

Consolidated Annual Report of the PFR Corporate Group

for 2021

 **PFR**
Polski Fundusz Rozwoju



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Dear Readers, Businessmen, Employees, Local Government Officials and other Stakeholders of the Polish Development Fund,

2021 was a year of challenges. We continued to grapple with the repercussions of the COVID-19 pandemic that precipitated an economic crisis. What's more, Russia's aggressive actions driving up the prices of energy commodities also influenced our economy. Unfortunately, as we all know, they were merely a warmup before the war that is now being waged in Ukraine.

The political, social and macroeconomic situation on the Old Continent is difficult. As the Polish Development Fund Group we are pursuing proactive measures to strengthen the Polish economy and the condition of our businesses. This did not change in 2021. The team I have the honor of leading is one of the most committed to combating the economic repercussions of the COVID-19 pandemic. Despite that, thanks to good organization of labor and attachment to PFR's values, we continued to carry out our tasks as set forth in the PFR Corporate Group's strategy and the tasks the lawmaker has designated for us to handle. The report I have the pleasure of conveying to you focuses precisely on these measures. In them you will recognize the enormous magnitude of the initiatives in which PFR participated in the past year. At the outset I would like to point out several of the most significant ones.

In 2021 we continued to help Polish companies through Financial Shields. The total value of the support extended to small and medium enterprises under the two rounds of the shields topped PLN 68 billion. 353 companies received these funds enabling them to save more than 3 million jobs. We are proud that we could help the Polish business community survive the global pandemic. Undoubtedly, the Council of Ministers' decision to forgive the entirety of the subsidies provided under Financial Shield 1.0 to the businesses that suffered the most also helped them.

In turn, the Financial Shield for SMEs 2.0 made it possible to rescue approximately 363 thousand jobs. 47 thousand businesses benefited from this program, including 40 thousand micro businesses and 7 thousand companies in the SME sector. The Financial Shield for Large Companies also let a strong impression across the country. Under this program 168 applications were approved and support was given to the tune of PLN 3.8 billion. We are proud that as the Polish Development Fund we could do what we were set up to do.

We also treat the support provided to PLL LOT as being very significant. We provided this company with PLN 1.8 billion in aid pursuant to the decision rendered by the Council of Ministers in December of 2020. It allowed the company to stay liquid and retain the level of capital required to pursue its operating activities. We are pleased that in this way we could also help the Polish economy in its battle against the effects of the COVID-19 pandemic.

Other projects we ran also continued to develop last year. The number of participants in Employee Capital Plans exceeded 2.5 million. And that happened in a year in which pandemic conditions and the avalanche-like growth in commodity prices challenged fund managers in multiple ways. That is why the key objective of the program was to protect the funds entrusted to the Employee Capital Plans by maintaining a high allocation to equity instruments and building a stable bond portfolio. We are happy to state that according to data as at 31 December 2021, the profit earned by ECP funds since they were formed surpassed PLN 425 million, while the net asset value attained the level of PLN 7.6 billion.

We also instilled knowledge about the program. In 2021 the MojePPK.pl portal had 2.8 million users and 7.3 million hits. Today, hundreds of thousands of companies benefit from Employee Capital Plans. We are confident that this figure will grow even more.

It is also worth recalling the investment and pro-development activities run by PFR. The funds we manage actively support Polish industry and companies in service industries. May the PLN 360 million in financing the funds we manage provided to CCC S.A., a CCC Group in September of 2021 serve as an example. This is one of the largest European footwear companies.

Providing support to local governments in building infrastructure and pursuing public private partnerships is an important part of PFR's activity. This area is linked to the efforts made for the transition of the Polish power sector in the direction of low emission energy sources. We also attained real success in these areas in 2021. The Polish Development Fund joined the group of financial institutions providing finance to the construction of the Waste Thermal Treatment Plant in Olsztyn. In addition, as part of the PFR Green Hub program we entered into a number of agreements with government institutions and experts supporting investments in the ecological energy sector. In turn, we convey expert knowledge in these areas to local governments as part of a rich array of initiatives pursued under the "PFR for Cities" program.

Last year we also continued to build the value of PESA Bydgoszcz S.A. PFR's optimization of its operating activity improved its financial results and enhanced its asset utilization ratios. For the first time in many years, some products were delivered ahead of schedule. PFR provided PESA with one billion in direct support and from funds.

Speaking of prodevelopmental activity, one should mention the achievements made by the "Companies of Tomorrow" Program, which PFR is running jointly with Google and Operator Chmury Krajowej. Roughly 16 thousand companies took part in training for micro

businesses. The program provided SMEs with sophisticated educational material and support on e-commerce and cloud-based solutions. It permitted the participating companies to ramp up their revenue, orders, customer numbers and commence new online projects. More than 11 thousand program participants conceded that the growth in the size of their business due to its impact was noticeable.

