1 407	70	(3 081)
Net profit (loss)	**(4 113)**	**(7 546)**	**823**	**9 711**
Other total income not taken to financial result in future reporting periods				
Revaluation of net liability under defined benefits plan	-		44	(141)
Income tax on items not taken to financial result	-		(8)	27
	-	-	36	(114)
Other comprehensive income for reporting period	-	-	36	(114)
Profits or losses and other comprehensive income for reporting period	**(4 113)**	**(7 546)**	**859**	**9 597**
Net profit (loss) per share				
Main (in PLN)	(1,31)	(2,42)	0,26	3,08
Diluted (in PLN)	(1,31)	(2,42)	0,26	3,08

The net profit disclosed in full is attributable to the shareholders of the parent company.

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

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

4. Condensed consolidated statement of changes in equity

	Share capital	Supplementary capital	Reserve capital	Defined benefits plan revaluation reserve	Retained profits	Total equity
Equity as at 01.01.2018	**37 728**	**48 288**	**44 843**	**(125)**	**38 960**	**169 694**
Net profit distribution	-	19 325	-	-	(19 325)	-
Profits or losses for reporting period						
Net profit for reporting period	-	-	-	-	823	823
Other comprehensive income for reporting period						
Revaluation of net liability under defined benefit plan (adjusted by tax)	-	-	-	36	-	36
Profits or losses and other comprehensive income for reporting period	-	-	-	36	823	859
Equity as at 30.09.2018 unexpected	**37 728**	**67 613**	**44 843**	**(89)**	**20 458**	**170 553**

	Share capital	Supplementary capital	Reserve capital	Defined benefits plan revaluation reserve	Retained profits	Total equity
Equity as at 01.01.2017	**37 728**	**45 352**	**26 938**	**266**	**45 455**	**155 739**
Net profit distribution	-	2 936	17 905	-	(20 841)	-
Profits or losses for reporting period						
Net profit for reporting period	-	-	-	-	9 711	9 711
Other comprehensive income for reporting period						
Revaluation of net liability under defined benefit plan (adjusted by tax)	-	-	-	(114)	-	(114)
Profits or losses and other comprehensive income for reporting period	-	-	-	(114)	9 711	9 597
Equity as at 30.09.2017 unexpected	**37 728**	**48 288**	**44 843**	**152**	**34 325**	**165 336**

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

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5. Condensed consolidated cash flow statement

	01.01.2018 - 30.09.2018 unexamined	01.01.2017 - 30.09.2017 unexamined
Cash flow from operating activities		
Gross profit	**753**	**12 812**
Adjustments		
Depreciation of tangible fixed assets	13 785	13 764
Amortisation of intangible assets	580	658
Profit on investment activity	-	(10)
Share in profit of entities measured with equity method	505	(186)
Change in receivables under lease agreements	(16 138)	(6 980)
Change in granted loans	7 800	1 239
Change in inventories	(12 832)	14 494
Change in trade debtors and other debtors	(3 084)	18 237
Change in trade creditors and other creditors	1 999	1 584
Change in provisions for employee benefits	7 487	(7 562)
Change in accruals	87	28
Other adjustments	(3 032)	-
Cash flows from operating activity	**(2 090)**	**48 078**
Net financial revenues/(costs)	14 970	15 562
Interest received	(142)	(231)
Interest paid	-	2 366
Income tax paid	(2 383)	(6 784)
Net cash flows from operating activity	**10 355**	**58 991**
Cash flows from investment activity		
Purchase of tangible fixed assets	(3 202)	(13 950)
Purchase of intangible assets	(78)	(239)
Purchase of other investments	-	(505)
Disposal of tangible fixed assets	-	223
Received interest	143	231
Other expenditure	1 580	(7)
Net cash flows from investment activity	**(1 557)**	**(14 247)**
Cash flows from financial activity		
Net income from shares issued	-	500
Raised loans, credits and other debt instruments	174 105	153 360
Repaid loans, credits and other debt instruments	(182 661)	(161 854)
Payments under financial lease agreements	(1 317)	(2 023)
Interest paid	(14 555)	(17 427)
Net cash flows from financial activity	**(24 428)**	**(27 444)**
Net cash flows from financial activity	**(15 630)**	**17 300**
Opening balance of cash and cash equivalents	**30 228**	**22 216**
Change in the classification of financed assets	(183)	-
Closing balance of cash and cash equivalents	**14 415**	**39 516**
including restricted cash	6 223	5 034

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

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EXPLANATORY NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

Elektropciepłownia “Będzin” S.A. is the parent of company of Elektrociepłownia ”Będzin” S.A. Capital Group

The condensed consolidated interim financial statements for the period from 1 January to 30 September 2018 incorporate the financial statements of the parent company and its subsidiaries (referred to jointly as the “Capital Group").

