

GROUP OF COMPANIES
ELEKTROCIEPŁOWNIA "BĘDZIN" S.A.

CONSOLIDATED FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2020
CONSISTENT WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS APPROVED BY THE EU

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1. General information

The following consolidated financial statement for the period from 1 January 2020 to 31 December 2020 has been prepared in accordance with the International Financial Reporting Standards approved by the European Union.

The statement fairly and clearly presents the assets and financial position of Elektrociepłownia "Będzin" S.A. Group of Companies, has been approved by the Management Board of Elektrociepłownia "Będzin" S.A. (Parent Company) for publication and consists of:

- consolidated statement of financial position as of 31 December 2020,
- consolidated statement of comprehensive income for the period from 1 January to 31 December 2020,
- consolidated statement of changes in equity for the period from 1 January to 31 December 2020,
- consolidated statement of cash flow for the period from 1 January to 31 December 2020,
- notes to the consolidated financial statement.

Financial year 2020 was a challenging period for the Group's operations. During the year, several important events (listed below) took place, which had a significant impact on the reported results. These events include:

– accelerated arrangement proceedings concerning restructuring, which were undertaken in the subsidiary company, i.e. Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A (hereinafter Energo-Utech S.A.); in view of the deteriorating quality of the financial assets portfolio and the declining payment discipline of counterparties, the fact that current liabilities to banks amounting to PLN 4.5 million, to other creditors of a loan amounting to PLN 6 million and promissory notes amounting to PLN 3 million became immediately due and payable in the second half of 2019, and the negative cash flow projected for the following months, the Management Board of the subsidiary company has identified a significant risk of bankruptcy relating to this entity. As a result, it was decided to file an application for the opening of accelerated arrangement proceedings with regard to this subsidiary company. The proceedings have been opened on 12 February 2020 and will be conducted until the financial statement is issued. On 1 December 2020, the Judge-Commissioner appointed a Committee of Creditors, which consisted of five creditors' representatives. Due to the pending proceedings, the subsidiary company did not enter into any new agreements in 2020 and its activities involved only the continuation of agreements concluded prior to the commencement of arrangement proceedings. The current status of the restructuring plan is presented in point 7.5. "Judgments and estimates made", subsection 7.5.2. of the financial statement,

– deterioration of liquidity in the energy sector caused by a reduction in the thermal power ordered by the main heat energy recipient, fluctuations in electricity prices and, above all, an unprecedented increase in prices of CO2 emission allowances. Since December 2020, there has been a drastic increase in quotations of CO2 emission allowances, caused mainly by speculative operations on international financial markets, which resulted in a 47% increase in EUA prices since the beginning of 2021 and a year-on-year increase of 135%. Due to the persistent speculative trend and uncertainty on the EUA market, the Subsidiary Company's Management Board decided to accumulate as many financial resources as possible to buy back the maximum amount of allowances. As part of optimisation and cost-saving measures, as well as allowance market monitoring, the Subsidiary Company accumulated all possible financial resources to buy back the allowances while holding talks on supporting the buy-back process with its business partners.

As the key participant in the energy system of the Silesia-Dąbrowa agglomeration, the Subsidiary Company focuses on ensuring continuity of heat energy supply to the inhabitants; therefore, the available funds were primarily used to secure payments for coal, other production materials and absolutely necessary repair works performed during the summer downtime. Measures have also been undertaken to reduce emissions in 2021 and subsequent years, by introducing biomass co-firing and more efficient use of the existing installation with regard to the economics of CHP production.

To this date, the Subsidiary Company has timely fulfilled its obligations arising from the use of the environment, including payment of the relevant environmental fees, and therefore does not intend to evade its obligation to surrender the allowances. However, in view of the failure of talks held with the

industry entity (the Counterparty), with which the Company signed the Term Sheet concerning the financing of the purchase of emission allowances in March 2021, the transaction insurance guarantee was not provided on the market, and the purchase of the required EUAs was not completed as of 30 April 2021.

The negative scenario for the settlement of payments for EUA emission takes into account the persistent increase in prices and the possibility that the Company may additionally be subject to a penalty of EUR 100 for each tonne of CO₂ covered by allowances that were not surrendered on time.

At the same time, the Issuer informs that due to the current situation on the CO₂ emission market, the Subsidiary Company is holding talks concerning principles for settling the EUAs with competent public administration authorities in the context of rescheduling the liabilities for surrendering CO₂ emission allowances and extraordinary mitigation of penalty in view of allocating the penalty funds for necessary investments related to the resignation from burning high-emission fuel.

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

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

The situation in the energy sector is further described in point 7.4. of the financial statement.

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

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

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

The Group's management has analysed the impact of the pandemic on legal and contractual terms. In addition to the situation described in point 7.4, which relates to the termination of the contract with Polska

Grupa Górnicza S.A. concerning the supply of coal, no decisions have been made as of the date of signing the financial statement.

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

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

As a result of the accumulation of all of the above, the Group of Companies found itself in a difficult situation. Assessment of the ability to continue the business activity and the justification for the going concern basis adopted when preparing the statement is provided in point 7.4. "Continuation of the Group of Companies' business activity".

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

Bartosz Dryjski
Member of the Management Board

Kamil Kamiński
Member of the Management Board

*Signature of the person responsible for keeping account books
and representing the entity keeping the account books*

Bożena Poznańska

Poznań, 30 April 2021

2. Consolidated statement of financial position

	Nota	Na dzień 31.12.2020	Na dzień 31.12.2019
Aktywa			
Aktywa trwale			
Rzeczowe aktywa trwale	19	134 957	140 018
Prawo do użytkowania rzeczowych aktywów trwałych	19	5 966	6 281
Wartości niematerialne	20	706	914
Należności z tytułu umów leasingu	22	68 044	125 752
Udzielone pożyczki	23	16 443	16 735
Pozostałe inwestycje długoterminowe		976	976
Należności pozostałe	24	4 253	3 686
Aktywa trwale ogółem		231 345	294 362
Aktywa obrotowe			
Zapasy	25	32 486	42 567
Prawa do emisji CO2 do umorzenia	20	82	13 174
Należności z tytułu umów leasingu	22	53 913	61 964
Udzielone pożyczki	23	4 000	18 984
Należności handlowe i pozostałe	24	10 028	14 810
Należności z tytułu podatku dochodowego		21	2 837
Środki pieniężne i ich ekwiwalenty	26	27 528	8 189
Rozliczenia międzyokresowe	27	106	244
Inne aktywa finansowe	26	-	8 617
Aktywa obrotowe ogółem		128 164	171 386
Aktywa ogółem		359 509	465 748

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	Nota	Na dzień 31.12.2020	Na dzień 31.12.2019
Pasywa			
Kapitał własny	28		
Kapitał zakładowy		37 728	37 728
Kapitał zapasowy		67 613	67 613
Kapitał rezerwowy		44 843	44 843
Kapitał z przeszacowania programu określonych świadczeń		(533)	(564)
Zyski zatrzymane		(153 883)	(84 271)
Kapitał własny ogółem		(4 232)	65 349
Zobowiązania długoterminowe			
Zobowiązania z tytułu kredytów, pożyczek oraz innych instrumentów dłużnych	30	36 472	51 745
Zobowiązania z tytułu świadczeń pracowniczych	31	5 552	5 742
Zobowiązania pozostałe	32	502	506
Rezerwa z tytułu odroczonego podatku dochodowego	21	55	242
Zobowiązania długoterminowe ogółem		42 581	58 235
Zobowiązania krótkoterminowe			
Zobowiązania z tytułu kredytów, pożyczek oraz innych instrumentów dłużnych	30	198 517	249 696
Zobowiązania handlowe i pozostałe	32	36 218	28 792
Zobowiązania z tytułu świadczeń pracowniczych	31	2 520	2 961
Zobowiązania z tytułu podatku dochodowego		271	319
Rezerwy	33	83 634	60 396
Zobowiązania krótkoterminowe ogółem		321 160	342 164
Zobowiązania ogółem		363 741	400 399
Pasywa ogółem		359 509	465 748

Notes to the consolidated financial statement are an integral part thereof

3. Consolidated statement of comprehensive income

	<i>Nota</i>	<i>Za okres 01.01.2020 - 31.12.2020</i>	<i>Za okres 01.01.2019 - 31.12.2019</i>
Działalność kontynuowana			
Przychody	13	161 529	222 655
<i>w tym przychody odsetkowe rozpoznane metoda ESP</i>		<i>2 099</i>	<i>2 876</i>
Pozostałe przychody operacyjne	14	6 860	4 139
Koszty finansowania działalności operacyjnej		(10 044)	(14 445)
Amortyzacja		(12 259)	(16 265)
Koszt obowiązku umorzenia uprawnień do emisji CO2		(79 437)	(54 347)
Zużycie materiałów i energii		(78 456)	(85 943)
Usługi obce		(18 831)	(19 012)
Podatki i opłaty		(4 573)	(4 589)
Wynagrodzenia i świadczenia pracownicze	17	(21 712)	(23 482)
Pozostałe koszty rodzajowe		(2 448)	(1 549)
Wartość sprzedanych towarów i materiałów		(3 068)	(12 483)
Pozostałe koszty operacyjne	15	(2 324)	(63 853)
Strata netto z tytułu utraty wartości aktywów finansowych		-	(40 204)
Zysk na działalności operacyjnej		(64 763)	(109 378)
Przychody finansowe	16	754	1 636
Koszty finansowe	16	(5 319)	(3 704)
Przychody/(Koszty) finansowe netto		(4 565)	(2 068)
Udział w stracie netto jednostek wycenianych metodą praw własności		-	-
Zysk przed opodatkowaniem		(69 328)	(111 446)
Podatek dochodowy	18	(284)	6 567
Zysk/ strata netto		(69 612)	(104 879)
Z tego zysk/ strata netto:			
przypadający na akcjonariuszy Jednostki Dominującej		(69 612)	(104 879)
przypadający na udziały nie kontrolujące		-	-
Zysk netto za okres sprawozdawczy		(69 612)	(104 879)
Inne całkowite dochody, które w przyszłości nie będą przeklasyfikowane do wyniku finansowego			
Przeszacowanie zobowiązania netto z tytułu programu określonych świadczeń		39	(211)
Podatek dochodowy odnoszący się do pozycji, które nie będą przeklasyfikowane do wyniku finansowego		(8)	40
		31	(171)
Inne całkowite dochody ogółem za okres sprawozdawczy		31	(171)
Zyski lub straty oraz inne całkowite dochody ogółem za okres sprawozdawczy		(69 581)	(105 050)
Z tego całkowity dochód:			
przypadający na akcjonariuszy Jednostki Dominującej		(69 581)	(105 050)
przypadający na udziały nie kontrolujące		-	-
Zysk netto przypadający na 1 akcję			
Podstawowy (zł)	29	(22,1)	(33,3)
Rozwodniony (zł)	29	(22,1)	(33,3)

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4. Consolidated statement of changes in equity

	Nota	Kapitał zakładowy	Kapitał zapasowy	Kapitał rezerwowy	Kapitał z przeszacowania programu określonych świadczeń	Zyski zatrzymane	Kapitał własny ogółem
Kapitał własny na 01.01.2019		37 728	67 613	44 843	(393)	20 608	170 399
Zysk/ strata z lat ubiegłych							-
Podział zysku netto						-	-
Zyski lub straty za okres sprawozdawczy							
Zysk netto za okres sprawozdawczy		-	-	-	-	(104 879)	(104 879)
Inne całkowite dochody ogółem za okres sprawozdawczy							
Przeszacowanie zobowiązania netto z tytułu programu określonych świadczeń (skorygowane o efekt podatkowy)	31	-	-	-	(171)	-	(171)
Zyski lub straty oraz inne całkowite dochody ogółem za okres sprawozdawczy							
Dopłaty od i wypłaty do właścicieli ogółem		-	-	-	-	-	-
Kapitał własny na 31.12.2019		37 728	67 613	44 843	(564)	(84 271)	65 349

	Nota	Kapitał zakładowy	Kapitał zapasowy	Kapitał rezerwowy	Kapitał z przeszacowania programu określonych świadczeń	Zyski zatrzymane	Kapitał własny ogółem
Kapitał własny na 01.01.2020		37 728	67 613	44 843	(564)	(84 271)	65 349
Podział zysku netto		-	-	-	-	-	-
Zyski za okres sprawozdawczy							
Zysk netto za okres sprawozdawczy		-	-	-	-	(69 612)	(69 612)
Inne całkowite dochody ogółem za okres sprawozdawczy							
Przeszacowanie zobowiązania netto z tytułu programu określonych świadczeń (skorygowane o efekt podatkowy)	31	-	-	-	31	-	31
Zyski lub straty oraz inne całkowite dochody ogółem za okres sprawozdawczy							
Dopłaty od i wypłaty do właścicieli ogółem		-	-	-	-	-	-
Kapitał własny na 31.12.2020		37 728	67 613	44 843	(533)	(153 883)	(4 232)

5. Consolidated statement of cash flow

	Nota	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Przepływy pieniężne z działalności operacyjnej			
Zysk przed opodatkowaniem		(69 328)	(111 446)
<i>Naliczenie podatku odroczonego</i>		186	(1 465)
<i>Korekty</i>			
Amortyzacja rzeczowych aktywów trwałych	19	12 047	15 645
Amortyzacja wartości niematerialnych	20	212	620
Utworzenie/(Odwrócenie) odpisów aktualizujących wartość rzeczowych aktywów trwałych i wartości niematerialnych	19	-	61 543
Zysk/Strata z działalności inwestycyjnej		(2 528)	1 822
Koszty finansowania działalności operacyjnej		(9 625)	(14 532)
Zmiana stanu udzielonych pożyczek		13 845	11 480
Zmiana stanu zapasów		10 081	(32 788)
Zmiana stanu należności handlowych oraz pozostałych	37	6 806	(570)
Zmiana stanu zobowiązań handlowych oraz pozostałych	37	4 662	(11 186)
Zmiana stanu rezerw i zobowiązań z tyt. świadczeń pracowniczych	37	35 513	19 819
Zmiana stanu rozliczeń międzyokresowych		(47)	68
Inne korekty		1 553	-
Środki pieniężne wygenerowane na działalności operacyjnej		3 377	(60 990)
Przychody/(Koszty) finansowe netto		9 937	17 133
Odsetki otrzymane		(11)	(69)
Odsetki zapłacone		615	
Podatek dochodowy zapłacony	37	(514)	(1 881)
Środki pieniężne netto z działalności operacyjnej		13 404	(45 807)
Zmiana stanu należności z tytułu umów leasingu	37	49 929	123 744
Środki pieniężne netto z działalności operacyjnej z uwzględnieniem zmiany stanu należności z tytułu należności z umów leasingu		63 333	77 937
Przepływy środków pieniężnych z działalności inwestycyjnej			
Udzielone pożyczki długoterminowe		(688)	-
Nabycie rzeczowych aktywów trwałych		(2 091)	(909)
Nabycie wartości niematerialnych		-	(898)
Nabycie pozostałych inwestycji		(4 408)	(1 048)
Zbycie rzeczowych aktywów trwałych		20 956	5 312
Odsetki otrzymane		11	69
Wpływy z tytułu spłaconych pożyczek udzielonych		967	1 912
Środki pieniężne netto z działalności inwestycyjnej		14 747	4 438
Przepływy pieniężne z działalności finansowej			
Wpływy netto z emisji akcji			
Zaciągnięcie kredytów, pożyczek oraz innych instrumentów dłużnych		6 926	123 212
Wydatki na spłatę kredytów, pożyczek oraz innych instrumentów dłużnych		(71 703)	(211 273)
Płatności zobowiązań z tytułu umów leasingu		(783)	(1 404)
Odsetki zapłacone		(2 464)	(2 504)
Otrzymane dotacje		666	1 758
Środki pieniężne netto z działalności finansowej		(67 358)	(90 211)
Przepływy pieniężne netto ogółem		10 722	(7 836)
Środki pieniężne i ich ekwiwalenty na początek okresu		16 806	24 642
Zmiana klasyfikacji aktywów finansowych			
Środki pieniężne i ich ekwiwalenty na koniec okresu		27 528	16 806
w tym środki pieniężne o ograniczonej możliwości dysponowania		2 367	8 377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

6. Parent Company and Group of Companies Data

Elektrociepłownia "Będzin" S.A. is the Parent Company of Elektrociepłownia "Będzin" S.A. Group of Companies, registered in Poland. The registered office of the Parent Company is located in Poznań (61-144) at ul. Bolesława Krzywoustego 7.

The consolidated financial statement for the period from 1 January to 31 December 2020 includes the financial statement of the Parent Company and its subsidiary companies (hereinafter collectively referred to as the "Group of Companies" or the "Group").

Share capital of the Parent Company amounts to PLN 15,746.00 thousand and is divided into 3,149,200 A series shares with a nominal value of PLN 5 each. Share capital has been revalued as disclosed in note 28.

The Parent Company has been entered in the Register of Entrepreneurs of the National Court Register under KRS no.: 0000064511 in accordance with the resolution of the District Court in Katowice of 18 December 2001, as well as holds REGON (National Business Registry Number): 271740563 and NIP (Tax Identity Number): 6250007615.

Duration of activity of Elektrociepłownia „Będzin” S.A. and the entities that make up the Group of Companies is indefinite.

The object of the Group of Companies' activity is:

- heat production (steam and hot water),
- production of electricity,
- financial lease;
- other financial services.

Subsidiary companies as of 31 December 2020

Name and registered office of entity	Method of consolidation	Country	Share %	
			31 December 2020	31 December 2019
Elektrociepłownia BĘDZIN Sp. z o.o. ul. Małobądzka 141, Będzin	full	Poland	100	100
Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. Ul. Bolesława Krzywoustego 7, Poznań	full	Poland	100	100

Affiliated companies in which the Company holds shares as of 31 December 2020

Name and registered office of entity	Country	Share %	
		31 December 2020	31 December 2019
Energo-Biomasa Sp. z o. o. Suliszewo 97, Drawsko Pomorskie	Poland	19.99	19.99

As of the date of the approval of this consolidated financial statement and as of 31 December 2020, the composition of the Management and Supervisory Boards of the Parent Company was as follows:

The Management Board:

Bartosz Dryjski	– Member of the Management Board
Kamil Kamiński	– Member of the Management Board (as of 22 June 2020)

Until 7 September 2020, the Supervisory Board consisted of:

1. Janusz Niedźwiecki	– Chairman
2. Waldemar Organista	– Vice President
3. Wiesław Glanowski	– Member
4. Mirosław Leń	– Member
5. Wojciech Sobczak	– Member

As of 7 September 2020, the Supervisory Board consists of:

1. Krzysztof Kwiatkowski	– Member
2. Waldemar Organista	– Member
3. Sebastian Chęciński	– Member
4. Marcin Śledzikowski	– Member
5. Waldemar Witkowski	– Member

As of 31 December 2020 and as of the date of signing the financial statement, the Supervisory Board consisted of:

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

Until 7 September 2020, the Audit Committee operating as part of the Supervisory Board consisted of:

Janusz Niedźwiecki	– Chairman of the Audit Committee,
Waldemar Organista	– Member of the Audit Committee,
Wojciech Sobczak	– Member of the Audit Committee.

As of 31 December 2020 and as of the date of signing the financial statement, the Audit Committee operating as part of the Supervisory Board consisted of:

Sebastian Chęciński	– Chairman of the Audit Committee,
Marcin Śledzikowski	– Member of the Audit Committee,
Krzysztof Kwiatkowski	– Member of the Audit Committee.

7. The basis for the preparation of the consolidated financial statement

7.1 Declaration of compliance

The following consolidated financial statement for the period from 1 January 2020 to 31 December 2020 has been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union ("EU").

The Company has been exempt from the obligation of preparing a statement in the ESEF format under Art. 24 of the Act of 25 February 2021 amending the Act on the Banking Law and some other acts.

7.2 Basis of valuation

The consolidated financial statement was prepared based on historical cost convention, except for financial instruments, which were assessed at their fair value.

7.3 Functional and presentation currency

Data in the consolidated financial statement have been presented in thousands of Polish zlotys unless indicated otherwise. The Polish zloty is the functional currency of the Parent Company and the Group of Companies.

7.4 Continuation of the Group of Companies' business activity

The Group of Companies identifies and actively manages the risk associated with liquidity, understood as the possibility of losing or limiting the ability to pay current expenses. As of the reporting date, the Management Board of the Group of Companies has identified the following risks and uncertainties related to the concept of continuing business activity by the Group:

1. With regard Group of Companies as a whole;

The excess of current liabilities over the Group of Companies' unencumbered current assets as of 31 December 2020 amounts to PLN 192.996 million. It results primarily from the situation in the financial sector (represented mainly by the subsidiary Energo-Utech S.A.). This amount includes the subsidiary's credit liabilities of PLN 96.01 million, reclassified as of 31 December 2019 and 31 December 2020 from non-current to current liabilities as a result of a breach of bank covenants while failing to obtain declarations that the breach would not cause the termination of credit agreements from banks. The reclassified credit liabilities finance, in particular, the lease receivables, which in the statement are divided into current and non-current. As described below, the subsidiary company (responsible for the financial sector in the consolidated statement) is undergoing restructuring and continues to implement the lease contracts concluded in previous periods, as well as the credit liabilities financing them (under the assumed contractual proposals). As of this date, the Company does not enter into any new lease contracts. The Management Board of the Group of Companies assumes that the Group's situation related to the negative working capital will be addressed by accepting the arrangement in the subsidiary company and thus restructuring the debt through reduction and, at the same time, rescheduling it over a longer period. As of the date of signing this statement, the Judge-Commissioner has not set the voting date. The Company has updated – in connection with the ongoing negotiations – the arrangement proposals and thus the restructuring plan. However, these documents do not have a formal character. The current status of negotiations is presented in point 7.5.2. herein. Failure to accept the arrangement will indicate a possible bankruptcy of the subsidiary company.

2. With regard to the Parent Company (holding activities within the group, which are not separately classified as a segment in this consolidated financial statement);

As of the balance sheet date of 31 December 2020, current liabilities in the Parent Company exceed current assets by PLN 6,294 thousand. In the second half of 2019, the Parent Company experienced liquidity issues. As a consequence, as of the balance sheet date, the Parent Company held PLN 200 thousand overdue liabilities and PLN 2,800 thousand liabilities due by 31 December 2019 that have not been paid as of the date of preparing financial statement for the previous year.

