

Notes

1. General information

Elektrociepłownia „Będzin” Spółka Akcyjna. (“Company”)
Registered office: Poznań, at: Bolesława Krzywoustego 7, 61 -144 Poznań

The Company is a holder of no. 0000064511 of the National Court Register. Registry Court competent for the Company: District Court in Poznań Nowe Miasto i Wilda in Poznań, 8th Economic Division of the National Court Register.

The core objects of Elektrociepłownia „Będzin” SA:

- activity of financial holdings
- rental and lease (with an option to collect benefits) of other machinery and equipment and tangible goods

Elektrociepłownia „Będzin” S.A. is the parent undertaking of the Group of Elektrociepłownia „Będzin” S.A. The subsidiaries:

- Elektrociepłownia BĘDZIN Sp. z o.o. based in Będzin (42-500) at ul. Małobądzka 141, in which the Company holds 100% interest
- Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. based in Poznań (61-144), at: ul. Bolesława Krzywoustego 7, in which the Company also holds 100% interest.

Energo-Biomasa Sp. z o.o., in which Energetyczne Towarzystwo Finansowo – Leasingowe Energo-Utech S.A holds 19.99% shares, is a non-consolidated entity and a non-joint-venture.

The activity in the field of cogeneration through combined heat and power (CHP) is carried out in the subsidiary, Elektrociepłownia BĘDZIN Sp. z o.o., while the financial services, mainly lease, is carried out in the subsidiary, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. in restructuring.

Management Board as at 30 September 2020:

Bartosz Dryjski	Member of the Management Board
Kamil Kamiński	- Member of the Management Board

Supervisory Board as at 30 September 2020:

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

The Audit Committee under the Supervisory Board was formed on 5 November 2020, so there was no Audit Committee as at 30 September 2020.

Audit Committee under the Supervisory Board as at the date of releasing the financial statements:

Janusz Niedźwiecki	- Chairman of the Audit Committee,
Krzysztof Kwiatkowski	- Member of the Audit Committee,
Marcin Śledzikowski	- Member of the Audit Committee.

2. Report preparation principles

Elektrociepłownia "Będzin" SA presents its financial statements for the period from 1 January 2020 ending on 30 September 2020, as well as comparative financial figures for the period from 1 January 2019 ending on 30 September 2019 and as at 31 December 2019.

The financial statements were prepared on the assumption that the Company will continue its not materially curtailed scope of operations in the foreseeable future spanning over a period no shorter than one year from the balance sheet date.

In preparing the report for the period from 1 January ending on 30 September 2020, the accounting principles referred to in the annual 2019 financial statements were applied.

EC "Będzin" SA, being a holding company and coordinating the operations of its subsidiaries, as well as being responsible for the strategy of the Group of EC "Będzin" SA, is the Group's parent undertaking. The Company's operations do not generate any substantial cash-flow but for the yield of one finance lease contract entered into with a third party and services for the Group's companies. In the financial period ended on 30 September 2020 the Company incurred a net profit of PLN 1,682k and its respective short-term liabilities exceed the current assets by PLN 4,734k. Energo-Utech SA, a subsidiary, is now undergoing an expedited arrangement procedure to be subject to voting in the months to come. The entity's further strategy in the Group will depend on the voting's outcome.

In the light of the foregoing, being aware of material uncertainty as for the Company's going concern, the Company's Board took up measures to recover liquidity. On 30 July 2020 items of property, plant and equipment pertaining to the main finance lease contract were sold at a price of PLN 20,830k. The funds generated enabled the repayment of the short-term liabilities, priority being given to overdue liabilities. The remaining excess, in line with the Company's forecasted cash flow, financed ongoing operations and the repayment of liabilities in the subsequent periods, allowing for the following uncertainties:

- the Company extended repayment guarantees for three bank loans granted to its subsidiary. As at the balance sheet date, the respective liability was PLN 10.613k, out of which PLN 3.727k is a portion unencumbered on the tangible assets of Energo-Utech S.A. Expedited arrangement proceedings mentioned above which will be subject to voting in the forthcoming months, are crucial in potentially determining the need to repay the unsecured amount. The Board's opinion is that the arrangement proposals will be approved by the subsidiary's creditors, which means it will not be necessary to repay the above said contingent liability.