The share capital of the parent 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 30September 2018

Name and registered office	Country	Share %	
		30.09.2018	31.12.2017
Elektrociepłownia BĘDZIN Sp. z o.o. ul. Małobądzka 141, Będzin	Poland	100	100
Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A.Ul. Bolesława Krzywoustego 7, Poznań	Poland	100	100

Associates as at 30September 2018

Name and registered office	Country	Share%	
		30.09.2018	31.12.2017
Energo-Biomasa Sp. z o. o. Suliszewo 97, Drawsko Pomorskie	Poland	19,99	99,95

On 16 April 2018, the General Meeting of Shareholders of ENERGO-BIOMASA spółka z o.o. adopted a resolution to top up the Company’s share capital to PLN 2,500.00k, which led to decreasing the share of EnergetycznegoTowarzystwoFinansowo-LeasingoweEnergo-Utech S.A. to 19.99%. The share capital increase was registered in the National Court Register on 6 September 2018.

On 16 April 2018, ENERGO-BIOMASA spółka z o.o. Company Deed was amended thereby making the company controlled by partners, i.e.:

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- introduction of the requirement that resolutions of the General Meeting of Shareholders must be adopted in the presence of 100% of the share capital in the case of voting on the financial and operating policy,
- granting the right to appoint and dismiss the President of the Management Board to a partner - ETF-L ENERGO-UTECH S.A. with the registered office in Poznań,
- granting the right to appoint and dismiss the President of the Management Board to a partner Zofia Fabich.
- introduction of two-person representation: two Members of the Management Board jointly or, one Member of the Management Board and a proxy appointed by the Management Board of ENERGO-BIOMASA spółka z o.o.

The amendments to ENERGO-BIOMASA spółka z o.o. Company Deed resulted in exclusion from consolidation and presentation of shares in the co-controlled entity in accordance with the ownership rights method.

As at the day of approving these condensed interim consolidated financial statements for issue and as at 30 September 2018, the composition of the management and supervisory bodies of the parent company was as follows:

Management Board

Krzysztof Kwiatkowski	- President of the Management Board

From 1 January 2018 until 30 June 2018, the Supervisory Board was performing its 9th term of office in the following compostion:

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
6. Grzegorz Kwiatkowski	- Member of the Supervisory Board

On 29 June 2018, Grzegorz Kwiatkowski resigned from the position in the Supervisory Board. As of 1 July 2018, the Supervisory Board has been performing its 9th term of office in the following composition:

Janusz Niedźwiecki	- Chairman of the Supervisory Board
Waldemar Organista	- Deputy Chairman of the Supervisory Board
WiesławGlanowski	- Member of the Supervisory Board
Mirosław Leń	- Member of the Supervisory Board
Wojciech Sobczak	- Member of the Supervisory Board

Audit Committee at the Supervisory Board

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

7. Basis for the condensed consolidated interim financial statements

7.1 Statement on compliance

These consolidated financial statements for the period from 1 January to 30 September 2018 have been produced in accordance with IAS 34 "Interim financial reporting", which has been approved by the European Union ("EU") and in accordance with the Regulation of the Minister of Finance of March 29, 2018 (Journal of Laws from 2018, item 757) on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized as being equivalent to information required by regulations of law of a state which is not a member state.

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

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.

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

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

8. Description of key accounting principles

These condensed interim consolidated financial statements of the Capital Group were prepared in accordance with accounting principles applied in the preparation of the annual consolidated financial statements for 2017, with the exception of the adopted new IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments".

IFRS 9 "Financial Instruments"

Principles of qualification and measurement of financial assets and liabilities

As permitted by the standard, the Group resigned from transforming comparable data. Data as at 31 December 2017 and data for the nine months ended on 30 September 2018 were prepared based on IAS 39 *Financial Instruments: Recognition and Measurement.*

As of 1 January 2018, at the moment of initial recognition, the Group classifies financial assets into one of three following categories:
- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss.

The Group classifies financial assets to the relevant category depending on:
- the model of financial asset management by the entity and
- characteristics of expected cash flows from a particular component of assets.