In view of the aforementioned facts, the Management Board of the Parent Company, aware of the existence of significant uncertainty as to the continuation of the business activity, has undertaken

actions aimed to restore liquidity. On 30 July 2020, the entity sold the tangible assets related to the main contract for finance lease for PLN 20,830 thousand. Funds generated from these sales allowed settling all current liabilities in the amount of PLN 16,887 thousand, including liabilities overdue as of the balance sheet date in the first place. According to the Company's projected cash flow, the remaining surplus was used to finance current operations and settle future liabilities. The Management Board assumes that the Parent Company will continue its business activity, taking into consideration the following uncertain aspects:

on 10 April 2019, the terms and conditions of the "A" series bond issue, amounting to PLN 16,200 thousand, were amended in such a way that the issue period was extended to 10 April 2022. The Parent Company's Management Board analysed the terms and conditions of the bond issue due to significant asset impairment. Pursuant to point 23.1.17 of the Bond Issue Agreement, a breach of the terms and conditions of issue occurs in the event of a "loss of the Issuer's balance sheet assets of significant value (...), which loss (...) may have a significant impact on the Issuer's financial position and its ability to fulfil or meet its liabilities arising in connection with the Bonds". The Parent Company's Management Board believes that this condition is met regardless of the uncertainty associated with the imprecise contractual provision. According to the Management Board, despite the impairment of assets amounting to more than 10% of the balance sheet total, the second part of this condition is important, which states that the impairment would have to negatively affect the ability to meet the liabilities arising in connection with the bonds. In the opinion of the Parent Company's Management Board, as a result of the actions taken, the entity holds sufficient resources to meet its interest liabilities in a timely manner, while the repayment of the debenture stock will take place in 2022 from the sale of shares in the subsidiary, i.e. Elektrociepłownia Będzin Sp. z o.o. (sale of energy segment assets). Therefore, the loss incurred does not affect the Parent Company's ability to fulfil its liabilities and the condition itself is not breached. The Management Board of the Parent Company claims that despite significant asset impairment, liabilities arising in connection with the Bonds (payment of interest) have been and continue to be settled on an ongoing basis using funds obtained from loans granted by Elektrociepłownia Będzin Sp. z o.o. ,

- the Parent Company issued a guarantee for repayment of three loans granted to its subsidiary company. As of the balance sheet date, this liability amounted to PLN 10,631 thousand, of which PLN 2,228 thousand is the unsecured portion of tangible assets of Energo-Utech S.A. The aforementioned accelerated arrangement proceedings, which will be voted on in the coming months, are crucial in assessing the potential need to repay the unsecured amount. According to the Management Board, the proposals presented in the arrangement proceedings will be accepted by the creditors of the subsidiary company and, therefore, it will not be necessary to repay the above-mentioned contingent liability,
- the subsidiary company, which represents the energy sector and whose shares are valued at the level of the Parent Company's individual financial statement, as of the balance sheet date, at PLN 33,951 thousand, incurred a significant loss in the second quarter of 2020, mainly as a result of a decline in electricity prices, as well as a significant, non-budgetary increase in prices of CO2 emission allowances.

Since December 2020, there has been a drastic increase in quotations of CO2 emission allowances, caused mainly by speculative operations on international financial markets, which resulted in a 47% increase in EUA prices since the beginning of 2021 and a year-on-year increase of 135%. Due to the persistent speculative trend and uncertainty on the EUA market, the Subsidiary Company's Management Board decided to accumulate as many financial resources as possible to buy back the maximum amount of allowances. As part of optimisation and cost-saving measures, as well as allowance market monitoring, the Subsidiary Company accumulated all possible financial resources to buy back the allowances while holding talks on supporting the buy-back process with its business partners.

As the key participant in the energy system of the Silesia-Dąbrowa agglomeration, the Subsidiary Company focuses on ensuring continuity of heat energy supply to the inhabitants; therefore, the available funds were primarily used to secure payments for coal, other production materials and absolutely necessary repair works performed during the summer downtime.

Measures have also been undertaken to reduce emissions in 2021 and subsequent years, by introducing biomass co-firing and more efficient use of the existing installation with regard to the economics of CHP production.

To this date, the Subsidiary Company has timely fulfilled its obligations arising from the use of the environment, including payment of the relevant environmental fees, and therefore does not intend to evade its obligation to surrender the allowances. However, in view of the failure of talks held with the industry entity (the Counterparty), with which the Company signed the Term Sheet concerning the financing of the purchase of emission allowances in March 2021, the transaction insurance guarantee was not provided on the market, and the purchase of the required EUAs was not completed as of 30 April 2021.

The negative scenario for the settlement of payments for EUA emission takes into account the persistent increase in prices and the possibility that the Company may additionally be subject to a penalty of EUR 100 for each tonne of CO₂ covered by allowances that were not surrendered on time.

At the same time, the Issuer informs that due to the current situation on the CO₂ emission market, the Subsidiary Company is holding talks concerning principles for settling the EUAs with competent public administration authorities in the context of rescheduling the liabilities for surrendering CO₂ emission allowances and extraordinary mitigation of penalty in view of allocating the penalty funds for necessary investments related to the resignation from burning high-emission fuel.

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

The above situation may significantly affect the value of shares in the said company and the projected proceeds from their sale, necessary to repay the bond liabilities upon their maturity date, i.e. 30 April 2022,

- as of the date of preparing the statement, the Parent Company has been negotiating with one of the lenders, the debt against which amounts to PLN 910 thousand, while the repayment date falls in December 2021. The negotiations concern the distribution of repayments of this instalment amount over the period until April 2022.
- the Management Board of the Parent Company has prepared the projected flows, maintaining the above key conditions, i.e.:
 - the lack of maturity of contingent liabilities due to guarantees granted for the repayment of loans taken out by the Subsidiary Company,
 - restructuring of debt with respect to affiliated and non-affiliated entities conducted after the balance sheet date,
 - positive conclusion of talks held with the lender and the distribution of repayments of the liability in the amount of PLN 910 thousand over the period until April 2022

Under these assumptions, the excess cash flows generated ensure the ongoing operation of the Parent Company and repayment of debt until the bond liabilities are repaid in 2022. At the same time, the Management Board aims to sell investments in the Subsidiary Company, i.e. Elektrociepłownia Będzin Sp. z o.o., and use those funds primarily to repay bond liabilities.

3. With regard to the financial segment (in large part corresponding to the business activity carried out by Subsidiary Company Energo-Utech);

the Management Board of the Company – due to a significant surplus of current liabilities over current assets, which occurred on 31 December 2019, termination of lease contracts and the balance of outstanding liabilities required, but not repaid in the Company (PLN 4.5 million due to banks, PLN 6 million due to

other creditors from loans and PLN 3 million from promissory notes) – has filed a motion to open accelerated arrangement proceedings. On 12 February 2020, the court issued a decision to open such proceedings, which protected the Company from enforcement measures undertaken by its creditors. The assumptions of the restructuring plan are described in point 7.5.2, in the section "Accelerated arrangement proceedings in Subsidiary Company Energo-Utech S.A".

With respect to the financial sector's operations, the Group's Management Board has become aware of the following material uncertainties:

- the assumptions for the financial plan presented in point 7.5.2 are neither final nor confirmed by the creditors of the Subsidiary Company. Information presented in the said point relates to the status of talks and negotiations held with creditors of the Subsidiary Company, in accordance with the best of the Management Board's knowledge as of the date of preparing this financial statement. These assumptions, in particular including those regarding the level of debt reduction, may further change as a result of the ongoing negotiations. Their final shape will determine both the chances of a positive vote on the arrangement and the flows in subsequent periods, on which the possibility of continuing the sector's operations will be based. Continuation of the financial sector's operation depends on the success of the restructuring plan,
- the restructuring plan assumes that the financial sector will be able to return to full operational activity in terms of concluding new agreements (lease, loan, factoring, other from the financial sector) starting from September 2021, and the level of concluded agreements will oscillate between PLN 21 million in 2021 and PLN 112 million as soon as in 2024, which will be maintained in subsequent years. The situation on the market, which results from the coronavirus, the expected economic slowdown and the risk of a recurrence of the pandemic may affect the ability to meet these assumptions and, therefore, the ability to fulfil the proposed arrangement with creditors,
- with regard to plans to return to operational activity (described above), it will be necessary to obtain new financing sources. According to the Parent Company's Management Board, appropriate structuring of the newly concluded agreements, in particular appropriate security provided to financial institutions, will allow obtaining financing at cost that is not higher than the current cost of financing. Failure to meet this assumption may indicate that the financial sector will potentially have to pass on the cost of financing and, possibly, the resulting limitation on concluding new agreements or accepting a margin that is lower than the one assumed in the restructuring plan. Both cases may entail positive financial flows and generated net profit, which are lower than projected,
- the projected cash flows, taking into account the positive outcome of the vote on the proposed arrangement with creditors, include a positive cash flow of PLN 10 million resulting from the guarantee of receivables repayment granted by a non-affiliated entity. These receivables (with a net book value of PLN 9,003.4 thousand), as of the balance sheet date, are collateralised by way of an assignment of receivables, while the repayment deadline is 31 December 2021.

The continuity of operations in the financial sector depends on the fulfilment of the above-mentioned conditions, and in the first place, on the conclusion of an arrangement with creditors – the lack the creditors' consent regarding the reduction of liabilities will indicate no continuation in this entity and, consequently, termination of operations in the financial sector. Details of the assumptions for the proposed restructuring plan are presented in point 7.5. "Continuation of operations," subsection 7.5.2. "Restructuring of the financial sector (of Subsidiary Company Energo-Utech S.A.)". In order to strengthen the Company's position in the context of negotiations with creditors, the Management Board of the Company, which owns Energo-Utech S.A., has undertaken negotiations with entities interested in purchasing shares of the Subsidiary Company. On 31 March 2021, the investors (two cooperative banks) and Elektrociepłownia Będzin S.A. entered into an agreement concerning the acquisition of 54% of shares of Energo-Utech S.A. Shares of Energo-Utech S.A. constitute the collateral for the issue of bonds of Elektrociepłownia Będzin S.A., while the cooperative banks are one of the bondholders. Due to the deteriorating economic situation and liquidity of the Company owned by the bond issuer and in order to increase the value of the subject of the bond collateral by way of strengthening the expectancy of accepting the arrangement by creditors, cooperative banks, within the framework of taking over the Company's shares, have undertaken to take over the majority shareholding of Energo-Utech, together with –

if the arrangement is concluded – the obligation to finance new projects in the amount of no less than

PLN 12 million. Such a transaction indicates the loss of control over the Subsidiary Company representing a financial segment.

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

In the year ending on 31 December 2020, the energy sector incurred a net loss of PLN 61,482 thousand. In 2020, the Management Board took drastic measures to restore liquidity in the sector and implement a plan to switch to alternative fuel sources for heat and electricity production, since the current situation related to the European Union's policy aimed to reduce carbon emissions and the speculative nature of the market for CO₂ emission allowances renders the production from conventional sources unprofitable. That is why, the Management Board have undertaken the following moves:

- the agreement with PGG (the main coal supplier until 31 August 2020) was terminated due to the fact that the prices were not consistent with the arm's length principle, and there was no flexibility in terms of payment conditions. Furthermore, new agreements were concluded with different coal suppliers based on market parameters and a 90-day payment term;
- in connection with the termination of the aforementioned agreement, the Subsidiary Company received a pro forma invoice for PLN 41 issued by PGG. The Management Board of the Company believes that the termination of this agreement was adequately justified, the agreement itself has been lawfully terminated, and the entity will not be obliged to settle the above amount or any part thereof. Therefore, no provision for the possible negative outcome of talks or disputes held with this counterparty has been included in the statement,
- a backup contract was signed with the main heat recipient, guaranteeing flow from the ordered capacity of additional 20 MW and capacity reservation of up to 100 MW;
- an application has been prepared to change the tariff to heat, which will cover the higher costs associated with the increase in the price of CO₂ emission allowances in late 2020 and the first quarter of 2021;
- a change request has been prepared to amend the Integrated Permit to allow the co-firing of up to 40% of biomass, which will result in a significant reduction in CO₂ emissions by 2021;

Failure to comply with the aforementioned key changes related to the inclusion of the heat tariff increase by the Energy Regulatory Office, implementation of the policy of substituting coal as the main source of fuel and maintenance of the current coal prices, as well as the negative consequences of a failure to purchase all the emission allowances for 2020 may result in the imposition of penalties by the competent authority of EUR 100 for each tonne of CO₂ covered by allowances that were not surrendered on time (which does not exempt from the obligation to surrender the missing emission allowances) which, as a consequence, will cause a loss of liquidity and pose a significant threat to the continuity of operations. The Management Board actively undertakes measures to counteract negative consequences of the above scenario, particularly by presenting a plan to the entities responsible for settlement of the surrendered emission allowances, which consists in the repayment of the non-surrendered portion and an indication of an important social interest related to the operation of the heat and power plant, which may constitute the basis for waiving or significantly reducing the penalties imposed under the Tax Ordinance. The negative scenario for the settlement of payments for EUA emission takes into account the persistent increase in prices and the possibility that the Company may additionally be subject to a penalty of EUR 100 for each tonne of CO₂ covered by allowances that were not surrendered on time.

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

If the plan is not implemented due to the significant financial burden that may be imposed on the Company as a result of the above sanctions, the continuation of the Company's business activity in the

energy sector will depend on the formal actions provided for in the restructuring law, which the Management Board will adopt.

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

To sum up, the continuity of business activity of Elektrociepłownia Będzin S.A. in its substantially unchanged form will depend on the result of a vote on the arrangement with the creditors of the Subsidiary Company and the fulfilment of the assumptions adopted by the Parent Company's Management Board, concerning the absence of a necessity to repay contingent liabilities under guarantees granted and the maintenance of bond liabilities as non-current liabilities. With regard to the energy sector, its further operation will depend primarily on the resolution of the issue concerning the non-surrendered emission allowances for 2020 and the adoption of a plan to drastically reduce carbon emissions in the coming periods.

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

The Management Board of the Parent Company anticipates that the sale of 100% of shares of ECB Sp. z o.o. (Subsidiary Company) will allow generating unallocated cash to be used for new investments (as own contribution). However, in connection with the sale of 54% of shares of an entity representing the financial segment (the loss of control over this entity, described in point 42 "Events after the end of the reporting period") and the plan to sell shares in a Subsidiary Company representing the energy segment, it becomes necessary to define the subject matter of the Group's and the Subsidiary Company's activities.

Due to its experience and knowledge of the market, the Parent Company plans to invest in the area of high-efficiency co-generation of energy from renewable sources (biomass) and (in dedicated points) gas sources on its own and in cooperation with partners (larger projects). The Company has been analysing available technologies in the context of wood biomass utilisation (burning, gasifying) and is interested in the biogas plant market. RDF utilisation technologies are also in the area of the Company's interest.

7.5 Judgments and estimates made

The preparation of the consolidated financial statement in accordance with EU IFRS requires the Parent Company's Management Board to make judgments, estimates and assumptions that affect the application of the adopted accounting policies and the presented values of assets, liabilities, revenue and costs, whose actual values may differ from the estimated ones.

7.5.1. In the period covered by this consolidated financial statement, there were no significant changes in the applied estimation methods:

The fundamental assumptions about the future and other key sources of uncertainty occurring at the balance sheet date and entailing a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assumptions and estimates are based on the Management Board's best knowledge of current and future events and activities. Actual results, however, may differ from the projected ones. The Management Board's estimates have a material impact on the consolidated financial statement in the following fundamental areas:

- a) write-downs for impairment losses – the Group assesses whether there is any objective evidence indicating the impairment of a given non-financial and non-current asset at each balance sheet date. The analysis of the existence of grounds includes both external and internal factors. During the performance of an impairment test, the Group estimates the recoverable amount. The value-in-use of units generating cash flows is estimated based on their future cash flows, which are then adjusted to present value using a discount rate.

A number of assumptions are made as part of the value-in-use calculation, as discussed further in Note 19.

- b) employee benefits during and after the period of employment – the measurement of provisions for employee benefits was adopted by determining the balance of liabilities, as of the end of the reporting period, for expected future benefit payments, calculated on an actuarial basis; the discount rate and the rate of long-term salary increase affect the estimate made (Note 33),
- c) depreciation and amortisation periods for tangible non-current assets and intangible non-current assets – the amount of depreciation or amortisation is determined based on the expected economic useful life of tangible non-current assets or intangible assets. The periods of economic useful life are verified at least once during the financial year. The amortisation and depreciation periods applied are presented in Notes 8.7 and 8.8 to this consolidated financial statement. The verification performed in the current year has not resulted in any changes to the amortisation and depreciation periods.
- d) write-downs for trade, service and other receivables – a write-down for impairment of receivables is determined based on the expected credit losses. The expected credit losses include both events of default of counterparties that have already occurred and potential estimated credit losses (Note 35.2). The potential credit losses are estimated taking into account the type, age, and stage of enforcement of the receivable, with the stages of enforcement being: current receivable, past due receivable prior to referral to court, receivable in judicial or bailiff proceedings, receivable in bankruptcy or court settlement. Receivables are expensed based on internal regulations in force, taking into account the provisions of the Act on the Corporate Income Tax;
- e) sales revenue unbilled at the end of the financial period – estimation of unbilled energy sales is based on the reading of electricity production from the last settlement date until the end of the financial period.
As of 31 December 2020, no such situation exists.
- f) provision for purchase of CO2 emission allowances – the judgements include an assumption regarding the execution of the purchase of necessary emission allowances for the financial year (Note 33)
- g) recoverability of deferred tax assets – they are assessed using the tax rates that will apply when the asset is realised. The Group recognises a deferred tax asset and assumes that it will earn a future tax profit allowing for the use of the asset (Note 21).

7.5.2. Restructuring of the financial sector (of Subsidiary Company Energo-Utech S.A.)

On 12 February 2020, the Subsidiary Company, Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A., has entered into restructuring in the form of accelerated arrangement proceedings. In view of the deteriorating quality of the financial assets portfolio and the declining payment discipline of counterparties, the fact that current liabilities to banks amounting to PLN 4.5 million, to other creditors of a loan amounting to PLN 6 million and promissory notes amounting to PLN 3 million became immediately due and payable in the second half of 2019, and the negative cash flow projected for the following months, the Management Board has identified a significant risk of bankruptcy relating to this entity. As a result, it was decided to file an application for the opening of accelerated arrangement proceedings. The proceedings have been opened on 12 February 2020 and will be conducted until the financial statement is issued. On 1 December 2020, the Judge-Commissioner appointed a Committee of Creditors, yet the Company continues to be managed by the Management Board appointed by the Shareholders who control the Company.

On 22 June 2020, the arrangement proposals, signed by the Company's Management Board, and the restructuring plan were submitted to the Court by the Court Executive Supervisor. The list of receivables, the property statement and ballots were also submitted to the Court

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

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

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

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

The updated restructuring plan is not approved by the Court Executive Supervisor nor submitted to the court.

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

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

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

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

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

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

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

In 2021, It is planned to achieve revenue of PLN 12 million from new contracts as part of financing by new owners in the form of purchasing lease receivables (disclosure in point 42 "Events after the reporting period").

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

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

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

8. Description of major accounting principles applied

During the preparation of this consolidated financial statement, the Group has applied the same accounting policies and methods of computation as in the consolidated statement for 2019.

As of the date of preparing the consolidated financial statement, the following new standards, amendments to existing standards and interpretations have been issued by the IASB but are not effective yet:

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 3 "Business Combinations" – definition of a business (effective for mergers with an acquisition date falling on the beginning of the first annual period beginning on or after 1 January 2020 and for the purchase of assets occurring at or after the beginning of the aforementioned annual period),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments (the date on which the amendments were to come into effect has been deferred until the completion of research on the equity method),
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – definition of materiality (effective for annual periods beginning on or after 1 January 2020),
- Amendments to references to conceptual assumptions in IFRS (effective for annual periods beginning on or after 1 January 2020).

The Group has decided not to use the possibility of early application of those new standards, amendments to existing standards and interpretations.

8.1 Consolidation principles

Subsidiary Companies

Subsidiary Companies are entities controlled by the Parent Company. The control occurs when the Parent Company, by virtue of its involvement, is subject to exposure to variable financial performance, or has rights to variable financial performance, and has the ability to affect the amount of this performance due to its power over the Subsidiary Company. When assessing the level of control, the influence of existing and potential voting rights, exercisable or convertible at the balance sheet date, is considered.

Subsidiary Companies are consolidated from the date the Parent Company takes control until the date this control ceases.

Associates and jointly controlled entities

Associates are business entities; the Group of Companies has a significant influence on their operating and financial policies but does not control them. Significant influence is presumed to exist when the Group of Companies holds between 20% and 50% of the voting rights in another entity. Jointly controlled entities are entities over whose activities the Group of Companies exercises joint control; the division of such a control is defined in the contract. Strategic operational and financial decisions regarding jointly controlled entities require the unanimous consent of the parties.

Investments in associates and jointly controlled entities are accounted for in the consolidated financial statement using the equity method (equity-accounted investments) and are initially recognised at the purchase price. Investments of the Group of Companies include goodwill recognised at the moment of acquisition and reduced by accumulated impairment losses. The consolidated financial statement includes the Group of Companies' share in profits, losses and other comprehensive income of associates accounted for using the equity method (after the unification of accounting policies applied), from the moment of acquiring significant influence or joint control until their expiry. If the Group of Companies' share in losses exceeds the value of shares in an associate or jointly controlled entity, the carrying amount (including long-term investments) is reduced to zero. At that time, recognition of any additional losses is ceased, except for losses arising from the assumption of legal or customary obligations by the Group of Companies or from the payments made on behalf of an associate or jointly controlled entity.

Consolidation procedures

In order to prepare the consolidated financial statement, the following consolidation procedures are applied:

- exclusion, at the acquisition date, of the book value of the Parent Company's investments in each Subsidiary Company and the portion of Subsidiary Companies' equity which corresponds to the Parent Company's share,
- determination of non-controlling shares in the equity of Subsidiary Companies and the financial performance of consolidated Subsidiary Companies for a given reporting period,
- exclusion of internal settlements between entities included in the Group of Companies,
- exclusion of any unrealised profits arising from transactions concluded within the Group of Companies,
- exclusion of unrealised losses arising from transactions concluded within the Group of Companies, but only if there is no evidence of impairment,
- exclusion of revenue and costs related to transactions concluded within the Group of Companies.

The financial statements of all entities included in the Group of Companies have been prepared for the same reporting period as the Parent Company's financial statement. The individual financial statements of entities included in the Group of Companies, prepared in accordance with the Accounting Act, have been adjusted to consistent accounting policies applied by the Group of Companies.

8.2 Foreign currencies

Transactions in foreign currency

Transactions denominated in foreign currencies on the transaction date are recognised at the functional currency using the purchase or selling exchange rate valid at the date of concluding the transaction.