We are also running the "PFR Innovation Designers" program with Google. Its third round was held at the turn of 2020 and 2021. Nearly 120 workshops were held at that time. More than 2 thousand participants took part. In 2021, PFR's activities also focused on encouraging traditional Polish businesses to pursue digital transformation and climate neutrality. Additionally, effort was expended to build a community of large companies around PFR. An analytical tool for the purpose of conducting the Innovation Maturity Survey (BDI) was created as part of this effort. 94 companies took advantage of it.

The activities listed above merely scratch the surface as examples of the multitude of projects and initiatives run by the Polish Development Fund in 2021. I invite to familiarize yourselves with our report which includes a much more extensive description of PFR's operations. In conclusion, I would like to thank all of the people committed to the work of our institution. We did more than our all in the challenging conditions of working remotely during which we expended enormous effort. However, I think that it was worth the effort to do this work. Everyday it brings benefit to the Polish economy and businesses, and as a result, to all of us.

I invite you to peruse PFR's annual report. I am counting on you sharing my enthusiasm and admiration for what we have accomplished!

Respectfully,
Paweł Borys
President of Polski Fundusz Rozwoju



Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2021

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Description of the PFR Corporate Group

[GRI 2-1] [GRI 2-6]

1. BUSINESS PROFILE AND KEY PERFORMANCE RATIOS

The Polski Fundusz Rozwoju S.A. (Polish Development Fund) Group (the "PFR Corporate Group" or "PFR CG") is a group of financial and advisory companies that works for businesses, local governments and private individuals, and invests in the country's sustainable social and economic development.

The Group consists of the following entities:

- Polski Fundusz Rozwoju S.A. ("PFR" or the "Company"),
- PFR Towarzystwo Funduszy Inwestycyjnych S.A. ("PFR TFI" or the "Management Company"),

- PFR Ventures sp. z o.o. ("PFR Ventures"),
- PFR Nieruchomości S.A. ("PFR Nieruchomości" or "PFRN"),
- PFR Portal PPK sp. z o.o. ("PFR Portal PPK"),
- PFR Operacje sp. z o.o. ("PFR Operacje" or "PFR O"),
- PPP Venture sp. z o.o. ("PPP Venture").

The priorities of the PFR Corporate Group's are: infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, support for local governments, implementation of the Employee Capital Plan program and management of foreign investments.



PLN 67.4 billion*

value of aid provided to enterprises under the Financial Shield for SMEs



PLN 11+ billion

value of PFR investments in all projects since 2016



Over 2.5 million

participants in Employee Capital Plans (ECPs) and Employee Pension Plans after stage III of the program



PLN 5.8 billion**

under the Financial Shield for Large Companies and the LOT Support Program



Over PLN 13 billion

value of net assets in the investment funds managed by PFR TFI



353,000*

number of companies that received subsidies under the Financial Shield for SMEs



PLN 73.9 billion

value of bonds issued by PFR in 2020



Nearly 300

VC investments since 2019



Over 2 thousand

apartments under construction as part of residential housing investment projects

* - total for Shield 1.0 and 2.0 ** - up to April 2022



2021

Calendar of most important events

January

05.01.21



The Council of Ministers adopts a decision on expanding the scope of support under the Financial Shield 2.0, to 45 industries and full remission of the subsidies under the Financial Shield 1.0 for the most affected businesses.

13.01.21



Launch of the second edition of the PFR Foundation's project "SamoDZIELNI" ("SelfRELIANT"), designed to support entry into the labor market of young people raised in youth education centers and foster care.

15.01.21

Opening of the Financial Shield for SMEs 2.0 call for subsidy applications from 45 industries most affected by the second wave of the pandemic.

February

03.02.21

The Council of Ministers adopts a decision on expanding the scope of support under the Financial Shield for SMEs 2.0, to include nine additional industries that have been particularly adversely affected by COVID-19.

19.02.21



The PFR Foundation launches the "Pasjonaci Edukacji" ("Education Buffs") scholarship program, addressed to young financially disadvantaged persons who see their future in teaching children and young people.

22-26.02.21



PFR Infoweek takes place, an event addressed to Polish entrepreneurs, introducing the offer of the PFR Group. The PFR Infoweek organized a total of four events in 2021.

25.02.21

Launch of the re-designed www.startup.pfr.pl website, which is a comprehensive source of knowledge about Polish start-ups, new technologies and sources of financing.