A financial asset is classified as measured at amortized cost if the following two conditions are met:

- assets are held as part of a business model, the purpose of which is to keep assets in order to obtain cash flows arising from the contract; and
- its contractual terms result in the occurrence, at certain times, of cash flows representing solely the repayment of principal and interest on the unpaid part of the capital.

The Group recognized that it was not possible to directly translate the categories of financial assets set out in IAS 39 *Financial Instruments: Recognition and Measurement* into categories defined in IFRS 9 Financial Instruments and therefore, the Group developed a methodology for the classification of financial assets, whereby it formulated principles for the cash flows characteristics test and rules for the business model test. On the basis of said principles and rules, the Group carried out business model tests and SPPI tests for all material financial assets as at 1 January 2018.

In accordance with the business model, the Group's financial assets are characterized by cash flows matching the repayments of principal and interest and they are held in order to obtain cash flows until the maturity date.

In the category of assets measured at amortized cost, the Group includes the following items in the financial statements: trade receivables, loans granted, other receivables as well as cash and cash equivalents.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method, including impairment charges. Trade receivables with a maturity of less than 12 months from the date of arising are not discounted and are measured at their nominal value.

The Group has no other financial assets, except for receivables under lease agreements, which are subject to the provisions of IFRS 9 only in terms of impairment.

As of January 2018, as of the moment of initial recognition, the Group classifies financial liabilities into one of the following categories:
- measured at amortized cost,
- carried at fair value through profit or loss,

The Group has no material liabilities measured at fair value through profit or loss.The conducted analysis showed that the Group's measurement of financial assets and liabilities remains unchanged.

Item in the financial statements	Category as per IAS 39	Category as per IFRS 9
Loans granted	Loans and receivables	Measured at amortised cost
Trade receivables and other receivables	Loans and receivables	Measured at amortised cost
Cash and cash equivalents	Cash and cash equivalents	Measured at amortised cost
Liabilities arising from loans, borrowings and other debt instruments and other liabilities	Other liabilities	Measured at amortised cost

Impairment of Financial Assets

The previously applied rules for the recognition of credit losses based on the incurred loss have been replaced in IFRS 9 *Financial Instruments* with the concept of expected loss resulting in the recognition of an impairment charge on assets from the moment of initial recognition of said assets. Requirements regarding the impairment of financial assets refer to financial assets measured at amortized cost and measured at fair value through other comprehensive income.

The Group identified the following categories of financial assets, where it verified the impact of the calculation of expected credit losses in accordance with IFRS 9 *Financial Instruments* on the consolidated financial statements:
- receivables from financial lease agreements,

- loans granted,
- receivables from customers

As regards receivables arising from financial lease agreements and loans, it is expected that historical repayment data may reflect the credit risk that will be incurred in future periods. The expected credit losses for counterparties were estimated using the receivables portfolio value matrix and based on the allocation of percentage ratios allowing to estimate the value of receivables from customers that are not expected to be repaid (the analysis took into account repayment data, overdue periods, share of losses incurred on individual categories of receivables).

In justified cases, the Group also makes an individual assessment of credit risk and estimates the related losses using quantitative and qualitative data, such as the value and quality of collateral established or the estimated value of the leased assets.

Credit risk ratios estimated on the basis of historical data for the period 2013-2018 at the level of:
- receivables from lease agreements - 0.19% of the gross portfolio value,
- receivables from loan agreements - 3.3% of the gross portfolio value.

Application of IFRS 9 *Financial Instruments* with regard to the recognition of expected credit losses did not affect the retained profits of the Group as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

This standard defines how and when revenue is recognized, while stipulating the provision of more detailed disclosures. The standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 18 *Transfer of Assets from Customers* and many interpretations related to the recognition of revenue.

The most important principles introduced by IFRS 15 Revenue from Contracts with Customers include:

- introduction of a five-level revenue recognition model comprising: identification of a contract with the customer, identification of individual obligations to perform the service, determination of the transaction price, allocation of the transaction price to individual obligations to perform services and recognition of revenue at the time of performance of the contractual obligation;
- recognition of revenue at the moment when the obligation to deliver the asset is fulfilled (or when its fulfilment is pending). An asset is transferred when the control over said asset is transferred, as well;
- determination of the transaction price at the level of the remuneration to which the entity is expected to be entitled in exchange for the transferred assets or provided services, excluding amounts collected on behalf of third parties.

In accordance with IFRS 15, the Group presents the recognized revenue from contracts with customers broken down into categories reflecting the impact of economic factors on the profile, amount, payment date and uncertainty of revenue and cash flows. In particular, the Group is required to disclose quantitative and qualitative information regarding: contracts with customers, key assumptions and estimates adopted by the entity as well as capitalized costs of acquisition and delivery of contracts.