Monetary items of assets and liabilities denominated in foreign currencies are converted at the end of the reporting period, at the average exchange rate of the NBP (National Bank of Poland) valid at the

balance sheet date. Foreign exchange differences arising from the balance sheet measurement of monetary assets and liabilities constitute the differences between the measurement at the amortised cost in the functional currency at the beginning of the reporting period, adjusted for accrued interest and payments made during the reporting period, and the measurement at amortised cost in a foreign currency converted using the average exchange rate of the National Bank of Poland valid at the balance sheet date.

Conversion differences are recognised as a profit or a loss in the current reporting period. Non-monetary items measured at historical cost in a foreign currency are converted by the Group of Companies according to the exchange rate valid at the transaction date.

8.3 Financial instruments

The Group classifies financial assets into the following measurement categories:

- measured at amortised cost;
- measured at fair value through financial performance;
- measured at fair value through other comprehensive income;

The Group discloses the carrying amount of each of the following IFRS 9 categories in the statement of financial position or the Notes:

- a) financial assets are measured at fair value through profit or loss, reporting separately (i) financial assets designated as measured in such a way on initial recognition or subsequently in accordance with sec. 4.1.5 of IFRS 9 and (ii) financial assets which must be measured at fair value through profit or loss in accordance with IFRS 9;
- b) financial liabilities are measured at fair value through profit or loss, reporting separately (i) financial liabilities designated as measured in such a way on initial recognition or subsequently in accordance with sec. 4.2.2 of IFRS 9 and (ii) financial liabilities which must meet the definition of held-for-trading specified in IFRS 9;
- c) financial assets are measured at amortised cost;
- d) financial liabilities are measured at amortised cost;
- e) financial assets are measured at fair value through other comprehensive income, reporting separately (i) financial assets measured at fair value through other comprehensive income in accordance with sec.4.1.2 A of IFRS 9 and (ii) investment in equity instruments designated as measured in such a way on initial recognition in accordance with
- f) with sec. 5.7.5 of IFRS 9.

The entity discloses an analysis of profits or losses recognised in the statement of comprehensive income and resulting from the discontinued recognition of financial assets measured at amortised cost, reporting separately profits and losses resulting from discontinued recognition of those financial assets. Such disclosure includes information regarding the reasons for discontinuing recognition of these financial assets.

The classification depends on the financial assets management model adopted by the Group of Companies and the contractual terms regarding the cash flows. The Group reclassifies investment in debt instruments if, and only if, the management model for these assets changes.

Based on the business model testing conducted within the Group and SPPI (sole payments of principal and interest), the financial assets have been classified as instruments measured at amortised cost. Financial assets, which occur in the Group and qualify for this model, in the statement of financial position include the following items: trade receivables, loans granted, other receivables, as well as cash and cash equivalents. As of 31 December 2020, the Group has not had any financial assets that would qualify for fair value measurement models.

Debt instruments – financial assets measured at amortised cost

Debt instruments held to acquire contractual cash flows that consist solely of principal and interest payments (SPPI) are measured at amortised cost. Interest income is calculated using the effective interest method and reported under the "interest income" in financial performance.

Write-downs for impairment are recognised in accordance with the accounting policies set out in Note 8.11.

Recognition and discontinued recognition

Loans, receivables and deposits are recognised on the date of origin. Any other financial assets (including assets measured at fair value through profit or loss) are recognised on the transaction date, on which the Group of Companies becomes a party to the mutual liability regarding the financial instrument.

The Group of Companies ceases to recognise financial assets when the contractual rights to receive cash flows from the asset expire, or when the rights to receive cash flows from the financial asset are transferred in a transaction, which substantially transfers all significant risks and benefits arising from their ownership and such transfer is consistent with the definition of expiration. Each share in a transferred financial asset, created or held by the Group of Companies, is regarded as a separate asset or liability.

Financial assets and liabilities are offset with each other and reported in the statement of financial position in the net amount only if the Group of Companies holds a legally valid right to offset certain financial assets and liabilities or intends to settle a given transaction in the net amount of the offset financial assets and liabilities, or intends to simultaneously realise the offset financial assets and settle the offset financial liabilities.

The loans granted are initially recognised at fair value plus directly attributable transaction costs. Subsequent measurement of loans and receivables occurs at amortised cost using the effective interest method reduced by write-downs for impairment losses.

Cash and cash equivalents include cash on hand and bank deposits on demand with an initial maturity term of up to three months. The balance of cash and cash equivalents reported in the cash flow statement consists of cash and cash equivalents defined above and additionally reduced by unpaid overdrafts, which constitute an integral part of the Group's cash management system.

Financial liabilities

Financial liabilities measured at amortised cost and liabilities measured at fair value through profit or loss are recognised at the transaction date, on which the Group of Companies becomes a party to the contract obliging to deliver the financial instrument.

The Group of Companies derecognises a financial liability when the liability is repaid, cancelled or becomes past due.

The Group of Companies holds the following non-derivative financial liabilities: liabilities arising from credits, loans and other debt instruments, as well as trade and other liabilities.

Such financial liabilities are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, such liabilities are measured at amortised cost using the effective interest method.

Equity

Equity is recognised in the account books and presented in the financial statements by type and in accordance with the rules set forth by law. Equity of the Group of Companies includes: share capital, supplementary capital, reserves, capital from the reevaluation of provisions for defined benefit programme and retained earnings.

8.4 Lease contracts

A contract is a lease or involves a lease if it transfers the right to control the use of an identified asset for a given period in exchange for consideration. To assess whether the right to control the use of an asset over a given period is transferred under the contract, the Group checks whether it has been collectively holding the following rights throughout the period of use:

- (a) the right to obtain substantially all the economic benefits from the use of an identified asset;
- (b) the right to manage the use of an identified asset. If the Group has the right to control the use of an identified asset only for a part of the contract period, the contract includes a lease for that part of the period.

In the event the Group of Companies is a lessor, the lease contracts are classified as finance leases if they transfer substantially all risks and benefits arising from the possession of the leased property to the lessee. Otherwise, the lease contracts are classified as operating leases.

Finance lease contracts, in which the Group of Companies is the lessor

Receivables from lease contracts are initially recognised at a value equal to the net investment in the lease, defined as the present value of the minimum lease charges due and the terminal value of the leased asset. The present value is determined by discounting the minimum lease charges due and the unguaranteed terminal value of the leased asset using the interest rate of the lease contract.

Lease charges included in the measurement of the net investment in the lease cover the following charges for the right to use the underlying asset during the lease term, which are not received at the commencement date:

- (a) fixed lease charges (including substantially fixed lease charges specified in IFRS 16: B42) reduced by lease incentives payable,
- (b) variable lease charges, which depend on an index or rate, initially measured using such an index or rate according to their value at the commencement date,
- (c) any guaranteed terminal values provided to the lessor by the lessee, an affiliate of the lessee, or an independent third party financially capable to fulfil its liabilities under that guarantee,
- (d) the call option exercise price if it is possible to assume with reasonable certainty that the lessee will exercise such an option (evaluated taking into account factors specified in sec. B37 of IFRS 16);
- (e) monetary penalties for lease termination if the lessee has an option to terminate the lease.

The lease interest rate is the rate that, at the date of concluding the lease, discounts the sum of the minimum lease charges due and the unguaranteed terminal value of the leased asset to the fair value of the leased asset plus direct costs incurred in connection with the lease.

In the case of a contract that involves a lease element and one or more additional lease or non-lease elements, the lessee allocates consideration in the contract according to sec. 73-90 of IFRS 15. Revenue from lease contracts is recognised in a way that reflects a constant periodic rate of return on the net lease investment. Payments received under lease contracts are recognised in the profit or loss in the current period to the extent of the rate of return on the net lease investment, while the remaining part of the payments reduces receivables from lease contracts.

Upon initial recognition of the lease receivable, the Group of Companies ceases to recognise the leased asset. The difference between the value of the lease receivables and the value of the leased asset is recognised in the profit or loss in the current period.

After initial recognition, the Group recognises finance income over the lease period in a way which reflects a constant periodic rate of return on the Group's net investment in the finance lease. Lease charges relating to a given period reduce the gross investment in the lease by decreasing both the principal receivable and the amount of unearned finance revenue.

The Group applies requirements concerning ceased recognition and impairment specified in IFRS 9 to the net investment in the lease. The lessor verifies the estimated unguaranteed terminal values used to calculate the gross investment in the lease. In the case of a reduction in the estimated unguaranteed terminal value, the lessor modifies the revenue allocation over the lease period and immediately recognises any reduction in deferred amounts.

When a leased asset is acquired as a result of the termination or completion of a lease contract and conclusion of a final settlement with the lessee before the contractual deadline, the leased asset serves as collateral for the uncollected part of the lease receivables and is recognised as inventory or tangible asset in the records (depending on the intended use of the collateral).

Operating lease contracts in which the Group of Companies is the lessor

In the case of operating leases, the Group of Companies continues to recognise leased assets in accordance with the nature of those assets.

Revenue from the operating lease is recognised on a straight-line basis over the period of the lease. Direct costs incurred in connection with a lease contract increase the value of the leased assets and are expensed on a straight-line basis over the period of the contract.

Any additional benefits provided to the lessee in connection with the conclusion or renewal of a lease contract are recognised as a reduction of the total lease revenue and settled on a straight-line basis over the period of the contract.

Lease contracts in which the Group of Companies is a lessee

Lease identification

Rights resulting from leases, rentals, tenancy and other contracts that meet the definition of a lease according to IFRS 16 are recognised as assets arising from the rights to use the underlying assets within non-current assets and secondarily as lease liabilities.

Initial recognition and measurement: the Group recognises an asset arising from the rights of use and a lease liability on the date of lease commencement. At the commencement date, the Group measures the asset arising from the right of use at cost. The cost of an asset arising from the right of use includes:

- (a) the amount of the initial measurement of the lease liability,
- (b) any lease charges paid on or before the commencement date, reduced by any lease incentives received,
- (c) any initial direct costs incurred by the Group;
- (d) an estimate of the costs to be incurred by the Group in connection with the dismantlement and removal of the underlying asset, restoration of the place where the asset was located, or renovation of the underlying asset to the condition required by the terms and conditions of the lease unless such costs are incurred to produce inventory.

Lease charges included in the measurement of the lease liability cover: fixed lease charges; variable lease charges that depend on an index or a rate, initially measured using such an index or a rate according to their value at the commencement date; amounts expected to be paid by the lessee under the guaranteed terminal value; the call option exercise price if it is possible to assume with reasonable certainty that the Group will exercise such a call option; penalties for lease termination unless it is possible to assume with reasonable certainty that the Group will not exercise such an option. Variable charges that do not depend on an index or a rate are not included in the value of the lease liability. These charges are recognised in the profit and loss report in the period when the event causing them to become payable occurs. At the commencement date, the lease liability is measured at the present value of the lease charges due as of that date, discounted using the lessee's incremental borrowing rates of interest. The Group does not discount its lease liabilities using lease interest rates since determining the rate would require information on the unguaranteed terminal value of the leased asset and the direct costs incurred by the lessor, i.e. information that can only be known to the lessor.

8.5 Inventory

Inventory items are measured at acquisition price or production cost, which do not exceed net realisable value. The inventory is determined using the first-in, first-out method. The acquisition price includes the purchase price plus costs directly attributable to the purchase and preparation of an asset for use or marketing. In the case of finished goods and ongoing production, the costs include the appropriate part of indirect production costs, calculated assuming normal capacity utilisation. The net realisable value is the difference between the estimated sale price incurred in the course of business activity and the estimated costs of completion, together with costs necessary to bring the sale to fruition.

8.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank deposits on demand with an initial maturity term of up to three months. The balance of cash and cash equivalents reported in the statement of cash flows consists of cash and cash equivalents defined above.

8.7 Tangible non-current assets

Recognition and measurement

In account books, tangible non-current assets are recognised at acquisition or production costs reduced by depreciation and impairment write-downs.

The acquisition price includes the asset purchase price and the costs directly attributable to the purchase and preparation of the asset for its intended use, including transport, loading, unloading and storage costs, as well as direct remuneration. Rebates, discounts and other similar reductions and recoveries reduce the acquisition price of the asset.

The costs of producing a tangible non-current asset and a tangible non-current asset under construction include all costs incurred in the course of its construction, assembly, adaptation and improvement until such an asset is ready for use (or until the balance sheet date if the asset is not ready for use). Production cost also includes, where required, a preliminary estimate of the costs of dismantling and removing a tangible non-current asset and restoring it to its original condition. Purchased software, which is necessary for the proper functioning of the associated device, is activated as part of that device.

External financing costs related to the acquisition or production of certain assets increase the acquisition price or cost of producing those assets.

If a given tangible non-current asset consists of separate and material elements with different useful lives, those elements are regarded as separate assets.

Profits and losses from the disposal of a tangible non-current asset are determined by comparing the revenue from the disposal with the reported value of disposed assets and are reported on a net basis as a profit or a loss in the current period in other revenue or operating expenses.

Expenditure incurred at a later date

Subsequent costs of replaced parts of a tangible non-current asset, which can be reliably estimated and from which the Group of Companies will probably derive economic benefits, are capitalised. The carrying amount of the removed parts of a tangible non-current asset is derecognised. Expenditure incurred in connection with the ongoing maintenance of tangible non-current assets is recognised as a profit or a loss incurred in the current period.

Depreciation

Depreciation is made with regard to the depreciated value, which is the acquisition price or the production cost of an asset, reduced by its residual value. Depreciation is made starting from the next month after accepting the assets for use.

The depreciation cost is recognised as a profit or loss incurred in the current period using a straight-line basis in relation to the useful life of a tangible non-current asset, which was estimated by the Group of Companies, that best represents the method of realisation of future economic benefits associated with the use of the asset. Assets used under a lease contract or similar arrangement are depreciated over the shorter of the two terms: the lease contract period or the useful life unless the Group of Companies is reasonably certain to obtain ownership by the end of the lease period. Land is not depreciated.

The Group of Companies assumes the following depreciation rates for individual categories of tangible non-current assets:

buildings and non-building structures	1.5%	– 17%
machines and equipment	3.34%	– 63.16%
means of transport	7%	– 33.33%
other tangible non-current assets	8.28%	– 25%

The correctness of useful lives, depreciation methods and residual values of tangible non-current assets applied are verified at each balance sheet date and adjusted when appropriate.

8.8 Intangible assets

Intangible assets

Intangible assets with a definite economic useful life, acquired by the Group of Companies, are reported based on their acquisition price, reduced by amortisation and impairment write-downs.

Expenditure incurred at a later date

Subsequent expenditure on existing intangible assets is capitalised only if it increases future economic benefits associated with a given asset. Other expenditure, including internally generated expenditure: trademarks, goodwill and brand name, are recognised as a profit or a loss incurred in the current period.

Amortisation

Amortisation is made with regard to the acquisition price of a given asset or an equivalent value. Amortisation is made starting from the next month after accepting the assets for use.

The amortisation cost is recognised as a profit or a loss incurred in the current period using a straight-line basis in relation to the useful life of a given intangible asset, estimated by the Group of Companies, other than goodwill, from the date the asset is deemed available for use, which best reflects the method of realisation of future economic benefits associated with the use of the asset.

The Group of Companies assumes the following amortisation rates for particular categories of intangible assets:

computer software 10% – 50%

The correctness of useful lives and methods of intangible asset amortisation applied are verified at each balance sheet date and adjusted when appropriate.

8.9 Investment properties

An investment property owned is recognised as an asset if:

- (a) obtaining future economic benefits in connection with that property is probable;
- (b) its acquisition price or production cost can be measured reliably.

An investment property owned is initially measured at the acquisition price or production cost. The initial measurement takes into account the transaction costs.

After initial recognition, the Group uses the model based on the acquisition price or production cost, as required under IAS 16.

8.10 Trade and other receivables

Trade and other receivables are initially recognised at transaction price (specified in IFRS 15) if receivables do not contain a significant financial component (according to IFRS 15).

8.11 CO₂ emission allowances

CO₂ emission allowances

Emission allowances acquired free of charge

Emission allowances granted free of charge (annual assignment) are recognised as intangible assets. Allowances received free of charge are recognised and presented separately for assets and liabilities in correspondence with the grant under IAS 20, at fair value established at the date of their registration.

If the allowances for a given period are not registered, the Group of Companies recognises, in correspondence with deferred income, the expected due assignment of free CO₂ emission allowances, estimated as the product of the expected assignment for a given year and the fair value of the allowances as at the balance sheet date, as intangible assets.

The fees for granting allowances, together with the registration fee, do not represent the value of allowances and are settled over time. Fees paid are accounted for in the cost of sales proportionately to their use in a given settling period.

Emission allowances purchased

Purchased emission allowances are presented under intangible assets, recognised at the acquisition price and measured at the current price reported on the industry website.

Expenditure/surrender

Provisions resulting from the emission of air pollutants are recognised as the cost of sales and measured as follows:

- if the Group of Companies holds a sufficient number of allowances to cover its emission liability: as the product of the number of allowances which must be surrendered due to the emission made and the unit cost of emission allowances held by the Group of Companies, which are due as of the balance sheet date. The consolidated cost of allowances necessary to cover the estimated emission is calculated using the FIFO method.
- if the Group of Companies does not hold a sufficient number of allowances necessary to cover its emission liabilities: as a product of the number of missing allowances and the unit cost of these allowances as of the balance sheet date.

A grant for the settlement of received allowances is recognised systematically in individual reporting periods to ensure commensurability with the related costs the grant is intended to compensate. Consequently, the cost of the provision in the statement of profit or loss is compensated by a decrease in the grant balance taking into account the proportion of emissions (cumulative) to estimated annual emissions.

Received/acquired emission allowances are subject to surrender against the book value of the provision, as its settlement at the date of surrendering emission allowances for the previous year in the relevant registry.

"Financial instruments"

Principles for classification and measurement of financial assets and liabilities

Financial instruments: recognition and measurement.

The Group classifies financial assets into the appropriate category depending on:

- the entity's financial asset management model, and
- characteristics of the expected cash flows from the asset.

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

- the assets are held under a business model that aims to hold assets in order to obtain contractual cash flows;
- its contractual terms at specified times give rise to cash flows, which constitute the repayment of principal and interest on the unpaid part of the principal.

In the adopted business model, the Group's financial assets are characterised by cash flows corresponding to the repayment of principal and interest, as well as are held in order to obtain cash flows.

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

Financial assets measured at amortised cost are measured at amortised cost using the effective interest method, taking into account the impairment losses. Trade receivables with a maturity of less than 12 months from the date of origin are measured at nominal value and not discounted.

8.12 Impairment of financial assets

The asset impairment is calculated in accordance with IFRS 9 using the expected credit loss model. The Group assesses the expected credit losses associated with debt instruments measured at amortised cost and fair value through other comprehensive income, regardless of whether there is any indication of impairment.

For the purpose of determining the expected credit losses, the Group's receivables were grouped based on similar credit risk characteristics (the following groups were distinguished: trade receivables, lease receivables and loans granted).

In the case of current receivables, which do not entail significant financing, the Group applies the simplified approach and measures impairment losses at the amount of credit losses expected over the life of the receivable from its initial recognition.

For each item, the asset impairment is calculated based on an algorithm:

Impairment loss =
(a) Exposure at default x
(b) Loss in the case of default (%) x
(c) Marginal probability of default (in %) x
(e) Discount factor.

The exposure at default corresponds to the carrying amount of a given financial asset.

Loss resulting from default is the difference between the exposure at default and the estimated value of the collateral provided for a given asset.

Using a statistical model and market data entered into the model, the internal rating of the debtor is estimated based on fundamental financial data obtained from available sources. The internal assessment (rating) is influenced by the following information:

- external assessment of the debtor (if any), the model assigns the probability of default based on the cumulative probability of default curves provided by recognised rating agencies; the final cumulative probability of default curves used in the model were estimated as the average of the curves of recognised rating agencies;
- the debtor's financial data, including the following measures: net sales revenue, gross profit, depreciation and amortisation, cash and cash equivalents, total assets, and equity.

The model assigns an internal rating between A1 - F, where A1 is the highest and F is the lowest value possible. In principle, these ratings correspond to those assigned by Moody's, S&P or Fitch.

After assessing the internal rating, the cumulative probability of default (PD) of the debtor is estimated with regard to each subsequent year. In the model, curves of the cumulative probability of default (CPD) were estimated as the average of the curves of the aforementioned rating agencies. Based on the cumulative probability of default, the marginal probability of default is calculated separately for each subsequent year. The marginal probability of default is the difference between the cumulative probability of default in a given year and the cumulative probability of default in the previous year. The marginal probability of default is then used as one of the factors in calculating the expected credit loss (asset impairment).

The discount factor is calculated based on the financial conditions of the financial asset under analysis.

The model used by the Group to calculate impairment losses for financial assets distinguishes three-level classification of lease receivables, trade receivables and loans granted:

- Level 1 – balances for which credit risk has not increased significantly since the initial recognition; for which there is no delay in payment of more than 30 days; and for which there are no other reasons for downgrading the rating. The expected credit losses are determined based on the probability of default within 12 months (i.e. total credit loss resulting from default, which may occur within 12 months after the balance sheet date);
- Level 2 – includes balances for which credit risk has significantly increased since the initial recognition, but there is no objective indication of impairment; for which there is a delay in payment of more than 30 and less than 90 days; and/or there are other reasons for downgrading the rating to Level 2. The expected credit losses are determined based on the probability of default over the contractual life of a given asset;
- Level 3 – includes balances for which there is an objective indication of impairment. These indications include:
 - the occurrence of significant financial difficulties on the part of the debtor;
 - breach of a contract, such as an event of default or failure to make payment within a given deadline, including, but not limited to, a delay in payment of more than 90 days;
 - the granting by the Group to a debtor of a facility (facilities), which the Group would not otherwise grant, due to economic or contractual reasons arising from the debtor's financial difficulties;
 - the probability of occurrence of bankruptcy or other financial reorganisation of the debtor;
 - the disappearance of an active market for a given financial asset due to financial difficulties;
 - the purchase or creation of a financial asset with a significant discount reflecting the credit losses incurred.

If a financial asset is classified as Level 1 or Level 2, the Group determines the impairment loss based on the algorithm presented above.

If a financial asset is classified as Level 3, the Group performs an additional analysis, assuming that the probability of default equals 1, and determines the impairment loss by comparing the balance with the estimated value of collateral established for a given asset or customer and taking into account other factors that may affect the outcome of the analysis, which result from the history and the current status of settlements with the debtor.

To the extent in which, according to the above model, it is necessary to assess whether a significant increase in credit risk occurred, the Group takes into account the following indications in this assessment:

- the payment is delayed more than 30 days;
- the analysis of the debtor's financial results consisting in collecting the most recent financial data of the counterparty and verifying whether the data have not deteriorated significantly; this analysis is performed on a quarterly or semi-annual basis (depending on the counterparty's relevance and availability of results);
- legislative, technological, or macroeconomic changes of a significant negative impact on the debtor's position have occurred;
- information about a significant adverse event associated with a given financial asset or another financial asset of the same debtor from a different creditor, e.g. termination of a contract, breach of contractual terms or renegotiation of contractual terms due to financial difficulties, etc., has become available;
- the debtor has lost an important customer or supplier, or experienced other unprofitable changes on the market it operates.