- the Company holds liabilities from bonds issued in the amount of PLN 16,200k. In the financial year of 2019 the Company generated a net loss of PLN 48.596k which was mainly due to impairment allowances on the shares in subsidiaries. The Board analysed the terms for the issue of shares and, in particular, the condition of „the Company's assets value not decreasing by more than 10%, the decrease being capable of affecting the Company's capacity to meet its bond liabilities". The Company's Board is of the opinion that none of the terms (including the one quoted above) has been breached. The Board's analysis was supported by the Company's lawyer's advice, therefore, the Board finds that the Company still holds the right to recognise the liabilities as long-term and assume incoming cash-flow from their redemption only in April 2022.

The Company's Board drafted a cash-flow forecast keeping the above key conditions in mind (i.e. contingent liabilities from the guarantees securing a repayment of bank loans granted to the subsidiary never materialising and the bond liability being repaid in 2022). With such assumptions, the Company's cash-flow excess secures the Company's day-to-day operations and a timely repayment of liabilities until the bond liabilities are repaid in 2022. At the same time, the Board's Company aims to sell the project in Elektrociepłownia Będzin Sp. z o.o., a subsidiary, with the ensuing funds being allocated to satisfy bond liabilities in the first place.

The certainties outlined above, if materialised to the Company's disadvantage, may cause the Company's liquidity collapse and pose a material risk to its going concern. In spite of these uncertainties, the Group's Board finds the likelihood of the negative scenario actually affecting the Company non-significant, and the going concern principle relevant for these financial statements.

The Board's long-term goal is, particularly following the investment disposal in Elektrociepłownia "Będzin" Sp. z o.o., a subsidiary, to invest in small CHP assets (renewable energy).

3. Changes in the accepted accounting principles (policy)

Elektrociepłownia "Będzin" S.A. made no changes to the accounting policy.

4. Factors and events which, in the Issuer's view, had an effect on the financial performance

Elektrociepłownia "Będzin" S.A. is a beneficiary of the revenues from the shares of subsidiaries held, and their amount depends on the subsidiaries' financial performance. No consequential cash-flow in 2020 was recorded. The Company generated cash-flow on the sales of services to subsidiaries.

5. Seasonal or cyclical character of the Company's operations

None

6. Long-term investments

End 2019, the subsidiary's Board performed an impairment test for the shares in both the subsidiaries. As a result of the tests, shares were written down due to impairment of PLN 49,600k (impairment allowance for Energo-Utech) and PLN 13,605k (impairment allowance for Elektrociepłownia Będzin Sp. z o.o.) with respect to a restructuring procedure being initiated at Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH SA and a reduction of capacity orders at the power company.

End of this period, the subsidiaries' Boards did not perform any impairment tests for the shares in either of the subsidiaries. The value of shares held in the subsidiaries is recognised in the books in the value determined by impairment tests performed as at 31 December 2019. Due to the uncertainty (referred to in p.2) related to an arrangement being reached or not, the value of the shares of Energo-Utech was left unchanged, which is, written off.

With respect to Elektrociepłownia Będzin Sp. z o.o. The Board adheres to its opinion expressed in the interim consolidated financial statements as at 30 June 2020 as regards conditions to continue/derecognise the impairment allowance.

7. Impairment allowances

As at 30 September 2020 no new impairment allowances were made for long-term financial assets. The existing allowances amount to PLN 63,205k.

As at 30 September 2020 the impairment allowances for short-term receivables amount to PLN 9k, including impairment allowances for trade payables: PLN 9k.

As at 30 September 2020 the impairment allowances for long-term property investment amount to PLN 14k.

The value of impairment allowances for property, plant, equipment and current assets was left unchanged versus 31 December 2019.