Impact on the consolidated financial statements as at 1 January 2018

IFRS15 applies to revenue generated by the Group in the energy segment. Revenue of the financial segment are subject to separate standards.
The Group applied the requirements of IFRS 15 *Revenue from Contracts with Customers* using a modified retrospective approach, i.e. with the combined effect of the first application of the standard recognized on the day of its first application. As permitted by IFRS 15, the Group resigned from transformation of comparable data. Data as at 31December 2017 and those for the nine months ended on 30 September 2018 were prepared on the basis of IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 18 *Transfer of Assets from Customers* as well as interpretations related to the recognition of revenue before IFRS 15 *Revenue from Contracts with Customers* came into force and effect.

The analysis of contracts with customers regarding the correct determination of revenue in accordance with IFRS 15 was carried out:

1. Identification of contract with customer - contractual arrangements regulate the sale of heat and electricity by the Group to strategic customers. The sale of electricity is also conducted through the stock market.
2. Identification of the obligation to provide the service - the valid contracts with strategic customers contain only one commitment to provide the service, which concerns the supply of heat or electricity within a certain period of time. The revenue is calculated for deliveries made in a given reporting period, based on a detailed record of the energy volumes delivered.
3. Determination of transaction price - contractual price for heat is based on the applicable tariffs, while electricity prices are determined based on stock exchange indices, separately for each delivery. There are no other arrangements that affect the determined transaction price.
4. Allocation of the transaction price to individual obligations to provide the service - the Group assigns the transaction price to each obligation to perform the service in an amount that reflects the remuneration that it is entitled to in exchange for the promised goods and services to the customer.
5. Income recognition when the contractual obligation is fulfilled - revenue is recognized when the assets and services are provided to the customer and the customer gains control over the asset - at the moment of transferring identifiable energy volumes to the energy or heating networks. Revenues are recognized in an amount equal to the transaction price.

Based on the analysis, the Group concluded that the implementation of IFRS 15 does not affect the Group's equity due to the fact that the recognition of revenues covered by IFRS 15, when taking into account the provisions of contracts with customers, does not change.

A few new Standards, amendments to Standards and Interpretations are not yet effective for annual periods beginning on 1 January 2018 and thus, have not been applied in the condensed interim consolidated financial statements. Among the new Standards, amendments to Standards and Interpretations, those listed below may have a significant impact on the condensed consolidated financial statements of the Group. The Group intends to apply them for the periods for which they are binding for the first time.

- IFRS 16 *Leasing* - for periods beginning on 1 January 2019,

The Group is a party to a number of financial and operating lease contracts as a lessor. Due to the lack of significant changes in the classification criteria for individual contracts, between IFRS 16 *Leasing* and the standards previously binding upon lessors as well as the Group's accounting policy in this respect (the key criterion is transferring risk and rewards attributable to the fact of holding the identified assets – it determines the recognition of individual contracts), the Group does not expect significant impact of the new standard on its financial statements.

- Sale or Transfer of Assets between the Investor and the Associated Company or Joint Undertaking (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures) - date of application has not been specified,
- IFRIC 23 Uncertainty Over Income Tax Treatments - for periods beginning on 1 January 2019,
- Amendments to IFRS 9 Financial Instruments - for periods beginning on 1 January 2019,
- Amendments to IAS 28 Investments in Associates and Joint Ventures - for periods beginning on 1 January 2019,
- Amendments to the International Financial Reporting Standards 2015-2017 - for periods beginning on 1 January 2019,
- Amendments to IAS 19 Employee Benefits (Plan Amendments, Curtailments or Settlements) - for periods beginning on 1 January 2019.

The Group expects that upon the initial application of the foregoing Standards, these Standards will not have a material impact on the financial statements.

The Group has not decided to apply earlier any other standard, interpretation or amendment that has been published but has not yet entered into force in the light of the European Union regulations.

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. Further information about the assumptions for measuring fair value has been presented in the explanatory notes concerning individual assets and liabilities.

10.Financial risk management

The Capital Group is exposed to the following types of risk related to the use of financial instruments:
- Credit risk,
- Liquidity risk,
- Fx risk,
- Interest rate risk.

Information about the Capital Group’s exposure to a given risk, objectives, principles and procedures of risk measurement and management adopted by the Capital Group along with information of capital management by the Capital Group is presented in annual consolidated financial statements for financial year 2017.