The occurrence of the above indications constitutes the basis for the reclassification of a financial asset to Level 2.

Financial assets are written off, in whole or in part, based on the results of an analysis aimed to measure whether there is any indication of credit risk.

The policy concerning the impairment losses is further described in point 35.2 (Credit risk).

Non-financial assets

The carrying amount of non-financial assets other than inventories and deferred tax assets is assessed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group of Companies estimates the recoverable amount of individual assets or units generating cash flows. The recoverable amount of goodwill, intangible assets of indefinite useful lives and intangible assets that are not available for use yet is estimated each year on the same date.

The recoverable amount of assets is defined as the greater of their fair values reduced by the costs of sales and their value in use. When estimating value in use, future cash flows are discounted at a pre-tax interest rate that reflects current market assessments of the money value in time and risk factors specific to a given asset.

The Group of Companies assesses goodwill impairment by grouping units generating cash flows in a way in which the level of organisation, not higher than a separate operating segment at which the assessment is performed, reflects the lowest level of organisation at which the Group monitors goodwill for internal purposes.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised as profits or losses in the current period.

Impairment losses recognised in earlier periods are assessed at the end of each reporting period to determine whether there is any indication that the loss has decreased or was reversed. An impairment loss is reversed if the estimated recoverable amount increases. An impairment loss is reversed only to the extent of the asset's original value reduced by amortisation/depreciation that would have been recognised if no impairment loss had been recognised.

8.13 Employee benefits

Defined contribution plan

The Group of Companies is obliged, under applicable laws, to collect and pay contributions for future employee pension benefits. These benefits, under IAS 19, constitute a state plan and may be characterised as a defined contribution plan. Accordingly, the Group's liability for each period is estimated based on the amounts of contributions to be brought in for the year and recognised as the costs of employee benefits charged to the income statement for the period in which the employees have rendered service.

Defined benefit plan

The Group's defined benefit plan liability is calculated separately for each plan by estimating the present value of future benefits earned by employees in the current and earlier periods. In the income statement, the current service costs are recognised as remuneration costs. In the income statement, interest on programme liabilities is recognised as finance costs. The revaluation of the plan liability is recognised in other comprehensive income (relates to retirement and disability payments, as well as death benefits).

Retirement severance payments (defined benefit plan)

Based on the applicable regulations, the Group of Companies is obliged to pay retirement severance payments in the amount specified in the Labour Code. The amount of retirement severance payments is based on the Labour Code regulations in effect on the date on which the retirement severance payment was disbursed.

The Group's liability arising from retirement severance payments is calculated by estimating an employee's future remuneration in the period in which the employee reaches pensionable age and the future retirement severance payment. These severance payments are discounted to present value. The discount rate is acquired based on the market rate of return on Treasury bonds as of the end of the reporting period. The liability arising from the retirement severance payments is recognised pro-rata to the expected length of employment of a given employee.

The calculation is performed by a certified notary using the projected unit credit method. Employee turnover is estimated based on historical data and projections of future employment levels.

Disability severance payments (defined benefit plan)

Retiring employees are eligible to receive retirement severance payments in the form of cash benefits. The amount of these severance payments depends on the employee's length of employment and the amount of remuneration received. The related liabilities are estimated using actuarial methods.

Death benefits (defined benefit plan)

The related liabilities are estimated using actuarial methods. The provisions for death benefits were calculated using the following assumptions:

- calculations were made in Polish currency (PLN),
- the basis for calculating the provisions are the projected amounts that the Group of Companies is obliged to pay according to the Labour Code,
- the amount of the benefit is calculated as a product of the following factors: the projected amount of the basis for calculating the death benefit in accordance with the Labour Code, the expected increase in the amount until the moment of the projected receipt of the death benefit, a coefficient depending on the period of the employee's employment in the Group of Companies at the moment of the projected receipt of the death benefit and the probability of death of the employee in a given year of service,
- the calculated amounts are discounted at the balance sheet date,
- the financial discount rate was established based on the market rate of return on Treasury bonds, whose currency and maturity date coincide with the currency and estimated date of fulfilment of liabilities arising from employee benefits.

Other long-term employee benefits

The Group of Companies offers jubilee awards to its employees. The amount of awards depends on the employee's length of employment in the Group and the amount of the employee's remuneration as of the date of acquiring the right to jubilee award. Liabilities on this account are estimated using actuarial methods.

Benefits are measured using the projected unit credit method.

Actuarial profits and losses arising from the measurement of the liability as of the reporting date are recognised in the income statement.

Short-term employee benefits

Liabilities arising from the short-term employee benefits are measured on an undiscounted basis and included in costs incurred in the period in which the benefit was granted.

The Group of Companies recognises a liability as a cost amounting to the scheduled payments made with regard to the employees under the short-term cash bonuses or profit-pooling plans if the Group is bound by a legal or constructive obligation to make such payments based on past service rendered by employees and such liability can be reliably measured.

8.14 Provisions

A provision is recognised when the Group of Companies is bound by legal or constructive obligation arising from past events, which can be measured reliably and the settlement of such obligation probably entails an outflow of economic benefits. Provisions are determined by discounting expected future cash flows using a pre-tax rate that reflects current market estimates of the value of money in time and the risks associated with a given liability. Settlement of the discount is recognised as a financial cost.

8.15 Interest-bearing credits and loans

Upon initial recognition, bank credits, loans and debt securities are recognised at fair value less costs associated with obtaining such credit or loan.

After initial recognition, interest-bearing credits, loans and debt securities are measured at amortised cost using the effective interest rate.

8.16 Trade liabilities and other liabilities

Trade and other liabilities are initially recognised at fair value. After initial recognition, such liabilities are measured at amortised cost using the effective interest method.

In the case of liabilities with a maturity date of up to 12 months from the balance sheet date, when the difference between the value at amortised cost and the value expressed as the amount due is not material, such liabilities are measured at the amount due.

8.17 Revenue

An analysis of contracts concluded with customers was carried out with respect to the correct determination of revenue in accordance with IFRS 15:

1. Customer contract identification – contractual provisions regulate the Group's sales of heat energy and electricity to strategic customers. Electricity is also sold by means of the exchange market.
2. Performance obligation identification – the effective contract concluded with strategic customers includes only one performance obligation, which relates to the supply of heat or electricity over a specified period. The accrual of revenue takes place with regard to deliveries performed in a given reporting period, based on detailed records of delivered energy volumes.
3. Determination of the transaction price – the contract price for heat energy is based on the applicable tariffs and electricity prices, determined separately for each delivery based on the stock market indices. No other arrangements affecting the established transaction price apply.
4. Allocation of the transaction price to individual performance obligations – the Group allocates the transaction price to each performance obligation in an amount that reflects the amount of remuneration to which it is entitled in exchange for transferring the promised goods and services to the customer.
5. Recognition of revenue at the moment of fulfilling a contractual obligation – revenue is recognised when assets and services are transferred to the customer who takes control of the asset – when identifiable volumes of energy are transferred to power or heat networks. Revenue is recognised in an amount equal to the transaction price.

a) Revenue from contracts concluded with customers

Revenue from sales of heat

Heat sale is conducted based on heat sale contracts concluded with institutional customers. The provision of services under the long-term heat supply contract concluded with Tauron Ciepło Sp. z o.o. is continuous (supply of heat energy; fee for the ordered capacity charged on a monthly basis). These services are not separate, as one is dependent on the other, and the Group is not able to provide heat supply service without the ordered capacity and vice versa. The prices (tariffs) are established once a year by the Energy Regulatory Office (for 1 MWh of the ordered power and 1 GJ of heat energy).

Variable fees, i.e. for a heat carrier and heat, are issued periodically based on readings as of the last reading day, according to the rates resulting from the approved tariff.

Revenue from sales of electricity

Electricity sale is conducted based on sale contracts concluded with an intermediary between the Group and Towarowa Giełda Energii (Polish Power Exchange, one contractual obligation). The electricity price is determined on a continuous basis, as part of the stock index on the Towarowa Giełda Energii S.A., and the Group has no influence on such determination. The sale is continuous, volume deliveries take place in specific units of time.

The sale of balancing energy delivered to the balancing market is continuous (readiness to deliver energy) and conducted based on reports from the balancing sale system in the National Power System. The settlement takes place on a decadal basis.

b) Other revenue

Revenue from finance leases and loan contracts

Interest income resulting from finance lease and loan contracts is settled using the effective interest rate method. In the income statement, such income is presented as revenue.

Revenue from operating leases and rentals

Operating lease and rental fees are recognised as a profit or a loss incurred in the current period on a straight-line basis over the term of the contract and presented under the revenue.

Sale of emission allowances

If the allowances (granted or acquired) are sold, the income from such sale is recognised as sales revenue. In the case of sale of allowances (granted or acquired), the own cost of sale of such allowances in the amount of acquisition price is recognised and recorded as the own cost of sale. Additionally, in the event of selling the granted allowances, the corresponding part of the grant recognised in deferred income is subject to settlement

Revenue from factoring services

Interest income arising from factoring service contracts is settled using the effective interest rate method. In the income statement, such income is presented as revenue.

8.18 Net financial revenue (cost)

Financial revenue (cost) includes foreign exchange profit (or loss), dividends, interest on receivables other than finance leases and interest on cash.

In the income statement, interest income is recognised on an accrual basis using the effective interest rate method. In the income statement, revenue from dividends is recognised when the Group of Companies becomes entitled to receive such revenue.

8.19 Income tax

Income tax includes both the current and the deferred part. Current and deferred income tax is recognised as a profit or a loss incurred in the current period, except for situations when it involves business combinations and items recognised directly in equity or as other comprehensive income.

Current tax is the expected amount of tax liabilities or receivables on taxable income for a given year, determined using tax rates legally or actually in force as of the reporting date and adjustments to the tax liability relating to previous years.

Deferred tax is recognised in connection with timing differences between the carrying amounts of assets and liabilities and their amounts determined for tax purposes. Deferred tax is measured at the tax rates, which are expected to become applicable when the timing differences reverse, based on tax laws that have been legally or actually in force by the reporting date. Deferred tax assets and provisions are offset if the Group, at the entity level, has a legally enforceable right to offset current tax liabilities and assets on condition that the deferred tax assets and provisions relate to the income tax imposed by the same tax authority on the same taxpayer or different taxpayers that intend to settle income tax liabilities and receivables on a net basis or to realise the receivables and settle the liability simultaneously.

Deferred tax assets related to an outstanding tax loss and negative timing differences are recognised to the extent to which it is probable that the taxable income achieved will allow their realisation. Deferred tax assets are reassessed at each reporting date and reduced to the extent to which it is not probable that the related income tax benefits will be realised.

8.20 Costs by type

Costs are recognised as a probable decrease, occurring in the reporting period, in economic benefits of a reliably determined value, in the form of a decrease in the value of assets or an increase in the value

of liabilities and provisions, which will lead to a decrease in equity or an increase in its deficiency in a manner other than the withdrawal of funds by owners.

In the consolidated statement of comprehensive income, the Group of Companies presents the following items of costs by type:

- Costs of financing operating business
 - Amortisation and depreciation,
 - Costs of the obligation to surrender CO2 emission allowances
 - Consumption of materials and energy,
 - External services,
 - Taxes and fees,
 - Remuneration and employee benefits,
 - Other costs by type.
 - Value of goods and materials sold

The cost of financing operating business represents interest expense on credits, loans and other contracts financing transactions in the financial segment

8.21 Determination of fair value

In some cases, the accounting and disclosure policies adopted by the Group of Companies require determining fair value for both financial and non-financial assets and liabilities. Further information on the assumptions adopted in order to determine fair value is provided in the notes relating to individual assets and liabilities.

9. Error corrections

The Group of Companies have not corrected any errors made in the previous periods.

10. Business risk management

The Group of Companies is exposed to the following risks arising from the use of financial instruments:

- credit risk;
- liquidity risk;
- currency risk;
- interest rate risk.

Information on the Group's exposure to a given type of risk, objectives, policies and procedures for measuring and managing risks adopted by the Group, as well as information about the Group's capital management is presented in this consolidated financial statement (Note 35.2).

As of 31 December 2020, the Group's current liabilities amounted to PLN 321,160 thousand, which is PLN 192,996 thousand higher than the amount of current assets. The surplus results primarily from the need to reclassify credit liabilities presented in the non-current liabilities. Due to breach of bank covenants as of 31 December 2019, the Subsidiary Company have not obtained declarations from banks that such breach would not result in termination of the loan contracts. The reclassified loan liabilities are used to finance, in particular, lease receivables, which in the statement are divided into current and non-current. The Subsidiary Company is under restructuring and continues to fulfil both the lease contracts and the loan liabilities that finance them (under the arrangement proposals). A more detailed description of the assumptions of the restructuring plan, which leads to the conclusion of an arrangement, is included in the introduction to the financial statement. Failure to adopt a restructuring arrangement results in a significant risk of bankruptcy proceedings.

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

According to the Parent Company's Management Board, a significant part of the aforementioned gap will be covered by funds constituting the Group's surplus cash flows from the sale of key assets in the

period until maturity of individual current financial liabilities. In 2020, in order to cover the remaining part of the financial gap, the Group has undertaken steps aimed to:

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

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

Note 43 includes a detailed description of events affecting the identified liquidity risk, which occurred in the period between the reporting date until the date of this statement.

11. Goodwill

On 15 April 2015, Elektrociepłownia "Będzin" S.A. took control over Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A.

The core business of Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. consists of financial and service activities in the scope of leasing, holding and otherwise sharing tangible assets.

Acquisition price

Elektrociepłownia "Będzin" S.A. has acquired 100% of shares of Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A. for PLN 49,600.32 thousand, payable in installments. Taking into account the tranche payment dates, it was estimated that the total fair value of payment at the acquisition date was PLN 48,044.06 thousand.

	As of the date of takeover
Goodwill	
Acquisition price	48,044
Fair value of identifiable net assets	(46,107)
Goodwill	1,937

According to the Group's Management Board, the recognised goodwill resulted primarily from the Group's

experience and expertise in the financial sector, the reputation of the acquired company, established business processes and projects in the financial area, and accessibility to markets.

As of 31 December 2019, The Group's Management Board performed a test of the recoverable amount of the assets held. The test was based on an estimated cash flow projection over a 5-year period. When preparing this test, the Company adopted assumptions regarding the continuous operation, realisation of assets held at values presented in the balance sheet, repayment of liabilities in accordance with contractual terms and at values presented in the financial statement, as well as a gradual return to operating business beginning in mid-2021. The test showed that the cumulative flows have a negative value.

Due to the negative cash flows associated with the collapse of liquidity and negative financial results for 2019, the Company is unable to pay its liabilities without debt reduction, whereby on 12 February 2020, the Company entered into accelerated restructuring proceedings. According to the Management Board, without the approval of the arrangement by creditors of the Subsidiary Company, the Subsidiary will have to declare insolvency. Therefore, the Company's Management Board decided to recognise a write-down on goodwill in its entire amount. Since the Judge-Commissioner has not established a deadline for voting on the arrangement proposals and the ongoing negotiations with creditors, this write-down has been maintained in the statement of 31 December 2020.

12. Segment reporting

The Group of Companies presents financial information according to two business segments: the energy segment, which includes the generation of electricity and heat from conventional sources, and the financial segment, which includes financial and service activities in the scope of leasing, holding or otherwise sharing tangible assets.

At the moment, this division corresponds to the Group's internal reporting scheme, which results from its management structure. It is subject to regular checks performed by the Parent Company's Management Board and used to make decisions on the allocation of resources, as well as evaluate segment performance.

The Group of Companies implements its business objectives within two basic reporting segments separated due to different management strategies (production, financial) adopted within each segment.

The Group's business activities are not geographically diversified; all of the Group's business activities are conducted in Poland, therefore, they have not been divided into geographical areas.

Segmenty operacyjne za okres 01.01.2020 - 31.12.2020	Segment energetyka	Segment finansowy	Razem
Przychody od odbiorców zewnętrznych	150 768	10 761	161 529
Pozostałe przychody operacyjne	2 504	4 356	6 860
Przychody segmentu ogółem	153 272	15 117	168 389
Koszty finansowania działalności operacyjnej	-	(10 044)	(10 044)
Amortyzacja	(11 778)	(481)	(12 259)
Koszt obowiązku umorzenia uprawnień do emisji CO	(79 437)	-	(79 437)
Zużycie materiałów i energii	(78 330)	(126)	(78 456)
Usługi obce	(16 548)	(2 283)	(18 831)
Podatki i opłaty	(3 722)	(851)	(4 573)
Wynagrodzenia i świadczenia pracownicze	(18 288)	(3 424)	(21 712)
Pozostałe koszty rodzajowe	(367)	(2 081)	(2 448)
Wartość sprzedanych towarów i materiałów	(3 068)	-	(3 068)
Pozostałe koszty operacyjne	(636)	(1 688)	(2 324)
Wynik segmentu na działalności operacyjnej	(58 902)	(5 861)	(64 763)
Przychody finansowe	416	338	754
Koszty finansowe	(2 998)	(2 321)	(5 319)
Przychody / koszty finansowe nieprzypisane			
Zysk/(Strata) przed opodatkowaniem	(61 484)	(7 844)	(69 328)
Podatek dochodowy	2	(286)	(284)
Zysk/ strata netto	(61 482)	(8 130)	(69 612)

Aktywa i zobowiązania segmentów na 31.12.2020	Segment energetyka	Segment finansowy	Razem
Aktywa segmentu	176 314	183 195	359 509
Aktywa ogółem	176 314	183 195	359 509
Zobowiązania segmentu	126 591	237 150	363 741
Kapitały ogółem	49 723	(53 955)	(4 232)
Zobowiązania i kapitały ogółem	176 314	183 195	359 509

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Expenditures on tangible non-current assets in the energy segment from 1 January 2020 to 31 December 2020 were PLN 734 thousand, while in the financial segment they amounted to PLN 0.00. Expenditures on tangible non-current assets in the energy segment from 1 January to 31 December 2019 were PLN 1,583 thousand, while in the financial segment they amounted to PLN 59 thousand.

Segmenty operacyjne za okres 01.01.2019-31.12.2019	Segment energetyka	Segment finansowy	Razem
Przychody od odbiorców zewnętrznych	193 415	29 240	222 655
Pozostałe przychody operacyjne	1 402	2 737	4 139
Przychody segmentu ogółem	194 817	31 977	226 794
Koszty finansowania działalności operacyjnej	-	(14 445)	(14 445)
Amortyzacja	(14 989)	(1 276)	(16 265)
Amortyzacja praw do emisji CO2	(54 347)	-	(54 347)
Zużycie materiałów i energii	(85 756)	(187)	(85 943)
Usługi obce	(17 141)	(1 871)	(19 012)
Podatki i opłaty	(3 771)	(818)	(4 589)
Wynagrodzenia i świadczenia pracownicze	(19 662)	(3 820)	(23 482)
Pozostałe koszty rodzajowe	(382)	(1 167)	(1 549)
Wartość sprzedanych towarów i materiałów	(3 038)	(9 445)	(12 483)
Pozostałe koszty operacyjne	(58 871)	(4 982)	(63 853)
Strata netto z tytułu utraty wartości	-	(40 204)	(40 204)
Wynik segmentu na działalności operacyjnej	(63 140)	(46 238)	(109 378)
Przychody finansowe	334	1 302	1 636
Koszty finansowe	(3 578)	(126)	(3 704)
Zysk przed opodatkowaniem	(66 384)	(45 062)	(111 446)
Podatek dochodowy	8 032	(1 465)	6 567
Zysk/ strata netto	(58 352)	(46 527)	(104 879)

Aktywa i zobowiązania segmentów na 31.12.2019	Segment energetyka	Segment finansowy	Razem
Aktywa segmentu	206 258	259 490	465 748
Aktywa ogółem	206 258	259 490	465 748
Zobowiązania segmentu	95 053	305 346	400 399
Kapitały ogółem	111 205	(45 856)	65 349
Zobowiązania i kapitały ogółem	206 258	259 490	465 748

Przychody segmentu energetyka z tytułu	31.12.2020	31.12.2019
Energii elektrycznej	90 816	99 591
Energii ciepłej	55 792	90 044
Pellet	-	-
Pozostałe	4 160	3 780
Stan na koniec okresu	150 768	193 415

Sale of electricity through Towarowa Giełda Energii (Polish Power Exchange) at current wholesale prices, determined for deliveries conducted in contractual periods (short-term contracts). Revenue recognised

within the delivery periods, payment terms in the range of 7-30 days.

Sale of heat energy to an entity of the Tauron Polska Energia S.A. Group at tariff prices, with regard to supplies covered by long-term contracts. Revenue recognised within the delivery periods, payment terms in the range of 7-30 days.

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Przychody segmentu finansowego z tytułu	31.12.2020	31.12.2019
Leasingu, dzierżawy	9 112	17 074
Odsetek od udzielonych pożyczek, faktoringu	1 455	2 876
Pozostałe	194	9 290
Stan na koniec okresu	10 761	29 240

Transactions concluded between business segments in 2020

Przychody/ Koszty	segment energetyka	segment finansowy
segment energetyka	-	6
segment finansowy	3 771	-

Należności/ Zobowiązania	segment energetyka	segment finansowy
segment energetyka	-	-
segment finansowy	33 646	-

Activities of the energy segment are characterised by a high level of credit risk – most of the revenue on sales is achieved from the sale of products to entities from the Tauron Polska Energia S.A. Group and on Towarowa Giełda Energii (Polish Power Exchange).

Business activities of the energy segment are subject to seasonality related to the sale of heat energy. The yield of the heat sales business is characterised by reduced yield on assets in the summer period due to reduced demand for heat energy.

13. Revenue

The only counterparties that generate revenue exceeding 10% of the Group's revenue are entities from the Tauron Polska Energia S. A. Group (value in 2020: PLN 57.808 thousand; PLN; value in 2019: PLN 93,487 thousand) and Noble Securities (intermediary in the sale of electricity) – value in 2020: PLN 90,935 thousand; in 2019: PLN 96.933 thousand.