8. Provisions

Provisions for liabilities are measured as at the balance sheet date at the least, at a reliably estimated value. The Company creates provisions for certain or highly probable future liabilities whose amount can be reliably estimated, including in particular the costs of services pertaining to a given reporting period and rendered in subsequent reporting periods, for long-term and short-term employee benefits. The financial effects of the provisions are charged, respectively, to operating costs, other operating costs, financial costs depending on the nature of the operation the future liabilities are related to.

Provisions for jubilee awards, retirement severance pays, disability severance pays, death-in-service benefits and unused leave entitlements are measured on the basis of actuarial measurement made by a professional entity entered into a list of actuaries and being a member of the Polish Society of Actuaries.

The following are the tables showing changes in long-term and short-term provisions.

Zmiana stanu krótkoterminowej rezerwy na świadczenia emerytalne i podobne (wg tytułów w tys. zł)	30/09/2020	30/09/2019
a) stan na początek okresu	-	25
b) stan na koniec okresu	-	25

Zmiana stanu długoterminowej rezerwy na świadczenia emerytalne i podobne (wg tytułów w tys. zł)	30/09/2020	30/09/2019
a) stan na początek okresu	1	1
b) stan na koniec okresu	1	1

Zmiana stanu pozostałych rezerw krótkoterminowych (wg tytułów w tys. zł)	30/09/2020	30/09/2019
a) stan na początek okresu	34	32
b) zwiększenia (z tytułu)	-	-
c) wykorzystanie (z tytułu)	34	32
badanie bilansu	34	32
d) stan na koniec okresu	-	-

9. Provisions and deferred income tax assets

Deferred income tax provisions are determined in the amount that is expected to be deducted from a future payment due in connection with temporary positive differences. The amount of the deferred income tax provision is determined using tax rates in force in the year in which the tax obligation arises. Deferred income tax assets are determined in the amount that is expected to be deducted from a future income tax in connection with temporary negative differences that will cause a reduction in the income tax base and deductible tax loss, determined according to the conservative accounting principle. The amount of the deferred income tax assets is determined using tax rates in force in the year in which the tax obligation arises.

Aktywa z tytułu odroczonego podatku dochodowego (tys. zł)	30/09/2020	30/09/2019
rezerwy na zobowiązania		9
wycena obligacji	91	90
naliczone a niewypłacone odsetki od umów przejęcia długu	66	-
strata podatkowa		535
RAZEM	157	634

Rezerwy z tytułu odroczonego podatku dochodowego (tys. zł)	30/09/2020	30/09/2019
różnica między wartością bilansową a podatkową wydzierżawionego środka trwałego		498
RAZEM	-	498

10. Material transactions of purchase and sale of property, plant and equipment

The Company closed the contracts for the lease (with the right to collect benefits) of plant and machinery with Tameh Polska Sp. z o.o. by entering into a contract for the sale of the said plant and property to Alior Leasing Sp. z o.o. and Tameh Polska Sp. z o.o.

11. Material settlements on account of debt court cases

There are no court cases pending by or against Elektrociepłownia BĘDZIN S.A. On 2 September 2020 a debt enforcement procedure was completed for a payment of PLN 2.8m as the remainder of the price for the purchase of property, plant and equipment, brought by BH Steel-Energia Sp. z o.o. The Company repaid its whole liability.

12. Prior period errors

The financial statements as at 30 September 2020 show no prior period errors.