As at 30 September 2018, the short-term liabilities of the Group totalled PLN 258,828k and were PLN 50,658k up on the current assets. The surplus results mainly from the need to settle the payments and funding sources for the acquisition of shares in EnergetyczneTowarzystwoFinansowo-Leasingowe ENERGO-UTECH S.A. in 2015.
The Group's profitability is ensured by long-term contracts for the supply of heat, the prosperity on the electricity market as well as long-term lease and tenancy agreements.

In the opinion of the Management Board of the parent company, a significant part of the above gap will be covered with funds, constituting a surplus of cash flows generated by the Group in the period before the maturity of individual short-term financial liabilities. In order to cover the remaining part of the financial gap, the Group undertook actions aimed to:

- obtain additional credits and loans,
- extend the maturity of a part of financial liabilities arising from financing the acquisition of shares in EnergetyczneTowarzystwoFinansowo-Leasingowe ENERGO-UTECH S.A.,
- acquire additional funds from investors, under the offered issue of debt securities.

11.Business segments reporting

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

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

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

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

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

Operational segments period 01.01.2018 - 30.09.2018	**Energy segment**	**Financial segment**	**Total**
Revenues from external customers	119 902	22 205	142 107
Other operational revenues	5 764	280	6 044
Segment total revenues	**125 666**	**22 485**	**148 151**
Amortisation	(11 203)	(3 162)	(14 365)
Consumption of materials and energy	(82 640)	(129)	(82 769)
Third party services	(13 127)	(250)	(13 377)
Taxes and fees	(2 783)	(609)	(3 392)
Remuneration and employee benefits	(10 729)	(3 876)	(14 605)
Other costs by type	(306)	(1 230)	(1 536)
Value of sold goods and materials	(4 114)	-	(4 114)
Other operating costs	(205)	(236)	(441)
Operational activity bottom line	**559**	**12 993**	**13 552**
Financial revenues	391	3 407	3 798
Financial expenses	(2 750)	(13 342)	(16 092)
Profit from share in associates measured with equity method	-	(505)	(505)
Gross profit / (loss)	**(1 800)**	**2 553**	**753**
Income tax	352	(282)	70
Net profit	**(1 448)**	**2 271**	**823**

Assets and liabilities of segments as at 30.09.2018	**Energy segment**	**Financial segment**	**Razem**
Segment assets	280 726	430 704	711 430
Total assets	**280 726**	**430 704**	**711 430**
Segment liabilties	115 293	425 584	540 877
Total equity	165 433	5 120	170 553
Total liabilities and equity	**280 726**	**430 704**	**711 430**

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

Segmenty operacyjne za okres 01.01.2017 - 30.09.2017	Energy segment	Financial segment	Total
Revenues from external customers	117 747	23 195	140 942
Other operational revenues	1 167	1 017	2 184
Segment total revenues	**118 914**	**24 212**	**143 126**
Amortisation	(10 315)	(4 110)	(14 425)
Consumption of materials and energy	(58 066)	(132)	(58 198)
Third party services	(15 407)	(828)	(16 235)
Taxes and fees	(3 133)	(1 218)	(4 351)
Remuneration and employee benefits	(14 522)	(3 887)	(18 409)
Other costs by type	(341)	-	(341)
Value of sold goods and materials	(1 761)	-	(1 761)
Other operating costs	(633)	(1 119)	(1 752)
Operational activity bottom line	**14 736**	**12 918**	**27 654**
Financial revenues	448	557	1 005
Financial expenses	(2 506)	(13 547)	(16 053)
Profit from share in associates		186	186
Profit before tax	**12 678**	**114**	**12 792**
Income tax	(2 611)	(470)	(3 081)
Net profit	**10 067**	**(356)**	**9 711**

Assets and liabilities of segments as at 30.09.2017	Energy segment	Financial segment	Total
	\		
Segment assets	287 647	431 106	718 753
Total assets	**287 647**	**431 106**	**718 753**
Segment liabilties	127 640	425 777	553 417
Total equity	160 007	5 329	165 336
Total liabilities and equity	**287 647**	**431 106**	**718 753**

Energy sector income due from	30.09.2018	30.09.2017
electricty	61 805	44 908
heat	53 565	63 165
pellet production	-	7 040
Other	4 532	2 634
As at the end of period	**119 902**	**117 747**

Financial sector income due from	30.09.2018	30.09.2017
Lease, rental	18 691	19 662
interest on loans, factoring granted	2 218	1 876
Other	1 296	1 657
As at the end of period	**22 205**	**23 195**