March

03.03.21



PFR and Mabion sign an agreement, based on which the biotechnology company gains access to PLN 40 million to increase its manufacturing capacities - required to launch a serial production of COVID-19 vaccines.

05.03.21

The PFR Foundation and the Bank PKO BP Foundation finance purchase of a car for the family of quintuples born in Gniezno.

22.03.21



Launch of the second edition of the "Akademia Miast Przyszłości" ("Cities of the Future Academy"), an educational program for local government workers, focusing on the green transition.

26.03.21

PFR joins the group of financial institutions providing finance to the construction of the Waste Thermal Treatment Plant in Olsztyn. The investment project will solve the problem of municipal waste management and will provide clean energy.



2021

Calendar of most important events

13.04.21

PFR introduces the Innovation Maturity Survey, a service for large companies seeking to conduct digital transition.

19.04.21



PFR starts the process of settling and remission of subsidies granted to micro businesses and SMEs under the Financial Shield 1.0.

May

11.05.21



Launch of the PFR Green Hub Fund of Funds - a new program with the budget of PLN 200 million, managed by PFR Ventures. Its objective is to stimulate VC funds investment in the sector of green (pro-environmental) innovations.

16.06.21



A press conference summarizing the progress of the Employee Capital Plans rollout – with the number of Poles saving for their pensions in ECPs reaching 2.3 million.

16.06.21

Foundation stone-laying ceremony for the construction of Waste Thermal Treatment Plant in Olsztyn.

17.06.21

The European Commission takes the decision on the terms of providing finance to large companies adversely affected by the COVID-19 pandemic in the period from November 2020 to April 2021.

April

23.04.21



Presentation of the results summary of the first edition of the "POLSKI Mistrz" ("Polish SKI Master") program, designed to support downhill skiing in Poland. Fourteen competitions were organized, including six under the Polish Youth Cup tournament.

28.04.21

The course "Cloud in Business", developed by the National Cloud, is published on the startup.pfr.pl website, presenting practical business applications of cloud technology.

28.05.21

Launch of the PFR Foundation's grant program "Wakacyjna AktywACJA" ("Summer ActivACTION"). The program provides financial support to community organizations which hold holiday recreational activities for children and young people. Grants were awarded to 53 organizations.

31.05.21

In cooperation with the Nowoczesna Polska Foundation, the PFR Foundation joins the "Recommended by Stanisław Lem" project. The project compiled a collection of science-fiction works published in the Free Reading library.

June

18.06.21

Inauguration of the construction of 221 apartments at ul. Lubańska in Zgorzelec. The project is executed by PFR Nieruchomości, under the arm's length part of the government residential housing program.

23.06.21

PFR awarded by S&P Global Rating the A rating in local currency and A- in foreign currency, with a stable outlook. It is the highest possible rating, equal to the sovereign rating of Poland.

25.06.21

PKL, indirectly owned by PFR, starts construction of a holiday facility and landscape viewing railway line over the Solina Dam.

30.06.21

PFR Nieruchomości signs an agreement with the contractor of a residential development at ul. Kolejowa in Wrocław. The project is designed for 469 apartments.

2021

Calendar of most important events

July

01.07.21



For four months, almost 60 representatives of 30 medium-sized cities work on specific green transition projects. The jury awards prizes for the solutions developed by: Głogów, Tarnowskie Góry and Zduńska Wola.

21.07.21



PESA Bydgoszcz, in which PFR holds an investment stake, presents its strategy until 2025, geared towards the manufacture of zero-emission and hydrogen ready vehicles.

23.07.21

DCT Gdańsk wins the tender for a lease of an area in Gdańsk port. It is the planned location for the new Baltic Hub 3 terminal and the third deep-water berth, increasing the re-loading capacity of DCT Gdańsk by 1.5 million TEU, up to 4.5 million TEU annually.

02.08.21



Inaugural celebration of the construction of 190 apartments in Nakło nad Notecią, managed by PFR Nieruchomości.

10.08.21



PFR Life Science, a special purpose company of PFR, executes an investment in the biotechnology sector, taking part in the financing round held by Proteon Pharmaceuticals, sourcing the amount of EUR 21 million.

August

September

06.09.21



Launch of tenant search for 320 apartments at ul. Okólna in Toruń. Within one hour from launch, there were more interested tenants than the apartments on offer.

09.09.21



With Bank Pekao S.A., PFR starts the financing program for investment in renewable energy sources. PFR provides PLN 300 million, which combined with investor own capital and the financing of the bank will finance 500 MW of new photovoltaic installations.

10.09.21

CCC, the shoe market leader in Central and Eastern Europe, signs a bond issue agreement with a PFR Group investment fund in respect of a bond subscription of PLN 360 million.