	Za okres 01.01.2019- 31.12.2019	Za okres 01.01.2018- 31.12.2018
Przychody		
Przychody z umów z klientami razem	149 740	201 857
z usług rozpoznawane w sposób ciągły, w tym:	146 608	189 635
sprzedaż energii	90 816	99 591
sprzedaż ciepła	55 792	90 044
ze sprzedaży towarów i materiałów rozpoznawane jednorazowo	3 132	12 222
Pozostałe usługi	11 789	20 798
Łącznie przychody	161 529	222 655

	Za okres 01.01.2020 - 31.12.2020	Za okres 01.01.2019 - 31.12.2019
Przychody z tytułu leasingu		
Przychody- leasing finansowy	7 918	15 628
Opłaty za korzystanie z przedmiotu leasingu operacyjnego	810	1 440
Przychody z tytułu leasingu razem	8 728	17 068

	Za okres 01.01.2020 - 31.12.2020	Za okres 01.01.2019 - 31.12.2019
Przychody z tytułu udzielonych pożyczek i faktoringu		
Przychody odsetkowe	2 099	2 876
Przychody z tytułu udzielonych pożyczek razem	2 099	2 876

For information on factoring, see Note 16.

14. Other operating income

	Za okres 01.01.2020 - 31.12.2020	Za okres 01.01.2019 - 31.12.2019
Pozostałe przychody operacyjne		
Rozwiązanie odpisów aktualizujących zapasy	101	21
Rozwiązanie odpisów aktualizujących należności	185	269
Rozwiązanie rezerw	-	75
Zysk na sprzedaży i likwidacji rzeczowych aktywów trwałych	3 228	192
Aktualizacja wartości należności	839	
Otrzymane odszkodowania i kary umowne	665	193
Pozostałe przychody, w tym:	1 842	3 389
<i>dotacja</i>	573	439
<i>pozostałe</i>	1 269	1 272
<i>Wycena odebranych składników rzeczowych</i>	-	1 678
Pozostałe przychody operacyjne razem	6 860	4 139

The release of write-downs on receivables relates to a change in estimate regarding the risk of lease receivables from some counterparties. The change in estimate results from the fact that the majority of counterparties have settled their due balances.

15. Other operating expenses

	Za okres 01.01.2020 - 31.12.2020	Za okres 01.01.2019 - 31.12.2019
Pozostałe koszty operacyjne		
Utworzenie odpisu aktualizującego zapasy	(1 424)	(1)
Utworzenie odpisu aktualizującego należności	(5)	-
Utworzenie odpisu aktualizującego wartość firmy	-	(1 937)
Utworzenie odpisu aktualizującego wartości niematerialne i prawne	-	(2 895)
Utworzenie odpisu z tytułu trwałej utraty wartości rzeczowych aktywów trwałych	-	(58 648)
Darowizny	-	(10)
Składki członkowskie	-	(31)
Kary, odszkodowania zapłacone	-	(194)
Strata na sprzedaży i likwidacji rzeczowych aktywów trwałych	(12)	-
Pozostałe koszty	(883)	(137)
Pozostałe koszty operacyjne razem	(2 324)	(63 853)

A write-down on impairment, as of 31 December 2019, relates to the write-down on energy assets (tangible assets) made in 2019 in connection with the asset impairment test performed (Note 19).

16. Financial income and costs

Przychody i koszty finansowe	Za okres 01.01.2020 - 31.12.2020	Za okres 01.01.2019 - 31.12.2019
Odsetki od środków na rachunkach bankowych	119	170
Przychody z tytułu odsetek od należności innych niż należności z tytułu umów leasingu	336	1 297
Pozostałe przychody finansowe, w tym:	299	169
<i>inne przychody finansowe</i>	299	169
Przychody finansowe razem	754	1 636
Dyskonto od rezerw aktuarialnych	(136)	(177)
Koszty z tytułu odsetek od zobowiązań finansowych wycenianych według zamortyzowanego kosztu	(2 730)	(2 550)
Odpis z tytułu utraty wartości aktywów finansowych	(565)	-
Pozostałe koszty finansowe	(1 888)	(977)
Koszty finansowe razem	(5 319)	(3 704)
Przychody/(Koszty) finansowe netto ujęte w zysku lub stracie bieżącego okresu	(4 565)	(2 068)

Przychody odsetkowe z aktywów i zobowiązań wycenianych metodą efektywnej stopy procentowej	Za okres 01.01.2020 - 31.12.2020	Za okres 01.01.2019 - 31.12.2019
Przychody z tytułu odsetek od należności innych niż należności z tytułu umów leasingu	336	1 297
Przychody odsetkowe od środków na rachunkach bankowych	119	169
Przychody odsetkowe - leasing finansowy	10 535	15 628
Przychody odsetkowe - udzielone pożyczki	2 099	2 876
Koszty z tytułu odsetek od zobowiązań finansowych wycenianych według zamortyzowanego kosztu	(2 174)	(154)
	10 915	19 816

For information on interest income, see Note 13.

17. Costs of employee benefits

	Za okres 01.01.2020 - 31.12.2020	Za okres 01.01.2019 - 31.12.2019
Wynagrodzenia i świadczenia pracownicze		
Wynagrodzenia	(16 865)	(18 822)
Ubezpieczenia społeczne (programy określonych składek)	(3 031)	(3 223)
Koszty odpraw emerytalnych (program określonych świadczeń) netto	(13)	37
Koszty zobowiązań z tytułu nagród jubileuszowych netto	(464)	(229)
Pozostałe świadczenia pracownicze	(1 339)	(1 245)
Wynagrodzenia i świadczenia pracownicze razem	(21 712)	(23 482)

18. Income tax

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Podatek dochodowy ujęty w zysku lub stracie bieżącego okresu		
Podatek dochodowy (część bieżąca)		
Podatek dochodowy za okres sprawozdawczy	(472)	840
Podatek dochodowy (część odroczone)		
Powstanie / odwrócenie różnic przejściowych	188	5 727
Podatek dochodowy	(284)	6 567

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Podatek dochodowy ujęty w innych całkowitych dochodach		
Zyski (straty) aktuarialne dla programów określonych świadczeń	(8)	40
Podatek dochodowy wykazany w innych całkowitych dochodach	(8)	40

	Za okres 01.01.2020 - 31.12.2020	Za okres 01.01.2019 - 31.12.2019
Uzgodnienie efektywnej stopy podatkowej		
Zysk netto za okres sprawozdawczy	(69 612)	(104 879)
Podatek dochodowy	284	(6 567)
Zysk przed opodatkowaniem	(69 328)	(111 446)
Podatek w oparciu o obowiązującą stawkę podatkową 19%	7 676	21 174
Efekt podatkowy przychodów trwałych niebędących przychodami w edług przepisów podatkowych	1 277	1 179
Efekt podatkowy kosztów przejściowych o niestanowiących kosztów w g przepisów podatkowych, od których nie utworzono aktywów na podatek odroczone	(9 237)	(15 786)
Pozostałe (+/-)	-	-
Podatek dochodowy	(284)	6 567
Efektowna stawka podatku	0%	6%

19. Investment properties, the right to use tangible non-current assets, tangible non-current assets

19.1 Investment properties

	2020-12-31	2019-12-31
Wartość na 01.01.2020	967	-
Rozpoznanie prawa do użytkowania zgodnie z MSSF 16	-	116
Przeniesienie z rzeczowych aktywów trwałych	-	851
Wartość na 31.12.2020	967	967

Long-term investments include investment land amounting to PLN 967 thousand. There was no revenue from these properties in 2020. No impairment was found at the end of the current year due to the fact that purchase offers and land appraisals are higher than book value.

19.2 The right to use tangible non-current assets

Under the lease contract, the Group of Companies uses property located in Poznań – its registered office at ul. Bolesława Krzywoustego 7. The value of the right to use the property as of 31 December 2020 is PLN 3,596 thousand.

	Grunty, budynki i budowle	Pojazdy	Razem
WARTOŚĆ POCZĄTKOWA			
Na dzień 01.01.2019	-	-	-
Przeniesienie z rzeczowych aktywów trwałych	4 140	918	5 058
Rozpoznanie prawa do użytkowania zgodnie z MSSF 16	1 840	-	1 840
Na dzień 31.12.2019	5 980	918	6 898
Na dzień 01.01.2020	5 980	918	6 898
Na dzień 31.12.2020	5 980	918	6 898
UMORZENIE I UTRATA WARTOŚCI			
Na dzień 01.01.2019	-	-	-
Amortyzacja za okres	131	149	280
Przeniesienie z rzeczowych aktywów trwałych	337	-	337
Na dzień 31.12.2019	468	149	617
Na dzień 01.01.2020	468	149	617
Amortyzacja za okres	131	184	315
Umorzenie i utrata w wartości na 31.12.2020	599	333	932
WARTOŚĆ NETTO			
Na dzień 31.12.2019	5 512	769	6 281
Na dzień 31.12.2020	5 381	585	5 966

19.3 Tangible non-current assets

	Grunty, budynki i budowle	Maszyny i urządzenia	Środki transportu	Inne rzeczowe aktywa trwałe	Rzeczowe aktywa trwałe w budowie	Ogółem
Wartość brutto rzeczowych aktywów trwałych						
Wartość brutto na 01.01.2019	76 534	214 552	11 122	1 570	(1 628)	300 025
Nabycie	140	472	1 017	45	1 583	3 257
Sprzedaż	-	11 760	(8 733)	-	-	3 027
Likwidacja	-	(104)	(99)	-	(10)	(213)
Przesunięcie praw a do użytkowania rzeczowych aktywów trwałych	(4 140)	-	(918)	-	-	(5 058)
Przeniesienie do nieruchomości inwestycyjnych	(851)	-	-	-	-	(851)
Rozliczenie/zmiana klasyfikacji	-	-	(24 847)	-	(1 574)	(26 421)
Wartość brutto na 31.12.2019	71 683	226 680	3 307	1 615	(1 629)	273 766
Wartość brutto na 01.01.2020	71 683	226 680	3 307	1 615	(1 629)	273 766
Nabycie	-	224	376	8	734	1 342
Sprzedaż	-	1 340	(5 392)	(15)	-	(4 067)
Likwidacja	-	(322)	-	(9)	-	(331)
Przesunięcie praw a do użytkowania rzeczowych aktywów trwałych	-	-	-	-	-	-
Przeniesienie do nieruchomości inwestycyjnych	-	-	-	-	-	-
Rozliczenie/zmiana klasyfikacji	(426)	-	2 753	-	(607)	1 720
Wartość brutto na 31.12.2020	71 257	227 922	(1 709)	1 599	(1 502)	272 430
Umorzenie oraz odpisy z tytułu utraty wartości						
Umorzenie oraz odpisy z tytułu utraty wartości na 01.01.2019	13 331	55 293	5 393	1 077	-	75 094
Amortyzacja	3 032	11 808	613	187	-	15 640
Sprzedaż	-	(42)	(3 614)	-	-	(3 656)
Likwidacja	-	(104)	(22)	-	-	(126)
Przesunięcie praw a do użytkowania rzeczowych aktywów trwałych	(468)	-	(149)	-	-	(617)
Odpisy z tytułu utraty wartości	18 402	40 159	87	-	-	58 648
Rozliczenie/zmiana klasyfikacji	-	-	(11 235)	-	-	(11 235)
Umorzenie oraz odpisy z tytułu utraty wartości na 31.12.2019	34 297	107 114	(9 014)	1 351	-	133 748
Umorzenie oraz odpisy z tytułu utraty wartości na 01.01.2020	34 297	107 114	(9 014)	1 351	-	133 748
Amortyzacja	2 714	8 859	723	116	-	12 412
Sprzedaż	-	(736)	(7 241)	(14)	-	(7 991)
Likwidacja	-	(322)	-	(9)	-	(331)
Rozliczenie/zmiana klasyfikacji	-	-	(365)	-	-	(365)
Umorzenie oraz odpisy z tytułu utraty wartości na 31.12.2020	37 011	114 915	(15 897)	1 444	-	137 473
Wartość netto						
01.01.2019	63 203	159 259	5 729	493	(1 628)	224 931
31.12.2019	37 386	119 566	12 321	264	(1 629)	140 018
01.01.2020	37 386	119 566	12 321	264	(1 629)	140 018
31.12.2020	34 246	113 007	14 188	155	(1 502)	134 957

Write-downs on impairment losses and their subsequent reversal

The Group of Companies concluded an asset impairment test due to a significant change in pricing conditions on the electricity and heat energy markets, including:

- changes in global prices of energy raw materials, electricity and the dynamic growth in prices of CO2 emission allowances;
- high volatility of energy prices in the derivatives market and the Company's persistent liquidity issues;
- regulatory activities aimed to limit the increase in energy prices for end customers;
- increased risk in commercial coal production;
- the effects of the winter package, including the emissions standard, which adversely affects the ability of coal units to participate in the capacity market after 1 July 2025;
- tightening of emissions standards and persistent market conditions, which are unfavourable with regard to the yield of conventional energy production;
- decline in the risk-free interest rate.

The future cash flows were estimated using detailed projections for 2021-2039 with no residual period. The projection period corresponds to the life cycle of the asset without incurring significant turbine expenditures. The measurement was based on the weighted average cost of capital of 7.24%. The value in use of the energy segment as of the test date, i.e. 31 December 2020, amounted to PLN 57,357 thousand.

Despite indications of possible impairment of assets in the energy segment, the test did not reveal the necessity to make impairment write-downs as of 31 December 2020

Key assumptions adopted in the test:

- a) the projected average annual inflation rate in 2021-2039 – 2.5%;
- b) the heat energy price results from the current tariff and its projected change, which takes place annually in September;
the heat tariff is assumed to increase (taking into account the inflation) by 25% in 2021, by 15% in 2022, by 10% in the following years until 2026, by 5% in 2027-2030 and by 2.5% thereafter;
- c) paths of electricity, coal and CO₂ prices for individual years of the projection period were adopted based on a report of a consulting company, which takes into account, among other things, the impact of the electricity supply and demand balance on the market, fuel costs, and the cost of CO₂ emission allowances:

–Coal. Coal prices until 2030 were projected based on an increasing trend. As of 2031, a slightly declining level of coal prices is assumed. A viable steam coal price increase of 10.5% is projected from 2021 to 2039.

– Electricity. The adopted forecast of wholesale electricity prices in 2021-2039 takes into account the impact of the electricity supply and demand balance, as well as costs of fuel purchases and CO₂ emission allowances. Compared to the average SPOT price in 2020, the price for 2021 is assumed to rise

by 37%, mainly due to an increase in CO₂ allowance prices and the unrepresentative year of 2020. The COVID-19 pandemic and the introduction of measures (lockdowns) aimed to limit the spread of the disease in the second quarter of 2020 resulted in a significant reduction in electricity demand compared to the previous years, which led to a dramatic drop in energy prices in 2020.

A viable increase in energy prices of 5% compared to 2021 is assumed to take place in 2022, which results from, among other things, the projected further increase in prices of CO₂ emission allowances and coal.

Subsequently, a price increase of 4.5% compared to 2022 is projected to take place in the period until 2034, primarily due to significant withdrawals of units after 2025. A price decline of 6.5% (in real terms) compared to 2035 is assumed to occur in the period between 2035 and 2039.

– CO₂. An increasing trend for the price of CO₂ emission allowances was assumed with a perspective until 2039. In 2021, the price of CO₂ emission allowances is projected to be 17% higher than the allowance measurement as of the end of 2020; in 2022, it is assumed to increase by approx. 10% compared to 2021 (in real terms). By 2039, the market price is assumed to increase by more than 26% compared to its average value in 2021 (in real terms).

- d) the implementation of the capacity market mechanism has been taken into account – in 2021, the projection assumes revenue of PLN 13.2 million from the capacity market, in 2022 – PLN 10.9 million, in 2024 – PLN 14.3 million (based on the auctions won). In 2023, due to the planned turbine overhaul, participation in additional quarterly auctions is projected – revenue of PLN 5.5 million; as for 2025, the revenue of PLN 5.5 million from the capacity market is assumed for the first half-year;
- e) consideration is given to maintaining the productive capacity of existing tangible assets as a result of necessary replacement investments
- f) the weighted average cost of capital (WACC) of 7.24% was assumed

The key assumptions of the test (prices of electricity, CO₂ emission allowances, coal and heat energy, as well as the discount rates used) were analysed with regard to sensitivity. It was found that a decrease by a reasonable amount (e.g. 1%) did not decrease the recoverable amount below the carrying amount.

Collaterals

Tangible non-current assets constitute collateral of external financing provided to the Group of Companies. On 16 December 2014, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. and Bank Polska Kasa Opieki S.A. entered into a loan contract for the financing of investments of Elektrociepłownia BĘDZIN Sp. z o.o. Pursuant to contractual provisions, the Company has established the following collateral on assets:

- a joint mortgage with the highest priority and a total of PLN 196,984 thousand on properties of Elektrociepłownia BĘDZIN Sp. z o.o. located in Sosnowiec, with regard to which, Land and Mortgage Registers No. KA1S/00033883/2 and KA1S/0034647/3 are kept by the District Court in Sosnowiec, 6th Land and Mortgage Register Department, and the properties located in Będzin, with regard to which, Land and Mortgage Register No. KA1B/00016873/8 is kept by the District Court in Będzin, 5th Land and Mortgage Register Department,
- a Registered Pledge on a set of assets and rights defined as a set of all movables and property rights constituting a part of an enterprise, i.e. Elektrociepłownia BĘDZIN Sp. z o.o. (excluding rights to bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o. and rights constituting the subject matter of contracts for the transfer of rights as collateral concluded between Bank Polska Kasa Opieki S.A. and Elektrociepłownia BĘDZIN Sp. z o.o., as well as properties and other rights, which in light of legal regulations may not be encumbered with a registered pledge within the meaning of the catalogue of the description of pledged items constituting Appendix 1 to the Regulation of the Minister of Justice of 15 October 1997 on the detailed organisation of the pledge register, being a group of assets and rights constituting an economic whole, even if its composition is changeable within the meaning of the Act on Registered Pledges – the established pledge amounts to PLN 123,808 thousand (updated as of 31 December 2019 to PLN 135,555 thousand),
- contract on the sale of heat energy concluded with Elektrociepłownia BĘDZIN Sp. z o.o. – contract for the transfer of rights as collateral,
- contracts for the sale of electricity and other contracts generating revenue exceeding PLN 200 thousand PLN per year concluded with Elektrociepłownia BĘDZIN Sp. z o.o. – contracts for the transfer of rights as collateral,
- power of attorney to the bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o.

The aforementioned collateral on assets is effective until 30 June 2026.

The main investment tasks completed in 2020 (excluding the purchase of CO2 emission allowances) amounted to PLN 734 thousand PLN and included expenditures on:

- means of transport – PLN 376 thousand,
- newly established tangible assets and modernisation of the existing ones, related to basic production – PLN 323 thousand, including:
 - modernisation of the boiler thrust control system no. 7 – PLN 32 thousand,
 - replacement of a refrigerant dryer for compressed air generated by GA90W compressors – PLN 91 thousand,
 - installation for elimination/reduction of bacteria (microorganisms) in the water preparation system supplied by river water – PLN 51 thousand,
 - installation and replacement of air conditioners – PLN 15 thousand,
 - modernisation of a Q-450 kg hydraulic crane installed in Elektrociepłownia Będzin Sp. z o.o., UDT (Office of Technical Inspection) No. 3105002071 – PLN 40 thousand,
 - construction of a heat main connecting Elektrociepłownia BĘDZIN Sp. z o.o. with the heating network of Mysłowice – PLN 104 thousand,
- computers and software – PLN 17 thousand,
- modernisation of the telecommunications network and telecommunications means – PLN 11 thousand,
- technical and office equipment – PLN 7 thousand.

20. Intangible assets

Wartość brutto wartości niematerialnych	Patenty, licencje, oprogramowanie komputerowe	Pozostałe wartości niematerialne	Prawo do emisji CO2	Ogółem
Wartość brutto na 01.01.2019	887	5 512	32 368	38 767
Nabycie	898	-	34 068	34 966
Otrzymanie(nieodpłatny przydział)	-	-	5 889	5 889
Likwidacja	(108)	-	-	(108)
Zakup w ramach nabycia jednostek gospodarczych	-	-	-	-
Wartość brutto na 31.12.2019	1 677	5 512	72 325	79 514
Wartość brutto na 01.01.2020	1 677	5 512	72 325	79 514
Nabycie	-	-	-	-
Otrzymanie(nieodpłatny przydział)	-	-	82	82
Likwidacja	-	-	-	-
Wartość brutto na 31.12.2020	1 677	5 512	72 407	79 596

Umorzenie oraz odpisy z tytułu utraty wartości	Patenty, licencje, oprogramowanie komputerowe	Pozostałe wartości niematerialne	Prawo do emisji CO2	Ogółem
Umorzenie oraz odpisy z tytułu utraty wartości na 01.01.2019	803	2 066	12 884	15 753
Amortyzacja	68	551	-	619
Umorzenie praw do emisji CO2	-	-	46 267	46 267
Likwidacja	(108)	-	-	(108)
Odpisy z tytułu utraty wartości	-	2 895	-	2 895
Umorzenie oraz odpisy z tytułu utraty wartości na 31.12.2019	763	5 512	59 151	65 426
Umorzenie oraz odpisy z tytułu utraty wartości na 01.01.2020	763	5 512	59 151	65 426
Amortyzacja	208	-	-	208
Umorzenie praw do emisji CO2	-	-	13 174	13 174
Umorzenie oraz odpisy z tytułu utraty wartości na 31.12.2020	971	5 512	72 325	78 808

Wartość netto				
01.01.2019	84	3 446	19 484	23 014
31.12.2019	914	-	13 174	14 088
01.01.2020	914	-	13 174	14 088
31.12.2020	706	-	82	788

Part "intangible asset" includes the presentation of relationships with customers of ENERGO-UTECH S.A., which remains in restructuring, subject to a 100% write-down in 2019 and 2020 due to the lack of new lease contracts and the ongoing restructuring proceedings.

Amortisation of intangible assets is reported together with the depreciation of tangible non-current assets under "Depreciation and amortisation" in the consolidated statement of profit or loss and other comprehensive income.

Intangible assets with indefinite useful lives

The Group of Companies holds no intangible assets with an indefinite useful life.

Collaterals

The Group had no collaterals on intangible assets in the reporting period.