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

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

12. Tangible fixed assets

Gross value of tangible fixed assets	Land, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Total
Gross value as at 01.01.2017	70 436	176 794	43 843	1 176	6 018	298 267
Purchase	3 315	21 706	229	279	29 291	54 820
Sale	-	-	(5 746)	-	-	(5 746)
Liquidation	-	(10)	-	-	-	(10)
Settlement/change of classification	-	-	-	-	(23 221)	(23 221)
Gross value as at 31.12.2017	**73 751**	**198 490**	**38 326**	**1 455**	**12 088**	**324 110**
Gross value as at 01.01.2018	73 751	198 490	38 326	1 455	12 088	324 110
Purchase	2 777	14 603	-	60	8 869	26 309
Sale	-	(15)	(150)	-	-	(165)
Liquidation	-	(48)	-	-	-	(48)
Settlement/change of classification	(4)	(2 030)	(91)	-	(19 379)	(21 504)
Gross valaue as at 30.09.2018	**76 524**	**211 000**	**38 085**	**1 515**	**1 578**	**328 702**

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 01.01.2017	7 367	34 597	15 215	634	-	57 813
Depreciation	2 914	11 034	4 344	185	-	18 477
Sale	-	-	(3 815)	-	-	(3 815)
Liquidation	-	(8)	-	-	-	(8)
Depreciation and impairment charges as at 31.12.2017	**10 281**	**45 623**	**15 744**	**819**	**-**	**72 467**
Depreciation and impairment charges as at 01.01.2018	10 281	45 623	15 744	819	-	72 467
Depreciation	2 283	8 940	2 374	189	-	13 786
Sale	-	(16)	(150)	-	-	(166)
Liquidation	-	(48)	-	-	-	(48)
Settlement /change of classification	-	(141)	(3)	-	-	(144)
Depreciation and impairment charges as at 30.09.2018	**12 564**	**54 358**	**17 965**	**1 008**	**-**	**85 895**
Net value						
01.01.2017	63 070	142 197	28 628	541	6 018	240 454
31.12.2017	63 470	152 867	22 582	636	12 088	251 643
01.01.2018	63 470	152 867	22 582	636	12 088	251 643
30.09.2018	63 960	156 642	20 120	507	1 578	242 807

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

The Group did not make impairment charges as at 30 September 2018 and 31 December 2017.

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

13.Intangible assets

Gross value of intangibles	Patents, licences, software	Other intangible assets	Total
Gross value as at 01.01.2017	944	5 512	6 456
Acquisition	87	-	87
Gross value as at 31.12.2017	**1 031**	**5 512**	**6 543**
Gross value as at 01.01.2018	1 031	5 512	6 543
Acquisition	61	-	61
Settlement/change of classification	(21)	-	(21)
Gross value as at 30.09.2018	**1 071**	**5 512**	**6 583**

Amortisation and impairment charges	Patents, licences, software	Other intangible assets	Total
Amortisation and impairment charges as at 01.01.2017	508	964	1 472
Acquisition	333	551	884
Amortisation and impairment charges as at 31.12.2017	**841**	**1 515**	**2 356**
Amortisation and impairment charges as at 01.01.2018	841	1 515	2 356
Acquisition	167	413	580
Settlement/change of classification	(8)	-	(8)
Amortisation and impairment charges as at 30.09.2018	**1 000**	**1 928**	**2 928**
Net value			
01.01.2017	436	4 548	4 984
31.12.2017	190	3 997	4 187
01.01.2018	190	3 997	4 187
30.09.2018	71	3 584	3 655

The other intangible assets position presents relations with clients of the Energetyczne Towarzystwo Finansowo-Leasingowego Energo- Utech S.A..

14. Impairment charges on lease receivables

Change in balance of impairment charges on leasing agreements	30.09.2018	31.12.2017
Opening balance	(1 086)	(3 365)
Increases	(225)	(850)
Cancellations	253	3 129
Closing balance	**(1 058)**	**(1 086)**

15. Impairment charges on loansgranted

Change in balance of impairment charges on loans	30.09.2018	31.12.2017
Opening balance	(539)	(552)
Cancellations	-	13
Closing balance	**(539)**	**(539)**

16.Equity

`	30.09.2018	31.12.2017
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 30.09.2018	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			67 613
Reserve capital			44 843
Total other capital			**112 456**
Defined benefits plan revaluation reserve			(89)
Retained profits			20 458
Total equity			**170 553**

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

Ownership structure of share capital as at30.09.2018

Shareholder	Number of shares	Nominal value of shares	Shareholding (%)
Krzysztof Kwiatkowski	1 033 499	5 167	32,82%
VALUE FIZ	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%
Waldemar Organista	273 146	1 366	8,67%
Zolkiewicz&Partners Inwestycji	157 740	789	5,01%
State Treasury	157 466	787	5,00%
Other shareholders	609 721	3 049	19,36%
	3 149 200	**15 746**	**100,00%**

Dividends
In the nine months of 2018, the parent company did not pay any dividends.