21.09.21

PFR Ventures signs agreements with three international venture capital funds planning to invest in Polish innovative businesses. The funds will receive a total of PLN 115 million and have committed to invest double that amount in Poland.

28.09.21



PFR Ventures expands the PFR Private Equity program. The amount of already invested approximately PLN 600 million is augmented with another PLN 500 million.

2021

Calendar of most important events

14.10.21



Representatives of public administration, research community, entrepreneurs and business sign the "Sectoral Agreement for Hydrogen-Based Economy in Poland". The purpose of the agreement is to support the development of this industry.

November

03.11.21



PFR develops an online course "Business Prepared for the Future", in support of business digital transition. The course is available free of charge on the kursy.pfr.pl platform.

4-5.12.21



"Klimaton dla Miast" ("Climaton for the Cities") takes place, the first hackathon in Poland addressing environmental challenges of urban areas. The jury selects four solutions, responding to the challenges faced by: Gniezno, Rybnik, Rzeszów and Wrocław. The winning teams each received PLN 30,000 cash rewards and the opportunity to test and implement their solutions in a selected local government.

13.12.21

Bank Ochrony Środowiska and PFR sign an agreement which paves the way for broad financing of pro-environmental investments in the heat energy sector.

October

15.10.21



Launch of tenant search for 130 new apartments at the Polana Szaflarska residential development in Nowy Targ. After 40 minutes from launch, the number of applications reaches 213!

21.10.21



The second edition of the "Świat Pieniądza" ("The World of Money") competition organized by the PFR Foundation. The competition promotes financial and economic education among children. It also provided free copies of the "Świat Pieniądza" books to 110 educational establishments.

05.11.21



The National Research and Development Center, PFR and PFR Ventures sign an agreement in respect of cooperation in the area of pro-ecological and environmental technology development, in support of the Polish economy's transition towards climate neutrality.

23.11.21

Representatives of government administration, investor community, financial and insurance institutions, the educational system, as well as the key representatives of the biogas and biomethane sector sign the "Cooperation Agreement for the Development of the Biogas and Biomethane Sector".

December

21.12.21



Prizes are awarded to several dozen of innovative projects developed by the participants of the green edition of the "Szkoły Pionierów PFR" ("PFR School of Pioneers"). The main prize, of PLN 50 thousand, goes to the start-up Znika, which will deliver solutions in the area of plant-based packaging.

31 DECEMBER 2021

FIS FIZAN signs investment agreements in respect of construction of multi-storey parking lots in Łódź and Warsaw.

3. VALUES AND ETHICAL STANDARDS

PFR was established and operates pursuant to the Commercial Company Code (Journal of Laws of 2020 Item 1526, consolidated text) ("CCC") in the form of a joint stock company. In addition, certain aspects of PFR's business are subject to the Act of 4 July 2019 on the Development Institutions System (Journal of Laws of 2020 Item 2011) ("**Act on the Development Institutions System**"). PFR's mission, vision and values also influence how PFR fills the space that the legislature created for it. They largely determine how it conducts its business and define what type of organization the PFR Corporate Group is supposed to be; furthermore, they underlie the key decisions made by the Group.

All of these elements are reflected in the PFR Corporate Group's Code of Conduct that lays down the principles and approach taken towards business ethics, which is applicable to the employees in all of the companies belonging to the PFR Group.

PFR's mission and values, and the PFR Corporate Group's Code of Conduct that invokes them directly, have played a very important role during the crisis situation epitomized by PFR's shift to remote work and concurrently launching work on solutions to support businesses in the battle against the consequences of the COVID-19 pandemic. In the face of the enormous burden brought on by the additional tasks stemming from these projects, remote work could have potentially posed a threat to effective launch of these projects.

The first aid program was started roughly three weeks after the work commenced. In the opinion of PFR's management, this was above all backed up by the enormous commitment demonstrated by employees in their work on this project, their professional approach, the emphasis placed on collaboration and their sense of responsibility for the situation of Polish businesses. This mindset was ubiquitous in PFR and its roots can be traced directly back to the PFR Corporate Group's mission and values. In addition, the sense of fulfilling a patriotic duty was widespread, and was accompanied by the ensuing sense of pursuing an important mission.

To sustain this state of affairs further, measures were taken to bolster the significance and role played by PFR's values and the PFR Corporate Group's Code of Conduct in the everyday work of the company's team. The specifics pertaining to the campaign promoting the Code of Conduct are described in item "PFR Compliance Pillars" of this report.