21. Deferred tax assets and provision

Aktywa oraz rezerwy z tytułu odroczonego podatku dochodowego	Na dzień 31.12.2020	Na dzień 31.12.2019	Na dzień 31.12.2020	Na dzień 31.12.2019
Rzeczowe aktywa trwałe	1 571	1 260	(11 814)	(10 556)
Wartości niematerialne	-	-	(19)	-
Należności z tytułu umów leasingu	444	591	-	(526)
Udzielone pożyczki	1	16	(474)	(307)
Należności handlowe oraz pozostałe	-	-	-	(19)
Zapasy	-	(12)	-	-
Zobowiązania z tytułu kredytów, pożyczek oraz innych instrumentów dłużnych	1 134	493	-	-
Zobowiązania z tytułu świadczeń pracowniczych	1 529	1 646	-	-
Zobowiązania handlowe oraz pozostałe	59	86	-	-
Rezerwy	15 869	2 955	(30)	(31)
Straty podatkowe do rozliczenia w przyszłych okresach	(12 585)	(717)	6 551	6 551
Odpis aktualizujący wartość aktywa	(2 291)	(1 671)	-	-
Aktywa / rezerwy z tytułu odroczonego podatku dochodowego	5 731	4 646	(5 786)	(4 888)
Kompensata	(5 731)	(4 646)	5 731	4 646
Aktywa / rezerwy z tytułu odroczonego podatku dochodowego wykazane w sprawozdaniu z sytuacji finansowej	-	-	(55)	(242)

Change in timing differences in the reporting period

Zmiana różnic przejściowych w okresie sprawozdawczym	Stan na 01.01.2019	Zmiana różnic przejściowych ujęta jako zysk lub strata bieżącego okresu	Zmiana różnic przejściowych ujęta w innych całkowitych dochodach	Zmiana różnic przejściowych w związku z nabyciem jednostek gospodarczych	Stan na 31.12.2019	Zmiana różnic przejściowych ujęta jako zysk lub strata bieżącego okresu	Zmiana różnic przejściowych ujęta w innych całkowitych dochodach	Zmiana różnic przejściowych w związku z nabyciem jednostek gospodarczych	Stan na 31.12.2020
Rzeczowe aktywa trwałe	(12 761)	3 465	-	(9 296)	(947)	-	-	-	(10 243)
Wartości niematerialne	(655)	655	-	-	(19)	-	-	-	(19)
Inwestycje wyceniane metodą praw własności	96	(96)	-	-	-	-	-	-	-
Należności z tytułu umów leasingu	357	(292)	-	65	379	-	-	-	444
Udzielone pożyczki	(496)	205	-	(291)	(182)	-	-	-	(473)
Należności handlowe oraz pozostałe	(19)	-	-	(19)	19	-	-	-	-
Zapasy	(413)	401	-	(12)	12	-	-	-	-
Zobowiązania z tytułu kredytów, pożyczek oraz innych instrumentów dłużnych	523	(31)	-	492	642	-	-	-	1 134
Zobowiązania z tytułu świadczeń pracowniczych	1 741	(95)	-	1 646	(117)	-	-	-	1 529
Zobowiązania handlowe oraz pozostałe	71	15	-	86	(27)	-	-	-	59
Rezerwy	2 304	620	-	2 924	12 915	-	-	-	15 839
Straty podatkowe do rozliczenia w przyszłych okresach	1 557	4 277	-	5 834	(11 868)	-	-	-	(6 034)
Odpis aktualizujący wartość aktywa	-	(1 671)	-	(1 671)	(620)	-	-	-	(2 291)
	(7 695)	7 453	-	-	(242)	187	-	-	(55)

The Parent Company did not recognise deferred income tax due to tax losses incurred in the amount of PLN 9,573 thousand, due to expire in 2025 (deferred tax amount: PLN 1,819 thousand) . No deferred tax was recognised on the impairment write-down for fixed assets at Elektrociepłownia Będzin Sp. z o.o. (deferred tax amount: PLN 11,143 thousand) .

The Elektrociepłownia "Będzin" sp. z o. o. subsidiary company did not recognise deferred income tax due to tax losses incurred in the amount of PLN 18,242 thousand (deferred tax amount: PLN 3,466) .

22. Receivables under lease agreements

The Group of Companies offers investment financing in the form of leasing to its customers. The main groups of subjects financed by the Group of Companies are railroad rolling stock, road transportation assets (buses, trucks, and tractor units), machinery and equipment, computers and equipment, as well as industrial and commercial properties. Contracts are signed for periods ranging from 24 to 120 months. The average contract duration is 66 months.

The Group of Companies offers contracts under which fees are set in the local currency only. In principle, the Group of Companies enters into contracts at variable rates. Contract interest rates are typically calculated based on the one- or three-month WIBOR interbank deposit rate plus a margin ranging from 2.5% to 4.5%.

At the end of the lease contract, the customer has the right to buy the object for a final price specified at the time of concluding the contract. This object remains the property of the Group of Companies throughout the lease period and constitutes the main collateral for the repayment of lease receivables. A blank promissory note is standard collateral for lease agreements. Additional collateral includes such things as a mortgage, registered pledge on tangible non-current assets, transfer of ownership of fixed assets, transfer of claim, etc. The leased asset is always insured to the full extent of the insurance coverage for the given insured property.

When a leased asset is returned to the Group of Companies, the Company is not exposed to changes in the asset's residual value as there exists a secondary market for leased assets (e.g. rail cars).

Należności z tytułu umów leasingu	31.12.2020	31.12.2019
Długoterminowe należności z tytułu umów leasingu	68 044	125 752
Krótkoterminowe należności z tytułu umów leasingu	53 913	61 964
	121 957	187 716

The change in lease receivables is due to the repayment of lease receivables.

Należności z tytułu umów leasingu netto	31.12.2020	31.12.2019
Należności z tytułu umów leasingu brutto	160 898	226 702
Odpis aktualizujący wartość należności z tytułu umów leasingu	(38 941)	(38 986)
	121 957	187 716

Odpis aktualizujący wartość należności z tytułu umów leasingu	31.12.2020	31.12.2019
Portfel oceniany indywidualnie	(38 941)	(38 986)
Portfel oceniany kolektywnie	-	-
	(38 941)	(38 986)

Struktura należności z tytułu umów leasingu brutto według walut (po przeliczeniu na PLN)	31.12.2020	31.12.2019
PLN	160 898	226 702
	160 898	226 702

Należności z tytułu umów leasingu brutto wraz z niezrealizowanymi przychodami z tytułu odsetek	31.12.2020	31.12.2019
Należności brutto z tytułu umów leasingu	160 898	226 702
Niezrealizowane przychody finansowe	5 959	25 036
	166 857	251 738

Należności z tytułu umów leasingu brutto wraz z niezrealizowanymi przychodami z tytułu rat leasingowych, według terminów zapadalności	31.12.2020	31.12.2019
do 1 roku	100 454	80 577
powyżej 1 roku do 5 lat	63 464	155 292
powyżej 5 lat	2 939	15 869
	166 857	251 738

Należności z tytułu umów leasingu brutto wraz z niezrealizowanymi przychodami z tytułu rat leasingowych, według terminów zapadalności	31.12.2020
do 1 roku	100 454
od 1 roku do 2 lat	31 655
od 2 lat do 3 lat	18 013
od 3 lat do 4 lat	10 226
od 4 lat do 5 lat	3 570
powyżej 5 lat	2 939
	166 857

As of 31 December 2020, all lease receivables were pledged as collateral for financial liabilities. See Note 35 for information on exposure to credit risk, interest rate risk, currency risk and liquidity risk.

23. Loan and factoring receivables

23.1 Loan receivables

The Group of Companies provides long-term loans to finance the purchase of tangible non-current assets for counterparties and provides short-term recourse factoring services.

The initial value of loans granted is between PLN 9 and 12 million. The loans were granted for a period ranging from 60 to 120 months. Interest rates on loans are variable. Loans are secured by such things as a mortgage, registered pledge on tangible fixed assets, transfer of ownership of tangible fixed assets, assignment of receivables, blank promissory note, etc.

All loan and factoring contract receivables are due in a local currency.

Należności z tytułu pożyczek	31.12.2020	31.12.2019
Długoterminowe należności z tytułu pożyczek	16 443	16 735
- w tym od jednostek powiązanych	9 003	8 128
Krótkoterminowe należności z tytułu pożyczek	4 000	18 984
- w tym od jednostek powiązanych	1 664	1 864
- w tym należności z tytułu faktoringu	1 318	13 649
	20 443	35 719

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Należności z tytułu pożyczek	31.12.2020	31.12.2019
Długoterminowe należności z tytułu pożyczek	16 443	16 735
- w tym od jednostek powiązanych	9 003	8 128
Krótkoterminowe należności z tytułu pożyczek	2 682	5 335
- w tym od jednostek powiązanych	1 664	1 864
	19 125	22 070

Należności z tytułu pożyczek netto	31.12.2020	31.12.2019
Należności brutto z tytułu pożyczek	22 371	26 231
Odpis aktualizujący w artosć należności z tytułu pożyczek	(3 246)	(4 161)
	19 125	22 070

Odpis aktualizujący wartość należności z tytułu pożyczek	31.12.2020	31.12.2019
Portfel oceniany indywidualnie	(3 310)	(4 197)
Portfel oceniany kolektywnie	-	-
	(3 310)	(4 197)

Należności z tytułu pożyczek brutto wraz z niezrealizowanymi przychodami z tytułu odsetek, według terminów zapadalności	31.12.2020	31.12.2019
do 1 roku	5 042	33 422
powyżej 1 roku do 5 lat	20 358	7 483
	25 400	40 905

As of 31 December 2020, all lease receivables were pledged as collateral for financial liabilities.

See Note 35.2 for information on exposure to credit risk, interest rate risk, currency risk and liquidity risk.

23.2 Factoring receivables

Należności z tytułu faktoringu	31.12.2020	31.12.2019
Należności z tytułu faktoringu brutto	1 382	13 685
Odpisy aktualizujące	(64)	(36)
Należności z tytułu faktoringu netto	1 318	13 649

24. Trade and other receivables

Należności handlowe oraz pozostałe	31.12.2020	31.12.2019
Należności handlowe od jednostek powiązanych	7	9
Należności handlowe od jednostek niepowiązanych	9 881	14 631
Należności z tytułu podatków, ceł i ubezpieczeń społecznych	51	(348)
Pozostałe należności	4 342	4 204
	14 281	18 496
- długoterminowe	4 253	3 686
- krótkoterminowe	10 028	14 810
Należności handlowe oraz pozostałe netto	31.12.2020	31.12.2019
Należności handlowe oraz pozostałe brutto	14 379	18 627
Odpis aktualizujący wartość należności handlowych i pozostałych	(98)	(131)
	14 281	18 496

As of 31 December 2020, trade receivables from unrelated parties primarily concerned those arising from heat and electricity sales.

See Note 35 for information on the Group's exposure to credit and currency risk and write-downs updating the value of trade and other receivables.

25. Inventory

As of 31 December 2020, the write-down updating inventory value to net realisable sales prices amounted to PLN 1,424 thousand (as of 31 December 2019, it was PLN 1,182 thousand) . In 2020, PLN 101,000 (release) was included in the "remaining operating income and costs related to the write-down updating inventory value" section of the profits and losses, whereas in 2019 it was PLN 21,000 (release).

As of 31 December 2020, the Group had PLN 26,157 thousand in inventory pledged as collateral for financial liabilities .

Zapasy	31.12.2020	31.12.2019
Towary	26 638	30 549,0
Materiały	5 848	11 999
Świadczenia pochodzenia energii	-	19
	32 486	42 567

26. Cash and cash equivalents

Środki pieniężne i ich ekwiwalenty	31.12.2020	31.12.2019
Środki pieniężne w kasie	3	9
Środki pieniężne na rachunkach bieżących	27 525	8 180
Lokaty krótkoterminowe i inne środki pieniężne	-	-
Pożyczki udzielone	-	-
Środki pieniężne i ich ekwiwalenty razem	27 528	8 189
Inne aktywa finansowe		8 617
Środki pieniężne i ich ekwiwalenty wykazane w rachunku przepływów pieniężnych	27 528	16 806
Środki pieniężne o ograniczonej możliwości dysponowania	2 367	8 377

Restricted access funds relate to VAT account funds (PLN 380,000), Company Social Benefits Fund (PLN 2,000), amounts blocked in bank accounts (PLN 658,000).

In 2019, other financial assets, amounting to PLN 8,617 thousand, included PLN 8,377 thousand in cash deposited with the Brokerage House, which is included in the restricted access funds indicated above.

27. Prepayments and accruals

	31.12.2020	31.12.2019
Rozliczenia z tytułu ubezpieczenia przedmiotów leasingu	46	198
Inne rozliczenia międzyokresowe	60	46
	106	244

28. Equity

Kapitał podstawowy	31.12.2020	31.12.2019
Ilość akcji na początek okresu	3 149 200	3 149 200
Ilość akcji na koniec okresu (w pełni opłacone)	3 149 200	3 149 200

Kapitał własny na 31.12.2020	Liczba akcji	Wartość nominalna 1 akcji	Wartość bilansowa	Wartość
	(w sztukach)	(w złotych)	(w tys. złotych)	(w tys. złotych)
Seria akcji A	3 149 200	5	15 746	
Liczba akcji razem	3 149 200			
Kapitał zakładowy wartość nominalna			15 746	
Kapitał zakładowy z tytułu przeszacowania hiperinflacji			21 982	
Razem kapitał zakładowy			37 728	
Kapitał zapasowy			67 613	
Kapitał rezerwowy			44 843	
Razem pozostałe kapitały			112 456	
Kapitał z przeszacowania programu określonych świadczeń				(533)
Zyski zatrzymane				(153 883)
Razem kapitał własny				(4 232)

Kapitał własny na 31.12.2019	Liczba akcji	Wartość nominalna 1 akcji	Wartość bilansowa
	(w sztukach)	(w złotych)	(w tys. złotych)
Seria akcji A	3 149 200	5	15 746
Liczba akcji razem	3 149 200		
Kapitał zakładowy wartość nominalna			15 746
Kapitał zakładowy z tytułu przeszacowania hiperinflacji			21 982
Razem kapitał zakładowy			37 728
Kapitał zapasowy			67 613
Kapitał rezerwowy			44 843
Razem pozostałe kapitały			112 456
Kapitał z przeszacowania programu określonych świadczeń			(564)
Zyski zatrzymane			(84 271)
Razem kapitał własny			65 349

The value of the Parent Company's share capital as of 31 December 2020 amounted to PLN 37,728 thousand. In the financial position statement, the Group of Companies presents the nominal value of issued and subscribed shares and the value of remeasurement due to the application of IAS 29, amounting to PLN 21,982 thousand, as the common equity .

Series A shares constitute all of the Parent Company shares and have no voting or dividend preference attached.

The Parent Company and its subsidiaries do not hold purchased shares of the Parent Company.

"IAS 29 Financial Reporting in Hyperinflationary Economies" requires entities that have conducted business during periods of hyperinflation to recalculate their equity components using a general inflation index.

Holders of ordinary shares are entitled to receive adopted dividends and are entitled to one vote per share at the Annual General Meeting. All shares entitle equally to the Parent Company's assets in the event of a distribution of assets.

Ownership structure of the Parent Company's share capital as of 31 December 2020

Akcjonariusz	Ilość akcji	Wartość nominalna akcji	Udział (%)
Krzysztof Kwiatkowski	626 462	3 132	19,89%
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%
Autodirect- Grzegorz Kwiatkowski	258 037	1 290	8,19%
Waldemar Witkowski	324 300	1 622	10,30%
Skarb Państwa	157 466	787	5,00%
Pozostali akcjonariusze	865 307	4 327	27,48%
	3 149 200	15 746	100,00%

Dividends

The Parent Company did not pay dividends in 2020 and 2019.

Supplementary capital

Under section 396 of the Commercial Companies Code, the Parent Company is obliged to retain earnings (so-called supplementary capital) up to the amount of 1/3 of the share capital, which are to be used exclusively to cover possible financial losses. It must allocate a minimum of 8% of current profits for this purpose until the required equivalent of 1/3 of the share capital has been raised. As of 31 December 2020, this capital amounted to PLN 67,613 thousand.

Other reserve capitals

Other reserve capitals mainly include amounts transferred by the decision of the Annual General Meeting of the Parent Company as part of the distribution of profit or loss. In particular, the Group's reserves consist of the reserve capitals of the Parent Company and the subsidiary – Elektrociepłownia Będzin Sp. z o. o.

Retained earnings

This item includes undistributed profits and losses from previous years and adjustments resulting from the determination of the estimated cost of tangible non-current assets (at fair value) at the moment of transition to IFRS.

Capital from remeasurements of defined benefits

The capital comprises mainly actuarial gains/losses recognised in other comprehensive income due to revaluation of provisions for employee benefits (defined benefit plan).

29. Earnings per share

Basic earnings per share are calculated by dividing net profit for the given period, attributable to ordinary shareholders of the Parent Company, by the weighted average number of ordinary shares issued during the period.

There were no dilutive factors in the period covered by this consolidated financial statement, as well as in the prior year; therefore, basic earnings per share are equal to diluted earnings per share.

	31.12.2020	31.12.2019
Liczba akcji na początek okresu	3 149 200	3 149 200
Liczba akcji na koniec okresu	3 149 200	3 149 200
Średnia ważona liczba wyemitowanych akcji	3 149 200	3 149 200

	31.12.2020	31.12.2019
Zysk netto przypadający na akcjonariuszy Jednostki dominującej (tys. zł)	(69 612)	(104 879)
Liczba akcji	3 149 200	3 149 200
Podstawowy zysk na akcje (zł/akcje)	(22,1)	(33,3)

30. Liabilities under credits, loans, and other debt instruments

The note presents data on the Group's liabilities under credits, loans, and other debt instruments measured at amortised cost. See Note 35.2 for information on the Group's exposure to foreign exchange risk, interest rate risk and liquidity risk.

Zobowiązania z tytułu kredytów, pożyczek oraz innych instrumentów dłużnych	31.12.2020	31.12.2019
Zobowiązania długoterminowe		
Kredyty i pożyczki	15 549	30 573
Zobowiązania z tytułu IRS	432	282
Zobowiązania z tytułu dłużnych papierów wartościowych	16 427	16 425
Zobowiązania z tytułu leasingu finansowego	4 064	4 465
	36 472	51 745
- w tym od jednostek powiązanych	-	-

	31.12.2020	31.12.2019
Zobowiązania krótkoterminowe		
Kredyty i pożyczki	186 993	241 842
Zobowiązania z tytułu dłużnych papierów wartościowych	7 203	6 731
Subwencja z PFR	3 500	
Zobowiązania z tytułu leasingu finansowego	821	1 123
	198 517	249 696
- w tym od jednostek powiązanych	-	-

Both the short- and long-term part of credits and loans relate mainly to liabilities financing the operations of Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A.

As of 31 December 2020, credits and loans included credits granted by financial institutions and loans denominated in PLN and based on the WIBOR variable interest rate, as well as the financing institution's margin. The average nominal interest rate as of 31 December 2020 was 3.03%.

Finance lease liabilities concern four finance lease agreements secured by leased assets and granted by SGB Leasing Sp. z o.o. and ProMobil Fleet Sp. z o.o. with a final repayment period from 2023 until 2025. The average nominal interest rate of these contracts as of 31 December 2020 was 5.0%.

Leased assets, receivables under leases, receivables under loans, trade receivables and tangible non-current assets are pledged as collateral for loans and borrowings. See Note 35.2 for information on exposure to credit risk, interest rate risk, currency risk and liquidity risk.

During the reporting period, due to the insolvency of Energo-Utech S.A. indicated in the application for the accelerated arrangement proceedings, there occurred a breach of the terms and conditions of credit agreements

concluded with the banks financing the company's activity, i.e. mBank S.A., PEKAO SA, Alior, Santander Bank Polska, BS Gliwice, BGK, PBS, due to the deterioration of the financial and property position. A breach of this condition allows banks to terminate credit agreements.

Additionally, the financial ratios agreed upon with the banks were not met, i.e.:

a) PKO BP :

sales profit/interest expense ratio of no less than 1.05%,

equity/liability ratio of no less than 10%,

current ratio of no less than 1.0,

The ratios referred to above are calculated and verified based on financial data for the last 4 (say: four) quarters before the audit date.

If the value of any of the ratios is exceeded, the Borrower will be obliged to establish additional collateral for PKO BP SA receivables by paying PLN 1,000,000 to the account of PKO BP SA. The payment will apply once in case of a breach of any of the terms and conditions and will secure all binding credit agreements concluded by PKO BP SA with the Borrower.

b) mBank:

a current ratio, calculated according to the following formula: (inventories – non-transferable inventories + short-term receivables – bad debts – receivables claimed in court + short-term investments)/(short-term liabilities to affiliated companies and other parties, excluding special funds), of no less than 1.0

a ratio (EBIT + depreciation and amortisation)/interest, where EBIT is construed as the sum of net profit (loss), income tax and interest, of no less than 1.35

equity/assets ratio of no less than 6.0%

The indicated financial ratios are verified based on financial data extracted from the financial statements.

A breach of financial ratios entitles the Bank to change the margin.

c) Santander Bank Polska:

- maintaining the NPL ratio (i.e. the share of receivables arising from lease agreements, to which the Client is a party as a lessor and for which there are outstanding instalments 60 days past their due date, to the total value of the leasing portfolio) at a level no higher than 3.0%.
- maintaining the gross profitability index (i.e. a financial ratio expressed as follows: gross result/net sales revenue) of no less than 8.0%;
- allocating at least 50% of the generated net profit to equity increases.

Per the agreement, the above indicators will be verified annually based on the Customer's individual data. Under the agreement, failure to meet the above obligations entitles the Bank to undertake such actions as changing the loan interest rate by changing the Bank's margin; this includes doing so for each of the obligations not met – in certain cases.

The bank increased the margin by 0.4% for one of the loan agreements and by 0.6% for the remaining four agreements.

d) PEKAO SA:

Debt Service Ratio:

– the Borrower shall ensure that, with respect to the calculation period, the lessee's debt service ratio at each calculation date is no less than 1.1x,

– the first review of the debt service ratio will be conducted for the calculation period ending 31 December 2018;

Net Financial Debt to EBITDA Ratio:

– the Borrower shall ensure that, with respect to the calculation period, the lessee's ratio of Net Financial Debt to EBITDA on any calculation date does not exceed 2.75x,

– the first review of the Net Financial Debt ratio will be conducted for the calculation period ending 31 December 2014;

The Lessee shall not be entitled to pay any Dividend except:

- Dividend payments not exceeding 50% of the net profit for a given fiscal year when all of the following conditions are met:
 - the Project has been completed, as evidenced by the Final Reports,
 - the ratio of Net Financial Debt to EDITDA will not exceed 2.0x, both before and after such payment,
 - the Debt Service Ratio will be no less than 1.2x, both immediately before and immediately after such payment, and
 - there is no breach in progress at the time of payment and no breach will not occur as a result of such payment; or
- Dividend payments to cover operating costs of EC Będzin SA and payments related to the cost of services provided by EC Będzin SA to the lessee, up to the amount not exceeding PLN 1,000,000 (one million PLN) gross per year, provided that no breach is in progress at the time of payment and no breach will not occur as a result of such payment.

Under the credit agreement with Pekao SA for financing investment projects of Elektrociepłownia Będzin Sp. z o.o., due to the breach of covenants related to the payment of dividend and Debt Service, the Bank applied a sanction stipulated in the credit agreement in the form of a 2 percentage point increase in the interest rate, as well as the establishment of additional security (deposit) in the amount of PLN 2,000,000. The interest rate increased by 2 percentage points is in effect since 9 April 2019.