17. Profit per share

	30.09.2018	30.09.2017
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**

	30.09.2018	30.09.2017
Net profit distributed amongst shareholders of dominant entity (in PLN k)	823	9 711
Number of shares	3 149 200	3 149 200
Main profit per share (PLN/share)	**0,3**	**3,1**

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

18. Employee benefits

Change in current value of liabilities under defined benefits	01.01.2018 - 30.09.2018	01.01.2017 - 31.12.2017
Opening balance of liabilities under defined benefits	4 580	4 165
Current employment cost	60	125
Interest cost	63	109
Defined benefits plan revaluation reserve recognized in other comprehensive income	(44)	483
Plan limitation/ liquidation	-	(4)
Benefits paid	(239)	(298)
Closing balance of liabilities under defined benefits	4 420	4 580

Change in current value of liabilities under other employee benefits	01.01.2018 - 30.09.2018	01.01.2017 - 31.12.2017
Opening balance of liabilities under other employee benefits	9 479	8 424
Current employment cost	3 201	7 402
Interest cost	46	116
Other benefits plan revaluation reserve recognized in profit or loss in current reporting period	57	(1 336)
Benefits paid	(4 744)	(5 127)
Released	(3 685)	-
Closing balance of liabilities under other employee benefits	4 354	9 479

Change in balance of liabilities under employee benefits	Service anniversary awards	Retirement and disability severance payments	Other liabilities	Total
As at 01.01.2018	**2 714**	**3 590**	**7 755**	**14 059**
Raised	102	113	2 581	2 796
Utilised	(281)	(239)	(3 889)	(4 409)
Released	57	-	(3 770)	(3 713)
Revaluation of provisions recognized in other comprehensive income	-	(46)	2	(44)
As at 30.09.2018	**2 677**	**3 418**	**2 679**	**8 774**
long-term provisions	2 380	2 787	387	5 554
short-term provisions	297	631	2 292	3 220

Change in balance of liabilities under employee benefits	Service anniversary awards	Retirement and disability severance payments	Other liabilities	Total
As at 01.01.2017	**4 087**	**2 886**	**5 616**	**12 589**
Raised	1 583	209	5 956	7 748
Utilised	(1 907)	(170)	(3 348)	(5 425)
Released	(1 049)		(287)	(1 336)
Revaluation of provisions recognized in other comprehensive income	-	665	(182)	483
As at 31.12.2017	**2 714**	**3 590**	**7 755**	**14 059**
long-term provisions	1 714	2 929	4 662	9 305
short-term provisions	1 000	661	3 093	4 754

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

19.Provisions

Provisions	Provision for CO2 emission allowance	Other provisions	Total
Value at 01.01.2018	**12 884**	**5 762**	**18 646**
Raised	30 223	263	30 486
Utilised	(12 884)	(860)	(13 744)
Release	-	(4 014)	(4 014)
Change of classification	-	(29)	(29)
Value at 30.09.2018	**30 223**	**1 122**	**31 345**
long-term	-	339	339
short-term	30 223	783	31 006

20. Fair value of financial instruments

The fair value of financial instruments for which no active market exists is determined using appropriate measurement techniques. When selecting the appropriate methods and assumptions, the Group is guided by professional judgment.

Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:	Balance sheet value		Fair value	
	30.09.2018 unexamined	30.09.2017 unexamined	30.09.2018 unexamined	30.09.2017 unexamined
Intereset rate swaps	-182	-232	-182	-232
Total	**-182**	**-232**	**-182**	**-232**

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

There are no such liabilities.

22. Explanation of seasonality or cyclicality of the Capital Group's activities

Activities of Elektrociepłownia "Będzin" S.A. Group as the producer of heat and electricity are seasonal. In individual reporting periods, there are differences in the volume of heat and electricity produced, which is caused by the production volumes' dependence on the seasons and on the weather conditions. In particular, that is typical for production and sale of heat, which during the autumn and winter time is substantially higher.

There is no seasonal effect in the financial segment.