Notwithstanding the measures to promulgate an ethical and transparent mindset, the team of experts also ran continuous efforts to enhance employee awareness of the requirements stipulated by internal regulations and the prevailing standards in PFR. Examples of these measures include the regular training delivered to newly-hired employees, to mitigate the likelihood of any irregularities occurring in the course of performing professional duties remotely, and the ongoing advisory services and monitoring compliance of the measures taken by PFR.

PFR's values

Partnership and cooperation

In our work, we treat others as we would like to be treated ourselves. We respect and appreciate the work of others and we listen to their needs. While working together, we share our experience and information, making trust the foundation for the development of Polish society and economy.

Responsibility

We analyze and understand the reality that surrounds us, we are able to combine our own assignments with the objectives of the team and the company in order to achieve the intended results, and in all our activities we seek to achieve benefits for Poland. We learn from our successes and failures and take the necessary risks. We pursue what we have declared in a consistent manner.

Professionalism

We consistently strive to achieve our objectives by providing our customers with the highest quality products and services. We are always prepared and we always complete our assignments.

Development

We create new ideas, services and solutions, thus supporting the development of the Polish economy and society. We follow the latest trends while thinking and acting outside the box. We cross borders, achieving remarkable and new results.





External environment

1. MACROECONOMIC ENVIRONMENT

After last year's recession caused by the coronavirus pandemic in 2021, the economy bounced back. According to preliminary estimates, the Gross Domestic Product in 2021 increased in real terms by 5.7%, compared to a fall by 2.5% in 2020. The growth by 5.7% is the highest recorded in Poland since 2007, when the GDP growth rate was 7.1% (graph 1).

All European Union economies are expecting a higher GDP. According to the autumn forecasts of the European Commission, the GDP growth, both in the Euro area as well as in the European Union at large, will reach 5.0%.

Prices in 2021 were on average 5.1% higher than one year before (compared to the 3.4% growth in 2020). Rising inflation was driven mainly by growing prices in the following categories: foodstuffs and non-alcoholic drinks, residential charges and energy costs (i.e. the charges for waste removal, sewage services, electricity, etc.), as well as transport (i.e. fuel for means of transport, prices of means of transport, and prices of transport services) (graph 2).

Rising inflation has been a general global trend, especially in developed economies. In the Euro area and the European Union as a whole, the observed prices have been the highest since at least 1997 (i.e. as from the Eurostat has been publishing inflation data). In the United States, inflation in December 2021 grew to a level unseen for four decades. Drivers of the higher inflation included growing energy and food prices, as well as disturbances in global supply chains which translated into higher prices of goods.

In 2021, more dynamic economic activity was also observed in the labor market. According to the data of the Labor Force Survey (LFS), the number of people working at the end of Q3 2020 (the most recent data) was 1.8% higher than one year earlier and totaled 16,814 thousand people. The unemployment rate, according to the LFS, decreased down to 3.0% at the end of Q3 of last year, compared to 3.3% in the corresponding period of 2020. The average gross monthly salary in the company sector in 2021 rose by 8.8% per annum (in 2020, the growth was 4.7%).

NBP's interest rates were raised three times in 2021: in October, November and December. In response to growing prices and the resulting impact on the economy, the Monetary Policy Council increased interest rates up to 0.5%, 1.25% and 1.75%, respectively. In January 2022, The Monetary Policy Council continued with another interest rate hike, up to 2.25%. The current interest level is the highest since September 2014 (graph 3).

The re-bounce in the global economy generated benefits for the balance of Poland's foreign trade. The data for the period from January to November (the most recent data) indicate that the exports of goods and services totaled PLN 1,189 billion while imports totaled PLN 1,185 billion. Both cases represent record high values. After eleven months of 2021, export and import reached a level exceeding the results of the entire 2020. Compared to the corresponding period of the previous year, exports increased by 11.9%, whereas imports grew by 16.7% (graph 4).

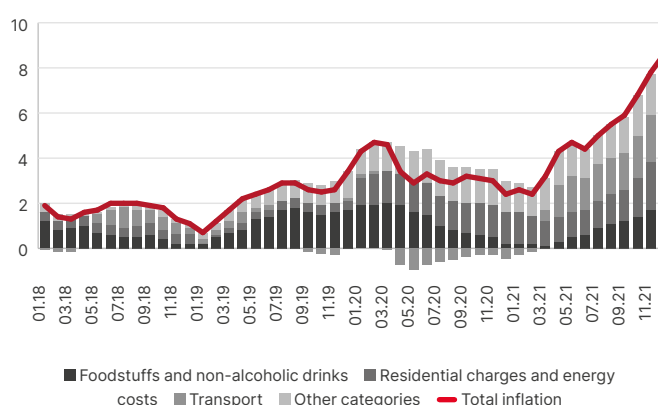
For goods trade, export and import reached values exceeding the results of the previous year in every month of 2021. In service trade,