Financial terms in the bond and notes issuance agreement (debt securities)

The Group has liabilities in the amount of PLN 16,200 thousand resulting from issued bonds, as well as interest accrued as of the balance sheet date in the amount of PLN 227 thousand. The liabilities resulting from the bonds issued is long-term in nature, with a maturity date of April 2022. The Group's management has reviewed the conditions for maintaining this financing as a long-term commitment in the bond and note issuance agreement and considered them to be satisfied, subject to the uncertainties outlined below.

Under Section 23.1.17, the following situation shall constitute a breach of terms and conditions of the agreement: "there occurs a loss of Issuer's balance sheet assets of significant value or gratuitous disposal of such assets, with such loss or gratuitous disposal of assets of significant value potentially having a material adverse effect on the financial position of the Issuer and its ability to perform or discharge its obligations under the Bonds. 'Assets of significant value' shall be construed as assets representing at least 10% of the Issuer's total equity".

Group's Management Board believes that this condition is met regardless of the uncertainty associated with the imprecise contractual provision. According to the Management Board, despite the impairment of assets amounting to more than 10% of the balance sheet total, the second part of this condition is important, which states that the impairment would have to negatively affect the ability to meet the liabilities arising in connection with the bonds. The Management Board believes that as a result of the actions taken (mainly the sale of tangible assets in the parent company under one of the lease agreements), sufficient funds have been secured to timely meet the interest obligations resulting from the bonds, whereas the debenture stock will be repaid in 2022 through the sale of shares in the Elektrociepłownia Będzin S.A. subsidiary. Therefore, the loss incurred during the fiscal year does not affect the ability to fulfil liabilities and the condition itself is not breached.

The bonds and notes are secured by a registered pledge on shares of Energo-Utech S.A., which will be released upon repayment of the bonds and notes.

31. Liabilities under employee benefits

Zmiany wartości bieżącej zobowiązania z tytułu określonych świadczeń	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Zobowiązanie z tytułu określonych świadczeń na początek okresu	4 613	4 584
Koszty bieżącego zatrudnienia	134	128
Koszty odsetek	80	103
Przeszacowanie zobowiązań z tytułu programu określonych świadczeń rozpoznane w innych całkowitych dochodach	(39)	211
Wypłacone świadczenia	(455)	(413)
Zobowiązanie z tytułu określonych świadczeń na koniec okresu	4 333	4 613

Zmiany wartości bieżącej zobowiązania z tytułu innych świadczeń pracowniczych	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Zobowiązanie z tytułu innych świadczeń pracowniczych na początek okresu	4 090	4 638
Koszty bieżącego zatrudnienia	1 356	2 415
Koszty odsetek	55	73
Przeszacowanie zobowiązań z tytułu innych świadczeń pracowniczych rozpoznane w zysku lub stracie bieżącego okresu	274	236
Wypłacone świadczenia	(1 701)	(2 960)
Rozwiązanie	(335)	(312)
Zobowiązanie z tytułu innych świadczeń pracowniczych na koniec okresu	3 739	4 090

Defined benefit obligations include provisions for retirement severance pay, disability benefits, posthumous benefits and Company Social Benefits Fund write-downs. The legal basis for the above provisions is the remuneration regulations, the Labour Code and IAS 19 rules.

Actuarial assumptions

Primary actuarial assumptions used at the reporting date (expressed as weighted average values):

	Year ended 31 December 2020	Year Ended 31 December 2019
Discount rate as of 31 December	2.0%	2.0%
Future remuneration growth	5.0%	5.0%

Assumptions about future mortality are based on published statistics and mortality tables

Zmiana stanu zobowiązań z tyt. świadczeń pracowniczych	Nagrody jubileuszowe	Odprawy emerytalne i rentowe	Pozostałe zobowiązania	Razem
Stan na 01.01.2020	2 621	3 628	2 454	8 703
Utworzenie	167	198	1 236	1 601
Wykorzystanie	(355)	(476)	(1 325)	(2 156)
Rozwiązanie	274	(13)	(298)	(37)
Przeszacowanie rezerw ujęte w innych całkowitych dochodach	-	(26)	(13)	(39)
Stan na 31.12.2020	2 707	3 311	2 054	8 072
- rezerwy długoterminowe	2 413	2 742	397	5 552
- rezerwy krótkoterminowe	379	569	1 572	2 520

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Zmiana stanu zobowiązań z tyt. świadczeń pracowniczych	Nagrody jubileuszowe	Odprawy emerytalne i rentowe	Pozostałe zobowiązania	Razem
Stan na 01.01.2019	2 741	3 619	2 862	9 222
Utworzenie	189	211	2 282	2 682
Wykorzystanie	(545)	(403)	(2 343)	(3 291)
Rozwiązanie	236	(26)	(331)	(121)
Przeszacowanie rezerw ujęte w innych całkowitych dochodach	-	227	(16)	211
Stan na 31.12.2019	2 621	3 628	2 454	8 703
- rezerwy długoterminowe	2 407	2 944	391	5 742
- rezerwy krótkoterminowe	299	684	1 978	2 961

Liabilities listed in the "other liabilities" section include provisions for posthumous benefits, provisions for the Company Social Benefits Fund, provisions for unused annual leaves, as well as provisions for annual bonuses for the employees and Management Board of the Parent Company and subsidiaries.

Okres Wypląty	Odprawy emerytalne	Odprawy rentowe	Nagrody jubileuszowe	Odprawy pośmiertne	Suma
2020	647 015	16 795	297 632	30 250	991 692
2021	323 261	14 881	262 701	26 967	627 810
2022	154 452	15 077	325 379	26 385	521 293
2023	225 982	14 774	161 557	25 475	427 788
2024	0	15 864	195 865	27 731	239 460
Pozostała część	1 912 979	191 514	1 461 927	284 623	3 851 043
Razem	3 263 689	268 905	2 705 061	421 431	6 659 086

32. Trade liabilities and other liabilities

Zobowiązania handlowe oraz pozostałe zobowiązania	31.12.2020	31.12.2019
Inne zobowiązania wobec jednostek powiązanych	-	-
Zobowiązania handlowe wobec jednostek niepowiązanych	29 000	14 656
Zobowiązania z tytułu podatków, ceł i ubezpieczeń społecznych	4 759	4 508
Zobowiązania z tytułu wynagrodzeń	406	442
Przychody przysługujące okresów	20	96
Inne zobowiązania	2 535	9 596
Zobowiązania handlowe oraz pozostałe zobowiązania razem	36 720	29 298
- część długoterminowa	502	506
- część krótkoterminowa	36 218	28 792

See Note 35.2 for information on the exposure to liquidity risk in relation to liabilities.

33. Provisions

Rezerwy	Rezerwa na prawa do emisji CO2	Pozostałe rezerwy	Ogółem
Wartość na 01.01.2020	60 257	139	60 396
Utworzenie	83 494	140	83 634
Wykorzystanie	(60 236)	(160)	(60 396)
Wartość na 31.12.2020	83 494	140	83 634
-część krótkoterminowa	83 494	140	83 634

Rezerwy	Rezerwa na prawa do emisji CO2	Pozostałe rezerwy	Ogółem
Wartość na 01.01.2019	46 306	242	46 548
Utworzenie	60 257	139	60 396
Wykorzystanie	(46 306)	(242)	(46 548)
Rozwiązanie			-
Zmiana klasyfikacji			-
Wartość na 31.12.2019	60 257	139	60 396
-część krótkoterminowa	60 257	139	60 396

Provisions for CO₂ emission allowances

This provision is made for liabilities arising from emissions to air, which are measured as the product of the number of emission allowances required to be redeemed and the unit cost of the emission allowances held by the Group and due at the balance sheet date. The unit cost of allowances to cover the estimated emissions is calculated using the FIFO method. The Group of Companies is required to redeem the appropriate amount of emission allowances until April of the following year.

Other provisions

This item concerns provisions for liabilities related to the Group's core business. In previous years, the Group had a provision for eliminating the effects of the licensed activity – decommissioning the WP-120 water boiler No. 9 and No. 8. The provision was subject to update on the balance sheet date based on the cost estimate prepared by an external service provider carrying out the decommissioning work.

34. Grants

In 2019, the Group charged to other operating income a grant of PLN 439 thousand received in connection with the implementation of an R&D project financed from ERDF funds within the framework of the Regional Operational Programme of the Voivodeship of Silesia 2014-2020.

In 2019, the energy sector Company, in connection with the free allocation of CO₂ emission allowances, recognised grants amounting to PLN 5,889 thousand which it settled in the profit or loss for the same year.

In 2020, the energy sector Company was granted a loan of PLN 3.5 million from the Polish Development Fund. After it has met certain requirements, the Company will be able to include 80% of the loan in the grant category. The company has also applied for funding of PLN 573 thousand from the District Job Agency in the form of a supplement to employee salaries. This amount has been indicated in the Profit and Loss Account.

35. Capital Management

The management of capital risk by the Group of Companies aims to maintain the possibility to continue operations so as to provide benefits to its shareholders and other entities related to its operations and maintain the optimal capital structure.

The Group of companies identifies the following capital-related items under this heading:

Kapitały własne	31.12.2020	31.12.2019
Kapitał zakładowy	37 728	37 728
Kapitał zapasowy	67 613	67 613
Kapitał rezerwowy	44 843	44 843
Zyski zatrzymane	(153 883)	(84 271)
	(3 699)	65 913

Subsidiaries are responsible for maintaining at least positive equity.

The Group of companies does not identify external factors that would affect the management of capitals, except for requirements with regard to minimal share capital set out in the Commercial Companies Code.

At the same time, pursuant to the Commercial Companies Code, reserve capital should be maintained at the level of one-third of the share capital. The capital reserve of the Parent company, as at 31 December 2020, has reached the required level.

35.1 Categories and classes of financial instruments

Aktywa finansowe wyceniane w zamortyzowanym koszcie	31.12.2020	31.12.2019
Pożyczki, faktoring	20 443	35 719
Pozostałe należności	14 230	18 844
Środki pieniężne i ich ekwiwalenty	27 528	8 189
	62 201	62 752

Wykazywane w sprawozdaniu z sytuacji finansowej jako:

Należności handlowe oraz pozostałe	14 230	18 844
Środki pieniężne i ich ekwiwalenty	27 528	8 189
Udzielone pożyczki	20 443	35 719
	62 201	62 752

Zobowiązania finansowe	31.12.2020	31.12.2019
Wyceniane metodą zamortyzowanego kosztu	266 950	326 231
	266 950	326 231

Wykazywane w sprawozdaniu z sytuacji finansowej jako:

Zobowiązania długoterminowe z tytułu kredytów, pożyczek oraz innych instrumentów dłużnych	36 472	51 745
Zobowiązania krótkoterminowe z tytułu kredytów, pożyczek oraz innych instrumentów dłużnych	198 517	249 696
Zobowiązania handlowe oraz pozostałe	31 961	24 790
	266 950	326 231

Some of the financial liabilities finance the tangible non-current assets of the Group's operating companies.

35.2 Financial risk management

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

Credit risk

Credit risk is the risk of financial loss to the Group of companies in case a party to a financial instrument fails to meet its contractual obligations. Credit risk is primarily associated with trade receivables, loans granted and receivables under lease contract. The objective of risk management is to maintain a stable and balanced receivables portfolio in terms of quality and value. The policy of ongoing monitoring of customers applied by the Group of Companies in this respect allows for the identification of credit risk both at the stage of bidding and during the execution of contracts.

As the Group of Companies enters into a limited number of contracts during the year and as the Group's customers are mainly enterprises, the credit risk is analysed individually for each customer. To minimise credit risk, each new customer is evaluated for creditworthiness before signing a loan or lease contract.

Leased assets are insured with the assignment of rights under the policies to the Group of Companies. The use of collateral significantly reduces the risk of customers defaulting on their finance leases.

With respect to the concluded lease contracts, the Group of Companies undertakes the following actions to monitor, on an ongoing and periodical basis, the financial position of its customers and the level of credit risk:

- periodical analysis of the economic and financial standing of the customer on the basis of financial documents in the form of balance sheet and profit and loss account or F-01 together with information about the amount of liabilities and overdue receivables (every quarter by the 25th day of the month following the month ending the quarter),
- annual evaluation of the customers' financial standing on the basis of annual final financial documents in the form of a balance sheet and a profit and loss account, together with an auditor's opinion and report, if the company is subject to audit, and information on the amount of liabilities and overdue receivables (by May 31st of each year at the latest for the previous year),
- on request of Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO- UTECH S.A., submitting financial forecast for a 5-year period, information on incurred financial liabilities (credits, leases, etc.), opinion of a bank holding the primary account and a certificate of lack of arrears in payments to the Social Insurance Institution (ZUS) and the Tax Office.

In the event of delays in the receipt of receivables from customers, the following actions are taken, however, the scope of actions taken with respect to individual customers may vary depending on the amount and the number of days of overdue: telephone contact, a written payment request, a written final demand for payment, ordering for debt collection in a law firm, negotiations with the customer to establish additional collaterals for the transaction.

The Group of Companies records an allowance for expected losses on leases and loans granted for healthy receivables (to the extent applicable) and when the following conditions occur:

- delays in repayment of debts (level 2 and 3)
- periodic analysis of the financial position indicates a significant risk of customer insolvency (stage 2).

The amount of the write-downs is determined individually for each customer. Cash flows calculated to estimate the impairment of receivables are estimated based on:

- expected losses prior to the occurrence of impairment;

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- amount of expected revenue from the customer,
- probability of receivable recovery,
- collateral value.

Due to the specificity of the lease receivable portfolio, the Group of Companies does not collectively assess credit risk.

Transactions with affiliated entities have been further collateralised with:

- assignment of receivables from a settlement with an unaffiliated entity (EU Piekarnie),
- establishment of a mortgage on the property, in the amount of 150% of the transaction amount.

Credit risk in respect of financial asset categories (excluding collaterals held)

	31.12.2020	31.12.2019
Aktywa finansowe, w tym:	62 201	62 752
<i>udzielone pożyczki i faktoring</i>	20 443	35 719
<i>należności handlowe oraz pozostałe</i>	14 230	18 844
<i>środki pieniężne i ich ekwiwalenty</i>	27 528	8 189
	62 201	62 752

Collateral established for the Group of Companies

The lessee is obliged to establish a collateral in the form of a blank bill of exchange with a bill of exchange agreement, a mortgage, a surety, an assignment of receivables or a deposit.

Credit risk concentration associated with leases by location

	31.12.2020	31.12.2019
Polska	121 957	187 716
	121 957	187 716

Credit risk concentration associated with leases by industry

	31.12.2020	31.12.2019
Transport kolejowy	70 750	81 189
Przemysł spożywczy	9 624	11 879
Energetyka	9 065	50 607
Pozostałe	32 518	44 041
	121 957	187 716

Credit risk concentration associated with leases by largest exposure

	31.12.2020	31.12.2019
Klient A	17 137	21 263
Klient B	17 079	21 086
Klient C	11 779	18 678
Klient D	8 114	15 780
Klient E	5 539	14 538
Pozostali	62 309	96 371
	121 957	187 716

As of 31 December 2020, The Group has estimated increased credit risk to selected counterparties as described in Note 22.

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Należności handlowe 31.12.2020	Wskaźnik niewykonania zobowiązania	Wartość brutto	Odpis aktualizujący	Wartość netto
Saldo na początek okresu		14 809	178	14 631
Nieprzeterecinowane		9 881	-	9 881
Przeterecinowane 1-30 dni		-	-	-
Przeterecinowane 31-60 dni		-	-	-
Przeterecinowane 61-180 dni		-	-	-
Przeterecinowane 180 do roku		-	-	-
Przeterecinowane powyżej roku		107	107	-
Stan na koniec okresu		9 988	107	9 881

Należności handlowe 31.12.2019	Wskaźnik niewykonania zobowiązania	Wartość brutto	Odpis aktualizujący	Wartość netto
Saldo na początek okresu		21 413	845	20 568
Nieprzeterecinowane		14 624	-	14 624
Przeterecinowane 1-30 dni		4	4	-
Przeterecinowane 31-60 dni		-	-	-
Przeterecinowane 61-180 dni		7	-	7
Przeterecinowane 180 do roku		165	165	-
Przeterecinowane powyżej roku		9	9	-
Stan na koniec okresu		14 809	178	14 631

Impairment of financial assets

The classification of financial assets measured at amortised cost into the various levels of impairment is presented below:

	MSSF 9 31.12.2020				MSSF 9 31.12.2019			
	Stopień 1	Stopień 2	Stopień 3	Razem	Stopień 1	Stopień 2	Stopień 3	Razem
Wartość bilansowa brutto	61 979	31 209	105 939	199 127	169 146	22 842	93 257	285 245
Należności handlowe	14 378		98	14 476	18 457	23	147	18 627
Należności leasingowe	30 289	31 209	99 400	160 898	118 688	22 095	85 919	226 702
Udzielone pożyczki	17 312		6 441	23 753	32 001	724	7 191	39 916
Środki pieniężne i ich ekwiwalenty				-				-
Odpisy aktualizujące	(431)	(211)	(41 804)	(42 446)	(2 160)	(179)	(40 975)	(43 314)
Należności handlowe	(97)		(98)	(195)	(86)	(1)	(44)	(131)
Należności leasingowe	(101)	(211)	(38 629)	(38 941)	(1 737)	(47)	(37 202)	(38 986)
Udzielone pożyczki	(233)		(3 077)	(3 310)	(337)	(131)	(3 729)	(4 197)
Środki pieniężne i ich ekwiwalenty				-				-
Wartość bilansowa	61 548	30 998	64 135	156 681	166 986	22 663	52 282	241 931

The change in trade, lease and loans receivables by level is presented below:

	Należności handlowe 31.12.2020			
	Stopień 1	Stopień 2	Stopień 3	Razem
Saldo na początek okresu	18 457	23	147	18 627
Transfer do Stopnia 1				-
Transfer do Stopnia 2				-
Transfer do Stopnia 3				-
Zmiany z tytułu nabycia lub wydzielenia				-
Zmiany w ekspozycji istniejącego portfela	(4 079)	(23)	(49)	(4 151)
Zmiany z tytułu wyłączenia z bilansu inne niż spisania				-
Spisania				-
Inne				-
Stan na koniec okresu	14 378	-	98	14 476

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	Należności leasingowe 31.12.2020			
	Stopień 1	Stopień 2	Stopień 3	Razem
Saldo na początek okresu	118 688	22 095	85 919	226 702
Transfer do Stopnia 1	5 637	(2 530)	(3 107)	-
Transfer do Stopnia 2	(5 539)	17 318	(11 779)	-
Transfer do Stopnia 3		(210)	210	-
Zmiany z tytułu nabycia lub wydzielenia				-
Zmiany w ekspozycji istniejącego portfela	(88 497)	(5 464)	28 157	(65 804)
Zmiany z tytułu wyłączenia z bilansu inne niż spisania				-
Spisania				-
Inne				-
Stan na koniec okresu	30 289	31 209	99 400	160 898

	Należności z tytułu pożyczek 31.12.2020			
	Stopień 1	Stopień 2	Stopień 3	Razem
Saldo na początek okresu	32 001	724	7 191	39 916
Transfer do Stopnia 1			(9 860)	(9 860)
Transfer do Stopnia 2				-
Transfer do Stopnia 3				-
Zmiany z tytułu nabycia lub wydzielenia				-
Zmiany w ekspozycji istniejącego portfela	(14 689)	(724)	9 110	(6 303)
Zmiany z tytułu wyłączenia z bilansu inne niż spisania				-
Spisania				-
Inne				-
Stan na koniec okresu	17 312	-	6 441	23 753

A reconciliation of the allowance for trade, lease and loan receivables as of 31 December 2019 and 31 December 2020 to the opening balances, by Level, is as follows:

	Należności handlowe					
	31.12.2020			31.12.2019		
	Stopień 1	Stopień 2	Stopień 3	Stopień 1	Stopień 2	Stopień 3
Saldo otwarcia odpisów aktualizujących na 01.01.2020	(86)	(1)	(44)			
Odpisy aktualizujące ujęte w wyniku finansowym			(98)			
Odwrocenie niewykorzystanych odpisów						
Należności spisane jako nieściągalne	86	1	44			
Bilans zamknięcia	-	-	(98)	-	-	-
Saldo otwarcia odpisów aktualizujących na 01.01.2019				(64)		(13)
Odpisy aktualizujące ujęte w wyniku finansowym				(22)	(1)	(31)
Odwrocenie niewykorzystanych odpisów						
Należności spisane jako nieściągalne						
Bilans zamknięcia				(86)	(1)	(44)

	Należności leasingowe					
	31.12.2020			31.12.2019		
	Stopień 1	Stopień 2	Stopień 3	Stopień 1	Stopień 2	Stopień 3
Saldo otwarcia odpisów aktualizujących na 01.01.2020	(1 737)	(474)	(36 775)			
Odpisy aktualizujące ujęte w wyniku finansowym	1 636	263	(1 854)			
Odwrocenie niewykorzystanych odpisów						
Należności spisane jako nieściągalne						
Bilans zamknięcia	(101)	(211)	(38 629)			
Saldo otwarcia odpisów aktualizujących na 01.01.2019				(554)	(427)	(1 980)
Odpisy aktualizujące ujęte w wyniku finansowym				(1 183)	(47)	(35 569)
Odwrocenie niewykorzystanych odpisów						774
Należności spisane jako nieściągalne						
Bilans zamknięcia				(1 737)	(474)	(36 775)

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	Pożyczki					
	31.12.2020				31.12.2019	
	Stopeń 1	Stopeń 2	Stopeń 3	Stopeń 1	Stopeń 2	Stopeń 3
Saldo otwarcia odpisów aktualizujących na 01.01.2020	(337)	(131)	(3 729)			
Odpisy aktualizujące ujęte w wyniku finansowym	104	131	652			
Odwrocenie niewykorzystanych odpisów						
Należności spisane jako nieściągalne						
Bilans zamknięcia	(233)	-	(3 077)			
Saldo otwarcia odpisów aktualizujących na 01.01.2019				(163)		
Odpisy aktualizujące ujęte w wyniku finansowym				(174)	(131)	(3 729)
Odwrocenie niewykorzystanych odpisów						
Należności spisane jako nieściągalne						
Bilans zamknięcia				(337)	(131)	(3 729)

Odpisy aktualizujące wartość należności

BO 31.12.2019, w tym	43 314
należności handlowe	131
należności leasingowe	38 986
należności z tytułu pożyczek	4 197
Zwiększenia odpisów, w tym	2 005
należności handlowe	151
należności leasingowe	1 854
należności z tytułu pożyczek	-
Zmniejszenia odpisów, w tym	2 873
należności handlowe	87
należności leasingowe	1 899
należności z tytułu pożyczek	887
BZ 31.12.2020, w tym	42 446
należności handlowe	195
należności leasingowe	38 941
należności z tytułu pożyczek	3 310

Liquidity risk

Liquidity risk is defined as the risk that the Group of Companies shall not be able to meet its financial obligations with cash or other financial assets. The objective of the Group's liquidity management is to ensure that the Group of Companies has sufficient capacity to meet its required liabilities, both in normal and emergency situations, without unnecessarily exposing the Group of Companies to losses or reputational damage.