23. Conditional liabilities and proceedings pending before court

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

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

On 19 November 2014, EnergetyczneTowarzystwoFinansowo- LeasingoweEnergo-Utech SA (subsidiary) brought a case for the payment of claim arising from recourse factoring, said claim of PLN 679.5k.
On 30 January 2015, an order for payment under the writ of payment proceedings was issued thereby obliging the factorer and the debtor to pay to EnergetyczneTowarzystwoFinansowo- Leasingowe ENERGO – UTECH SA the debt and the interest accrued till the payment date.

The factorer did not appeal against the said order for payment and on 11 June 2015 a motion was filed to initiate the debt collection proceedings. The debt collection proceedings carried out by Court Bailiff was discontinued. The debt collection proved ineffective.
The debtor's company appealed against the order for payment and the related court proceedings have been pending before the District Court in Poznań. The proceedings are pending. On 17 May 2017, the District Court in Poznań, 9th Commercial Division, passed a judgement for dismissal.
On 19 July 2017, EnergetyczneTowarzystwoFinansowo – LeasingoweEnergo – Utech appealed against the judgement passed by the District Court in Poznań, 9th Commercial Division on 17 May 2017.
On 2 October 2017, the debtor responded to the said appeal. At this stage it is not possible to determine the final decision on the case related to the assessment of financial implications. The disputable debt is covered by impairment charge.

24.Security on property

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

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

- First charge joint mortgage of PLN 196,984k on real estates of Elektrociepłownia BĘDZIN Sp. z o.o. located in Sosnowiec, for which Regional Court inSosnowiec, 6th Division of Land and Mortgage Registers keeps land and mortgage registers no. KA1S/00033883/2 and KA1S/0034647/3 as well as real estates located in Będzin, for which Regional Court in Będzin, 5th Division of Land and Mortgage Registers keeps land and mortgage register no. KA1B/00016873/8,
- Registered pledge on the collection of assets and rights defined as the collection of all tangible assets and rights of the enterprise i.e. Elektrociepłownia BĘDZIN Sp. z o.o. (excluding rights to bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o., rights subject to agreements on the assignment of rights to secure agreements made by and between Bank Polska KasaOpieki S.A. and Elektrociepłownia BĘDZIN Sp. z o.o., as well as real estates and other rights which, in the light of the law, cannot be subject to registered pledge within the meaning of the catalogue of description of registered pledge assets representing Appendix 1 to Ordinance of the Minister of Justice of 15 October 1997 on detailed organisation of the manner of keeping the register of pledges, representing the collection of assets and rights of a single economic unit, even if its composition is changeable as per the Act on Pledge – the registered value of the pledge is PLN 141,049k,
- Contracts on the sale of heat by Elektrociepłownia BĘDZIN Sp. z o.o. – agreement on assignment of rights for the purpose of security,
- Contracts on the sale of electricity and other contracts generating revenues in excess of PLN 200k per annum for Elektrociepłownia BĘDZIN Sp. z o.o. – agreements on assignment of rights for the purpose of security,
- Authorisations to bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o.
- Loans financing the agreements on financial lease are secured with blanc bill of exchange, mortgages, registered pledges, repossessions of fixed assets and transfers of receivables for the benefit of banks.

25. Transactions with connected entities

Transactions with persons holding managerial or supervisory positions

During the reporting period ending on 30 September 2018, no advances, loans, credits, guarantees or other liability-raising agreements.
Remuneration of persons holding key managerial or supervisory positions in the Capital Group (without provisions raised for awards) is presented in the table below:

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

	30.09.2018	30.09.2017
Base salary	372	381
Bonus	545	565
Other		4
	917	**950**

As at 30.09.2018	Receivables	Liabilities
MDW Glanowski		10 887
Energo Biomasa sp. z o. o.	6 489	-
Autodirect S.A.	36	-
Power Engineering S.A.	834	-
	7 359	**10 887**

Period 01.01.2018- 30.09.2018	Sales of products	Other income
Energo Biomasa sp. z o. o.	259	-
Autodirect S.A.	15	-
Power Engineering S.A.	7	-
	281	**-**

Za okres 01.01.2018- 30.09.2018	Purchase of services	Other purchase
MDW Glanowski	399	-
	399	**-**

26. Events after the balance sheet date

After the end of the current reporting period, there were no significant events affecting current operations.

27. Manpower

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

	30.09.2018	31.12.2017
Production staff	90	133
Office staff	77	90
	167	**223**

28. 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 29 November 2018.