Graph 1. Poland's GDP growth rate



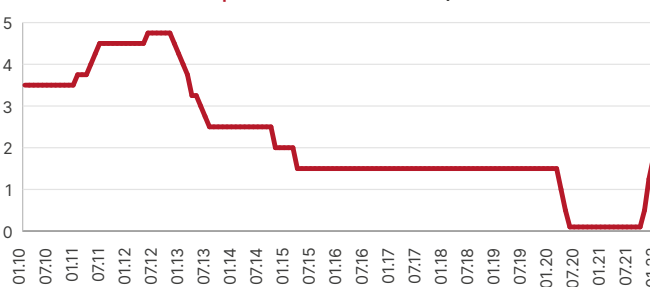
Source: Statistics Poland / * - preliminary estimates

Graph 2. Impact of individual product categories on the inflation rate (% y/y)



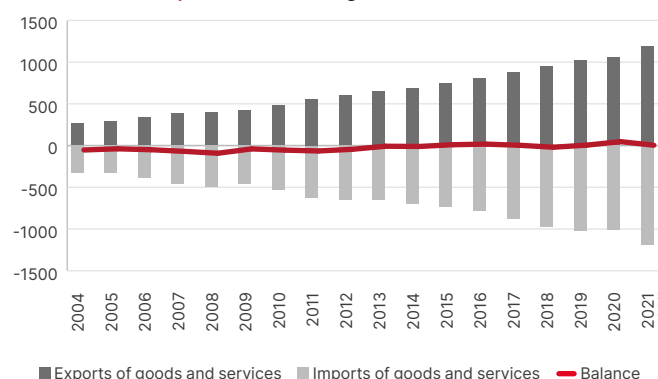
Source: Macrobond

Graph 3. NBP reference rate (%)



Source: National Bank of Poland

Graph 4. Poland's foreign trade (PLN billion)



Source: Statistics Poland



the annual dynamic remained negative in the first three months of last year. However, the values marked only a positive trend in all the successive months (graphs 5 and 6).

The data available from Statistics Poland (GUS) pertaining to the results of non-financial businesses indicate that the net financial result of undertakings in the period from January to September 2021 was up 89.2% as compared to the previous year.

According to the 2021 state budget performance report, budgetary proceeds totaled PLN 494.8 billion, whereas expenditures totaled approximately PLN 521.2 billion. The budget balance was therefore negative and amounted to PLN 26.4 billion.

The ongoing uncertainty as regards potential successive waves of the pandemic, as well as growing prices, had a negative impact on the results of consumer confidence surveys, marking a further deterioration in 2021. Concurrently, however, revival of economic activity translated into better results of economic cycle studies in the processing and construction industries, which - however - continued to show negative values (graph 7).

2. INDUSTRY CONTEXT

Global economic recovery has been conducive to financial investment in developing economies. As a result, the stock market capitalization increased by 22.8% as compared to 2020, and reached the highest level since 2017. Bank lending to businesses grew by 3.9% against 2020, however it did not go above the pre-pandemic levels (graph 8).

At the end of 2021, the net asset value of investment funds was PLN 301.5 billion, i.e. 7.5% higher compared to the PLN 280.5 billion one year earlier (graph 9).

According to the data published by the Polish Financial Supervision Authority, the net result generated by investment fund management companies (TFI) in Q3 2021 (the most recent data) totaled PLN 565,211 thousand, or 4.1% less than in the corresponding quarter of the previous year.

2021 was another year of dynamic growth of target date funds in Employee Capital Plans (ECPs). At the end of 2021, the net asset value of target date funds was PLN 7,665.9 million versus PLN 2,818.1 million at the end of 2020 (growth of 172.0%) and against PLN 84.7 million at the end of 2019 (graph 10).

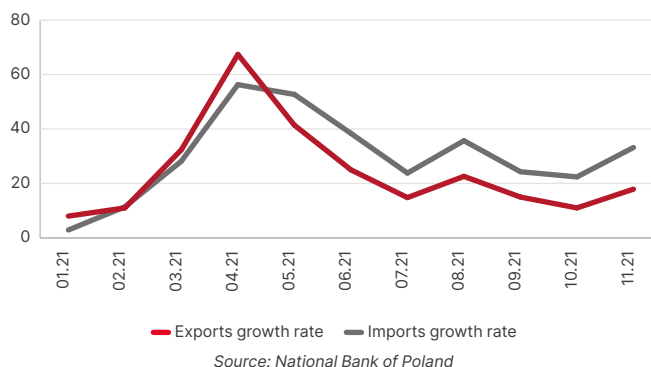
The total value of net assets in open-ended pension funds (OFE) grew at a fast rate as well, by 33.0% per months y/y. As at the end of December 2021, OFE assets were worth PLN 188.0 billion, i.e. 26.5% more than at the end of December 2020. October was a record month in this respect, with OFE net asset value reaching the highest level since the OFE "reform" at the beginning of 2014 (graph 11).