13. Information on changes to the economic and business environment

End of 2019, news from China on COVID-19 (coronavirus) appeared for the first time. In the first few months of 2020, the virus spread throughout the world and its negative impact reached many countries. Although things are still volatile at the time of releasing these statements, it appears that the negative impact on world trade, production and on the undertaking/group may be more serious than originally expected. The Board considers such a situation a past balance sheet event which requires additional disclosure. As the situation continues to evolve, the undertaking's management is of the opinion it is not possible to provide quantitative estimates of a potential impact of the current situation on the undertaking. The Company's Board is of the opinion that the coronavirus-borne situation will not have an immediate effect on the Company's operations. The Company is a holding entity and following the sale of assets and the lease contract, the Company's operations will be limited to supervising and devising a strategy for the Group and subsidiaries. The Company generates only insignificant revenues from its subsidiaries and the costs incurred only relate to cooperation with local providers. The impact of the situation caused by Covid-19 may only be seen in a changed condition of the subsidiaries:

- with respect to Energo-Utech SA the pandemic will not matter that much. In view of the pending restructuring and arrangement procedure, the undertaking did not enter into new contracts in 2020 and the Board projects no such contracts being entered into as long as the procedure is still underway. Concomitantly, the Board does not take notice of any considerable deterioration of payment discipline with respect to the undertaking's counterparties. Hence, in the Board's view, the impact is non-significant as at the date of signing the financial statements.
- with respect to Elektrociepłownia Będzin Sp. z o.o. the drop in revenue during lockdown, due to a noticeable fall in power prices, was conspicuous. Notwithstanding, from end May 2020 to the date of preparing these statements, the prices noticeably rose up to the pre-March 2020 levels.

The Company's Board does take notice of the risks brought on by the condition of the subsidiaries (restructuring at Energo-Utech SA and fluctuations of electric power prices, plus lower heat orders for Elektrociepłownia Będzin Sp. z o.o.), which may translate into no dividend from the subsidiaries and acquiring funds for operations being necessary.

14. Information on bank loans, loans and suretyships/avals

The Company established a registered pledge on 768,700 shares in the capital of Elektrociepłownia Będzin Sp. z o.o., which corresponds to 100% of the company's share capital. The pledges were established to secure the claims of Bank Polska Kasa Opieki SA under a loan contract of 16 December 2014 whereunder the Bank undertook to grant to Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech SA, on the contract's terms, an investment loan up to PLN 94,491.83k and a VAT loan of up to PLN 4,000k. The registered pledge was established as a security for the repayment of bank loans, up to the highest security value of PLN 196,983.65k. Concomitantly, the Company agreed to establish for the Bank, as a security for the loan contracts, a highest priority registered pledge and financial pledges on the shares that the Company takes over or acquires. Under the registered pledges, the Company transferred its right to dividend and other receipts to the Bank.

On 15 February 2016 Elektrociepłownia "Będzin" SA entered into a contract with ING Bank Śląski SA. It was a PLN-denominated corporate loan contract to finance projects and to refinance investment expenditure incurred by the Client, totalling PLN 21,640k. As the Company closed the contract for the lease (with the right to collect benefits) of plant and machinery with Tameh Polska Sp. z o.o. by entering into a contract for the sale of the said plant and property to Alior Leasing Sp. z o.o. and Tameh Polska Sp. z o.o., the latter contract having been financed with a loan, the total of the loan was repaid on 31 August 2020.

On 28 February 2019 the Company issued a blank promissory note with a declaration as a security for the repayment of a revolving loan of PLN 1,300k extended to Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH SA, a subsidiary, by Poznański Bank Spółdzielczy. As at 30 September 2020 the loan balance was PLN 903k. As the Company entered restructuring, the loan is not being serviced. 80% of the loan amount is secured by the Polish Development Fund.

On 19 June 2019 the Company issued a blank promissory note with a declaration as a security for the repayment of an investment loan of PLN 6,612k extended to Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH SA by mBank SA. As at 30 September 2020 the loan balance was PLN 5,533k. The loan is being timely serviced.

The Company's Board analysed a risk of the creditors enforcing suretyships/avals. Until an arrangement is reached with the creditors, the subsidiary should pay its dues on time and the creditors are unable to terminate their contracts or enforce suretyships/avals. While negotiating arrangement proposals, the Issuer's Board will be working with the creditors on separate arrangement proposals for suretyships/avals. In case negotiations with creditors fail and the subsidiary faces bankruptcy, the creditors may claim a full amount from the suretyship/aval providers.

15. Transactions with affiliated entities

The Company made transactions with affiliated entities only at arm's length.