The basic liquidity management tool is the policy of concluding financing contracts under finance leases with payment dates as close as possible to the lease contract payment dates. In this way, the Group of Companies ensures that funds are received when financial liabilities become due.

Due to the projected negative cash flows, ETF-L ENERGO-UTECH S.A. applied accelerated arrangement proceedings. As such, it is protected vis-à-vis creditors until an arrangement is concluded. The continuation of the Company's operations is subject to the conclusion of the arrangement. Detailed assumptions are described in the introduction to the financial statements.

Liquidity management in the case of Elektrociepłownia Będzin S.A primarily consists in the prolongation of loan repayments, which are to be covered by proceeds from the sale of the power asset expected in the first half of 2022, assuming that the negotiations to obtain external financing for the purchase and redemption of CO2 emission rights are completed by 30 April 2021.

In the case of Elektrociepłownia Będzin Sp. z o.o., due to a significant financial burden resulting from the need to purchase and redeem CO2 certificates, the liquidity issue is described in more detail in section 7.4.4.

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	Wartość bieżąca	Przepływy pieniężne wynikające z umowy, ogółem	Do 1 miesiąca	Od 1 do 3 miesięcy	Od 3 miesięcy do roku	Od roku do 5 lat	Powyżej do 5 lat
Na dzień 31.12.2020							
Aktywa finansowe:	184 158	104 821	58 118	7 124	32 312	4 253	3 014
<i>należności z tytułu umów leasingu</i>	121 957	58 224	19 240	6 849	29 121	-	3 014
<i>udzielone pożyczki</i>	20 443	4 784	1 318	275	3 191	-	-
<i>należności handlowe oraz pozostałe</i>	14 230	14 285	10 032	-	-	4 253	-
<i>środki pieniężne i ich ekwiwalenty</i>	27 528	27 528	27 528	-	-	-	-
Pozostałe zobowiązania finansowe, w tym:	(350 584)	(411 062)	(79 088)	(14 074)	(138 989)	(169 161)	(9 750)
<i>zobowiązania z tytułu kredytów i pożyczek</i>	(230 104)	(284 367)	(48 746)	(13 940)	(54 544)	(157 387)	(9 750)
<i>zobowiązania z tytułu leasingu</i>	(4 885)	(5 162)	(67)	(134)	(605)	(4 356)	-
<i>pozostałe zobowiązania i rezerwy krótkoterminowe</i>	(115 595)	(121 533)	(30 275)	-	(83 840)	(7 418)	-
	(166 426)	(306 241)	(20 970)	(6 950)	(106 677)	(164 908)	(6 736)

	Wartość bieżąca	Przepływy pieniężne wynikające z umowy, ogółem	Do 1 miesiąca	Od 1 do 3 miesięcy	Od 3 miesięcy do roku	Od roku do 5 lat	Powyżej do 5 lat
Na dzień 31.12.2019							
Aktywa finansowe:	258 750	286 842	57 531	33 899	40 264	142 529	12 619
<i>należności z tytułu umów leasingu</i>	187 716	215 051	4 536	33 899	38 925	125 072	12 619
<i>udzielone pożyczki</i>	35 719	34 413	13 866	-	6 776	13 771	-
<i>pozostałe należności</i>	18 496	20 559	16 873	-	-	3 686	-
<i>środki pieniężne i ich ekwiwalenty</i>	16 819	16 819	22 256	-	(5 437)	-	-
Pozostałe zobowiązania finansowe, w tym:	(386 627)	(403 570)	(29 420)	(15 528)	(155 073)	(190 335)	(18 772)
<i>zobowiązania z tytułu kredytów i pożyczek</i>	(295 883)	(312 268)	(10 638)	(15 233)	(87 585)	(185 598)	(18 772)
<i>zobowiązania z tytułu leasingu</i>	(5 558)	(5 558)	(112)	(223)	(1 006)	(4 217)	-
<i>pozostałe zobowiązania i rezerwy krótkoterminowe</i>	(85 186)	(85 744)	(18 670)	(72)	(66 482)	(520)	-
	(127 877)	(116 728)	28 111	18 371	(114 809)	(47 806)	(6 153)

The contractual cash flow was based on interest rates in effect as of 31 December 2020 and 31 December 2019, respectively.

The Group of Companies does not expect the expected cash flows included in the maturity analysis to occur significantly earlier or in significantly different amounts.

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

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

Interest rate risk

Interest rate risk relates primarily to cash and cash equivalents, financial assets, bank loans and credits, and lease agreements.

The Group of Companies primarily offers customers variable interest rate products, with the interest rate changes dependent on base rate changes. The base rate is the reference interbank deposit rate (WIBOR).

The Group of Companies generally does not enter into fixed interest rate finance leases.

Therefore, the primary risk for the Group of Companies is exposure to cash flow volatility due to changes in the reference rate. The Group of Companies minimises interest rate risk by refinancing each of its leases with a bank, with the interest rate on the financial liability used to finance the lease being based on the same base rate. As a result, changes in cash flow on leases due to changes in base rates are balanced by corresponding changes in cash flow on financial liabilities.

Structure of the interest-bearing financial instruments

	31.12.2020	31.12.2019
Instrumenty o zmiennej stopie procentowej		
Aktywa finansowe, w tym:	169 928	231 624
<i>należności z tytułu umów leasingu</i>	121 957	187 716
<i>udzielone pożyczki i faktoring</i>	20 443	35 719
<i>środki pieniężne i ich ekwiwalenty</i>	27 528	8 189
Pozostałe zobowiązania finansowe, w tym:	(233 406)	8 791
<i>zobowiązania z tytułu kredytów, pożyczek i pozostałych instrumentów dłużnych</i>	(233 406)	8 791
	<u>(63 478)</u>	<u>240 415</u>
Instrumenty o stałej stopie procentowej		
Aktywa finansowe, w tym:	14 230	18 844
<i>należności handlowe oraz pozostałe</i>	14 230	18 844
Pozostałe zobowiązania finansowe, w tym:	(33 544)	(33 581)
<i>zobowiązania z tytułu kredytów, pożyczek i pozostałych instrumentów dłużnych</i>	(1 583)	(8 791)
<i>pozostałe zobowiązania</i>	(31 961)	(24 790)
	<u>(19 314)</u>	<u>(14 737)</u>

Assets and liabilities based on a variable interest rate

	31.12.2020	31.12.2019
Aktywa		
Należności i pożyczki oparte na WIBOR	142 400	223 435
	<u>142 400</u>	<u>223 435</u>
Zobowiązania		
Zobowiązania oparte na WIBOR	(233 406)	8 791
	<u>(233 406)</u>	<u>8 791</u>
Luka		
Należności (- zobowiązania) oparte na WIBOR	(91 006)	232 226
	<u>(91 006)</u>	<u>232 226</u>

Sensitivity analysis of cash flows of instruments with variable interest rates

A 100 basis point change in the interest rate would decrease shareholders' equity and pre-tax profit by PLN 393 thousand. The following analysis is based on the assumption that other variables will remain constant.

	Kapitał własny bez zysku lub straty bieżącego okresu	Zysk lub strata bieżącego okresu
31.12.2020		
WIBOR (wzrost o 100 pb)		(635)
31.12.2019		
WIBOR (wzrost o 100 pb)		2 404

Assets and liabilities based on a fixed interest rate

	31.12.2020	31.12.2019
Aktywa		
Należności w PLN	14 230	18 844
	14 230	18 844
Zobowiązania		
Zobowiązania w PLN	(33 544)	(33 581)
	(33 544)	(33 581)
Luka		
Należności (- zobowiązania) w PLN	(19 314)	(14 737)
	(19 314)	(14 737)

Selling price risk

The process of negotiating and pricing the Group's products at optimal levels is supported by appropriate policies, organisational structure and procedures and risk management activities.

Electricity price is affected by many factors, including but not limited to market and regulatory ones. The following are the main factors affecting energy prices at the national level:

- production fuel costs,
- CO₂ emission allowance purchase cost,
- the amount of energy generated from RES,
- investments in the modernisation of generating units, related to environmental protection requirements,
- investments in new generating capacity and replacing old, worn-out generating units,
- investments in the distribution system.

Strategic cost risk

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

According to Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community, new rules for the allocation of free CO₂ emission allowances applied in the 2013-2020 settlement period. The above period saw a decrease in the amount of free CO₂ emission allowances compared to the 2005-2012 period. The amount of free allowances granted to heat generating installations is reduced every year, with 2020 set to be the last year with free allowances. Free allowance allocations are insufficient to account for all CO₂ emissions, which requires purchasing additional allowances on the free market. This results in the fluctuation of CO₂ emission allowance prices.

36. Fair value of financial instruments

The fair value of financial instruments for which no active market exists is determined using appropriate valuation techniques. The Group uses professional judgment when selecting appropriate methods and assumptions.

Pochodne instrumenty finansowe wyznaczone w ramach powiązań zabezpieczających-zabezpieczenie przepływów pieniężnych, w tym:	Wartość bilansowa		Wartość godziwa	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Swapy stopy procentowej	(432)	(282)	(432)	(282)
Razem	(432)	(282)	(432)	(282)

37. Explanations to the statement of cash flow

Reasons for differences between balance sheet changes in certain items and changes arising from the statement of cash flow

Zmiana stanu należności z tytułu umów leasingu	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Zmiana stanu należności z tytułu umów leasingu wymikająca z bilansu	65 759	113 277
Korekta należności z tytułu umów leasingu o przemieszczenia środków bezgotówkowo	(15 830)	10 467
Zmiana stanu należności z tytułu umów leasingu	49 929	123 744

Zmiana stanu udzielonych pożyczek	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Zmiana stanu udzielonych pożyczek	15 276	13 392
Inne korekty	(1 431)	(1 912)
Zmiana stanu udzielonych pożyczek	13 845	11 480

Zmiana stanu zobowiązań handlowych oraz pozostałych	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Zmiana stanu zobowiązań handlowych oraz pozostałych	7 422	(12 230)
Zmiana stanu zobowiązań inwestycyjnych	(2 760)	1 044
Zmiana stanu zobowiązań handlowych oraz pozostałych*	4 662	(11 186)

Zmiana stanu należności handlowych oraz pozostałych	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Zmiana stanu należności handlowych i pozostałych	4 215	5 466
Pozostałe	2 591	(6 036)
Zmiana stanu należności handlowych i pozostałych	6 806	(570)

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Zmiana stanu rezerw i zobowiązań z tyt. świadczeń pracowniczych	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Bilansowa zmiana stanu rezerw i zobowiązań z tyt. świadczeń pracowniczych	22 607	13 329
Zmiana stanu rezerw odniesiona na kapitał z przeszacowania programu określonych świadczeń	39	(211)
Inne korekty	12 867	6 701
Zmiana stanu rezerw i zobowiązań z tyt. świadczeń pracowniczych	35 513	19 819

Podatek dochodowy zapłacony	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Podatek dochodowy bieżący	(472)	840
Zmiana stanu należności z tytułu podatku dochodowego	2 816	(923)
Zmiana stanu zobowiązań z tytułu podatku dochodowego	(48)	(118)
Podatek dochodowy z poprzedniego okresu	(2 810)	(1 680)
Podatek zapłacony w sprawozdaniu z przepływów pieniężnych	(514)	(1 881)

Nakłady na rzeczowe aktywa trwałe w budowie	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Nakłady na rzeczowe aktywa trwałe w budowie	(2 091)	(909)
Nabycie rzeczowych aktywów trwałych	(2 091)	(909)

Inne korekty	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Inne korekty	1 553	-
Inne korekty	1 553	-

38. Contractual obligations incurred to acquire tangible non-current assets and intangible assets

No liabilities have been incurred in 2019 or 2020 to acquire tangible and intangible assets

39. Contingent liabilities and pending proceedings

The Issuer, EC Będzin SA, shall make an early redemption of the Bonds (described in Note 7.4) with the funds from the sale of EC Będzin Sp. z o.o. (within 10 days of settlement of the transaction).

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

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

The ENERGO – UTECH S.A. in restructuring is subject to court proceedings against its counterparties for payment of receivables in the total amount of PLN 547,000. thousand.

The Company acts as a creditor in the restructuring proceedings of three counterparties:

1. accelerated composition proceedings, the amount subject to the proceedings - 4,487,450.63 as the debt covered by the composition agreement under the lease contracts, classified in group III for which repayment in the amount of 60% of the principal claim, in 48 monthly instalments, payable from January 2022, and waiving interest on the principal claim is proposed.

2. accelerated composition proceedings. The amount subject to the proceedings – 6,017,653.75 PLN, of which 1,097,791.12 PLN relates to liabilities under lease agreements, and 4,872,750 PLN - to liabilities under the surety for contractor 1. The claim has been classified in Group II for which repayment in the amount of 25% of the principal claim, in a single instalment, within one month from the date of sale of the debtor's business and waiving interest on the principal claim is proposed.

Negotiations are currently underway regarding the composition proposals submitted, the release of the leased assets and the activation of the collateral (sureties) established for the lease contracts.

3. Sanative procedure The amount of claims covered by the composition agreement by virtue of law - PLN 26,516,887.10. The Company requested the administrator to release the leased property from the agreement and to pay compensation for non-contractual use in the amount of PLN 3,517,813.48. The Company has received a letter that the prosecutor's office has seized the line for a third party, the line was placed in the custody of the administrator, and that the prosecutor's office has taken action to determine the owner. The Management Board of Energo-Utech S.A. recognises that the documents held confirm the ownership of the leased property. At the moment of preparing these financial statements, this issue has not been resolved.

In the entity representing the energy sector, the Management Board terminated the agreement with the coal supplier, Polska Grupa Górnicza S.A. (which was the main supplier of coal until 31 August 2020) due to the non-marketability of prices and lack of flexibility in the context of payment terms and prices for the delivered raw material. In connection with the termination of the aforementioned agreement, the Subsidiary received a pro forma invoice for PLN 41 m issued by PGG. The Management Board of the Group believes that the termination of this agreement was adequately justified, the agreement itself has been lawfully terminated, and the entity shall not be obliged to settle the above amount or any part thereof.

Therefore, no provision for the possible negative outcome of talks or disputes held with this counterparty has been included in the statement.

No court proceedings are pending against Energetyczne Towarzystwo Finansowe - Leasingowe ENERGO - UTECH S.A. in restructuring.

41. Transactions with affiliated entities

Affiliated entities are entities related by capital to companies constituting the group of companies and personally through owners, co-owners and members of the Management Board and Supervisory Board.

Transactions with executives

During the reporting period ending 31 December 2020, no advances, loans, advances, loans, guarantees or other agreements obliging to provide benefits were granted to management and supervisory personnel and their spouses, relatives.

The remuneration of key executives of the Parent Company in the Group was as follows:

	31.12.2020	31.12.2019
Wynagrodzenia zasadnicze	310	521
Premia	100	
	410	521

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Remaining transactions with related entities

Na dzień 31.12.2020	Należności	Zobowiązania
Power Engineering S.A	1 467	-
EU Piekarnie sp. z o. o.	9 103	-
Autodirect S.A.	759	-
Energo-Biomasa sp. z o. o.	4 620	-
	15 949	-

Za okres 01.01.2020- 31.12.2020	Sprzedaż produktów	Pozostałe przychody
Power Engineering S.A	62	-
EU Piekarnie sp. z o. o.	768	-
Energo-Biomasa sp. z o. o.	230	-
Autodirect S.A.	32	19
	1 092	19

Na dzień 31.12.2019	Należności	Zobowiązania
MDW Glanowski	-	8 930
Power Engineering S.A	1 388	-
Power Engineering Transformatory sp. z o. o.	1 686	-
EU Piekarnie sp. z o. o.	8 335	-
Energo-Biomasa sp. z o. o.	4 496	-
Autodirect SA	738	-
	16 643	8 930

Za okres 01.01.2019 - 31.12.2019	Sprzedaż produktów	Pozostałe przychody
Power Engineering S.A	67	-
Power Engineering Transformatory sp. z o. o.	52	-
Energo-Biomasa sp. z o. o.	84	-
Autodirect SA	-	19
	203	19

Za okres 01.01.2019 - 31.12.2019	Zakupy usług	Pozostałe zakupy
MDW Glanowski	-	527
	-	527

Other purchases represent interest related to loan liabilities.

All transactions with affiliated entities were on a commercial basis

Balance of receivables from EU Piekarnie sp. z o.o. relates to a loan granted to EU Piekarnie which financed the current activities of the counterparty and refinanced its overdue debt. The balance of the loan has been secured by an assignment of accounts receivable from a settlement agreement entered into by the counterparty with an individual and shall be settled in cash. Write-down of receivables was: PLN 210,000 in 2019, and PLN 236,000 in 2020.

Balance of receivables from Power Engineering S.A. and Autodirect S.A. is secured by a PLN 9.5 m mortgage on a developed property. The balance shall be paid in cash. Write-down of receivables from Power Engineering S.A. was: PLN 399,700 in 2019 and PLN 80,000 in 2020. Write-down of receivables from Autodirect S.A. was: PLN 131,100 in 2019 and PLN 134,400 in 2020.

Balance of receivables with Energo-Biomasa sp. z o.o. is not secured in addition to the value of the leased property. The balance shall be paid in cash. Write-down of receivables was: PLN 3,150.4 m in 2019 and PLN 3,650 m in 2020.

42. Events after the end of the reporting period"

Agreement on the sale of shares in the subsidiary Energo-Utech SA.

On 31 March 2021, an agreement was concluded between Elektrociepłownia "Będzin" S.A. (ECB) and Poznań Cooperative Bank (Bank 1) and Kujawsko Dobrzański Cooperative Bank (Bank 2), pursuant to which, debts of each of the Banks towards ECB from bonds were exchanged for Shares of Energo-Utech S.A. company, and thus Shares subject to conversion were transferred from Bank 1 and Bank 2.

The total number of shares acquired as a result of the exchange: 600 shares by Bank 1 and 600 shares by Bank 2, which amounts to 54% of the share capital. The agreed amendments to the statute, i.e. cancelling share preference and granting the Banks the right to appoint 2 members to the 3-person Supervisory Board, result in the Banks taking control over Energo-Utech S.A.

The parties also agreed to the principle of a call, exercisable from 31 March 2025 to 31 March 2026. The price for the repurchase of shares by the current owner, Elektrociepłownia "Będzin" SA, amounts to PLN 3,870,000.

The Banks have undertaken to provide Energo-Utech S.A. with financing for securing business activity in order to implement an arrangement with creditors – if such an arrangement is concluded.

Dispute with Polska Grupa Górnicza S.A.

On 14 January 2021, the Company received a letter from Polska Grupa Górnicza S.A. on the non-collection of coal volumes from the coal supply contract terminated on 31 August 2020. PGG S.A. indicates that the coal subject to non-collection amounted to 125,000 tonnes and estimated the claims arising from the contractual penalty, storage costs of the unclaimed volume, coal production costs incurred and other costs at approximately PLN 49 million.

On 4 March 2021, the Company received a pro forma invoice for PLN 41.5 million.

The Management Board declares that PGG's claim is unjustified. According to the Agreement, "If due to a change in business relations of either of the Parties the performance of the Agreement shall involve excessive difficulties or shall threaten one of the Parties with a gross loss, this Party may request renegotiation of the Agreement. If the other Party fails to respond to the above mentioned request or failure to reach an agreement within 2 months from the date of receipt of the request to renegotiate the Agreement, the Party requesting the renegotiation shall have the right to terminate this Agreement at 6 months' notice (without any indemnification liability to either Party).

According to the Management Boards, there were several changes in the business relations that entitled ECB to renegotiate the agreement, e.g.:

- increase in the price of CO2 emission allowances (EUA),
- decrease in electricity selling prices,
- reduction of the heat selling price by half by the main customer (TAURON Ciepło Sp. z o.o.),
- decrease in coal prices for other customers on the market,
- COVID-19.

Should no agreement be reached, the party that requested the renegotiation was entitled to terminate the Agreement at 6 months' notice.

In addition, it should be pointed out that the continued performance of the Agreement would entail excessive difficulties for ECB as its continued performance would lead to the Company's state of insolvency and, consequently, the need to file for bankruptcy or restructuring.

At the same time, the wording *in fine*, i.e. "without any indemnification liability" indicates that it is the intention of the Parties that, in the event of termination of the Agreement, the Parties shall be protected and not bear adverse consequences on this account, including contractual penalties.

This is because contractual penalties constitute an indemnity undertaking.

Ongoing negotiations and agreements entered into at the parent company

As of the date of this statement, negotiations are underway with one of the lenders to reschedule instalments of the liability of PLN 910 thousand, three due instalments of which have not been paid on time, i.e. by 31 March 2021. These negotiations are not completed.

The agreement with the second lender was reached in March 2021 - the payment of PLN 673 thousand was rescheduled till June 2022.

43. Employment

The average employment in the Group of Companies (full-time equivalent) was as follows:

	31.12.2020	31.12.2019
Stanowiska robotnicze	91	92
Stanowiska nierobotnicze	64	73
	<u>155</u>	<u>165</u>

44. Remuneration of the entity authorised to audit

In 2020, pursuant to agreements dated July 12, 2019 for the audit of the separate and consolidated financial statements and for the review of the interim separate and consolidated financial statements, the entity authorised to audit was Deloitte Audyt Sp. z o.o. Sp. k. with its registered office in Warsaw: Al. Jana Pawła II 22 (KRS (National Court Register) number: 0000446833). The remuneration due to the agreement was PLN 197,000 with VAT added. The Group did not use any other services offered by Deloitte.

In 2019, pursuant to agreements dated July 12, 2019 for the audit of the separate and consolidated financial statements and for the review of the interim separate and consolidated financial statements, the entity authorised to audit was Deloitte Audyt Sp. z o.o. Sp. k. with its registered office in Warsaw: Al. Jana Pawła II 22 (KRS (National Court Register) number: 0000446833). The remuneration due to the agreement was PLN 197,000 with VAT added and additional remuneration of PLN 247,800. The agreement has been concluded for a definite period of 2 years. The Group did not use any other services offered by Deloitte.

45. Approval of the consolidated financial statement

This consolidated financial statement have been prepared and approved for issue by the Parent Company's Management Board on 30 April 2021.