3. REGULATORY ENVIRONMENT

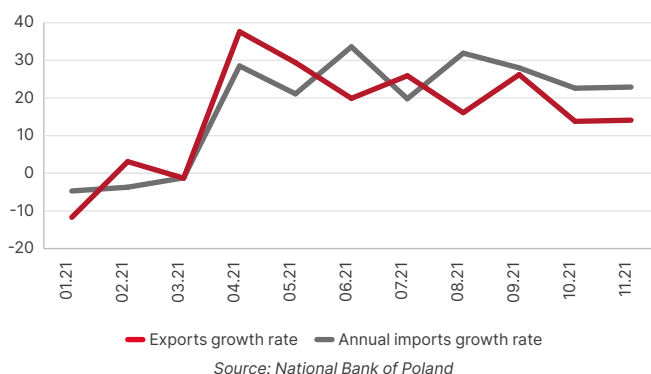
The statutory acts of particular relevance for PFR and the Company's operations are the Commercial Company Code and the Act on the Development Institutions System. PFR is a commercial code joint stock company. The provisions of the Act on the Development Institutions System define, among others, the role of PFR as a participant in the integrated system of Poland's development institutions - the Polish Development Fund Group ("PFR Group"), which pursues coordinated actions to provide support and services to businesses.

The state of the epidemiological threat linked to infections with the SARS-CoV-2 virus, introduced in Poland by force of Regulation of the

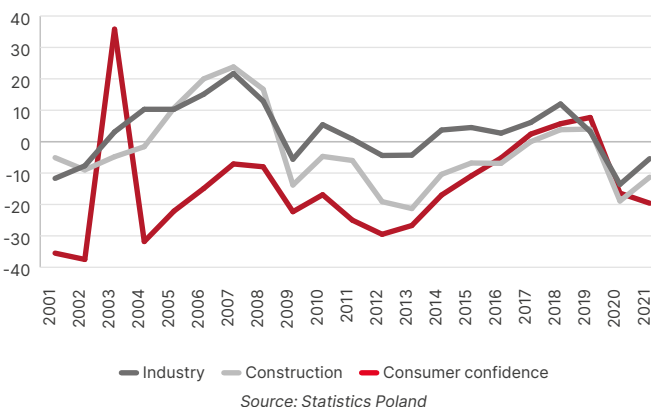
Graph 5. Growth rate in sales of products, by month in 2021 (% , y/y)



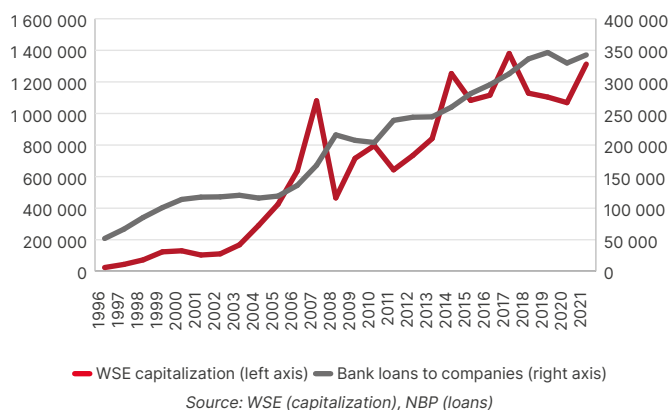
Graph 6. Growth rate in sales of services, by month in 2021 (% , y/y)



Graph 7. Average annual value of the general economic sentiment indicator and of consumer confidence



Graph 8. Stock market capitalization and outstanding bank loans to non-financial enterprises (PLN million)



Health Minister of 13 March 2020, followed by the state of epidemic established in Poland by force of Regulation of the Health Minister of 20 March 2020, as well as the measures undertaken to prevent the effects of the epidemic, triggered major amendments to the law, with a direct impact on PFR's activities.

The legislation to counter the COVID-19 pandemic, including in particular the amendments to the Act on the Development Institutions System, translated into augmenting the role of the Company by creating a legal framework enabling PFR to take actions to prevent or mitigate the repercussions of crisis situations within the meaning of Article 3 item 1 of the Crisis Management Act of 26 April 2007 (Journal of Laws of 2021 Item 1856 and of 2021 Item 159), including the effects of the spread of COVID-19. The adopted solutions made it possible in particular for the Council of Ministers to entrust to PFR the execution of government programs to provide financial support to businesses in connection with the COVID-19 pandemic.