16. Financial instruments

The Company did not change the measurement method for financial instruments.
The Company did not change the classification of financial assets.

17. Information on the issue, redemption and repayment of debt and equity securities

In the portion of PLN 16,423k, the long-term liabilities from debt securities pertain to bonds issued to finance the acquisition of the shares in Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech SA. The bonds were issued on 13 April 2015 and their total nominal value was PLN 30,000k. The bonds bear interest based on WIBOR 6M and a margin of 4.5 p.p. In 2015 and 2019 the Company acquired its own bonds totalling PLN 13,800k for the purposes of cancellation.

In line with the Current Report no. 2/2019 of 10.04.2019, the bonds will be redeemed on 10 April 2022. The bonds are secured with a registered pledge on 100% of shares in Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A, a subsidiary.

The Company does not hold nor has it issued any other equity or debt securities.

The Company intends to repay the liabilities from debt securities with proceeds from the sale of shares in Elektrociepłownia Będzin Sp. z o.o., a subsidiary.

18. Information on the dividend paid out (declared)

The Company did not pay out dividend from 1 January 2020 to 30 September 2020.

19. Events past the balance sheet date

On 10 October 2020 interest on bonds was paid for the 11th interest period in the amount of PLN 461k.

20. Contingent assets and liabilities

On 22 July 2016 the Company acceded to the debt of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A., a subsidiary, under three factoring agreements (no. 879/07/2016, 880/07/2016 and 881/07/2016) made on 22 July 2016 regarding the purchase and financing of lease receivables, pursuant to which PKO BP Faktoring SA with registered office in Warsaw granted the Debtor a total financing limit of PLN 20 000 000 (say: twenty million zloties) in the period until 21 July 2021. Under the said agreements, the Co-signor's and the Debtor's liability is joint and several, and the Factor may demand that both the Co-signor and the Debtor repay the entire or a portion of debt jointly or individually. The credit balance as at 30 September 2020 was PLN 4,178k. The subsidiary was granted by PKO Faktoring a deferral period by 31 March 2020 allowing for instalments being reduced to PLN 30k as of November 2020.

On 28 February 2019 the Company issued a blank promissory note with a declaration as a security for the repayment of a revolving loan of PLN 1,300k extended to Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH SA, a subsidiary, by Poznański Bank Spółdzielczy. As at 30 September 2020 the loan balance was PLN 903k. As the Company entered restructuring, the loan is not being serviced. 80% of the loan amount is secured by the Polish Development Fund.

On 19 June 2019 the Company issued a blank promissory note with a declaration as a security for the repayment of an investment loan of PLN 6,612k extended to Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH SA by mBank SA. As at 30 September 2020 the loan balance was PLN 5,533k. The loan is being timely serviced.

21. Information on defaulting on a (bank) loan or breaching other material (bank) loan covenants.

The Company has no due and payable yet unrepaid loans nor bank loans. All the covenants in bank loan/loan contracts are met.

22. Other information which may affect the assessment of the assets, liabilities and the profit or loss

The Group holds liabilities from bonds issued in the amount of PLN 16,200k and interest accrued as at the balance sheet date of PLN 478k. In the financial year of 2019 the Company generated a net loss of PLN 48.596k which was mainly due to impairment allowances on the shares in subsidiaries. The Board analysed the terms for the issue of bonds and for maintaining this financing source, in particular, the condition of „the Company's assets value not decreasing by more than 10%, the decrease being capable of affecting the Company's capacity to meet its bond liabilities". Board of the Company is of the opinion that none of the terms (including the one quoted above) has been breached. The Board's analysis was supported by the Company's lawyer's advice, therefore, the Board finds that the Company still holds the right to recognise the liabilities as long-term and assume incoming cash-flow from their redemption only in April 2022.

In the reporting period, no other additional events that could materially affect the Company's assets, liabilities or profit or loss of the Company took place.

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

Kamil Kamiński - Member of the Management Board

Poznań, 27 November 2020