Pursuant to Article 21a sec. 1 of the amended Act on the Development Institutions System, the Council of Ministers approved government programs to provide financial support to businesses in connection with the effects of COVID-19, i.e.:

- "The Polish Development Fund Financial Shield for Micro, Small and Medium Enterprises" ("**Financial Shield for SMEs 1.0**"),
- "The Polish Development Fund Financial Shield for Large Companies" ("**Financial Shield for Large Companies**"),
- "The Polish Development Fund Financial Shield 2.0 for Micro, Small and Medium Enterprises" ("**Financial Shield for SMEs 2.0**"),
- "The Support Program for Polskie Linie Lotnicze LOT S.A." ("**PLL LOT Support Program**"),

(hereinafter jointly referred to as the "**Programs**" or "**PFR Financial Shield**"),

and entrusted the execution of the Programs to PFR. The two latter Programs were executed in 2021.

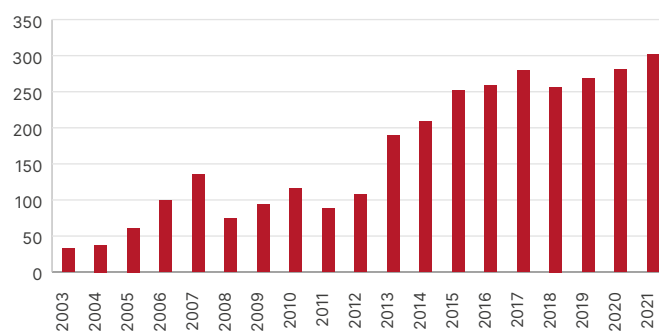
In 2021, the process of settlement and remission of the subsidies granted under the Financial Shield for SMEs and the Financial Shield for SMEs 2.0 was commenced. To this purpose, eligible beneficiaries had to submit a relevant application.

The state of epidemic and entrusting to the Company the execution of the PFR Financial Shield greatly affected how the Company operated in that it became necessary to set up new organizational units, build processes and update the Company's internal organizational structure.

Furthermore, as a result of the amendments to Article 21a of the Act on the Development Institutions System enacted pursuant to the Act of 9 December 2021 on Amending the Excise Tax Act and Certain Other Acts (Journal of Laws, item 2349), the Council of Ministers was enabled to entrust to the Company the execution of a government program to provide financial support to businesses in connection with the ban introduced in Article 12a sec. 1 of the Act of 12 October 1990 on the protection of state borders (Journal of Laws of 2021 Item 2191).

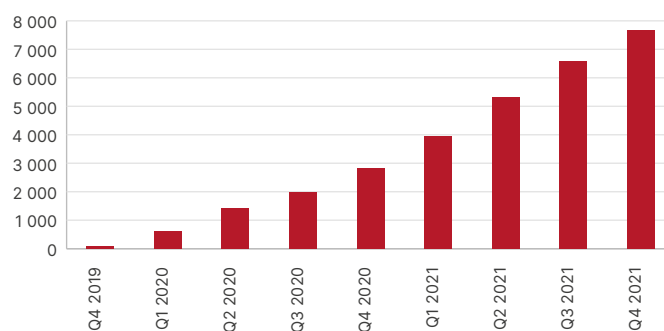
Pursuant to the Act of 30 August 2019 Amending the Commercial Company Code and Certain Other Acts (Journal of Laws of 2019 Item 1798, as amended), the shares of the Company were dematerial-

Graph 9. Value of assets in investment funds (PLN billion)



Source: Chamber of Fund and Asset Management

Graph 10. Net asset value of target date funds (PLN million)



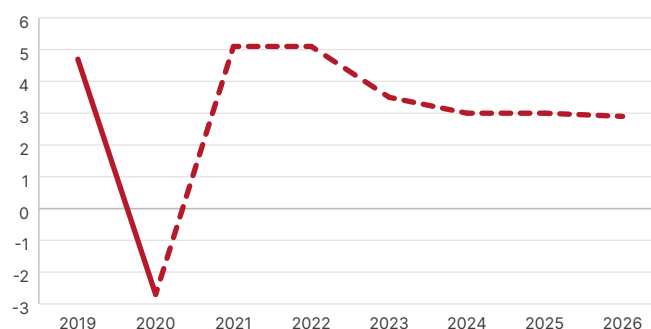
Source: Polish Financial Supervision Authority

Graph 11. Net asset value of open-end pension funds (PLN billion)



Source: Polish Financial Supervision Authority

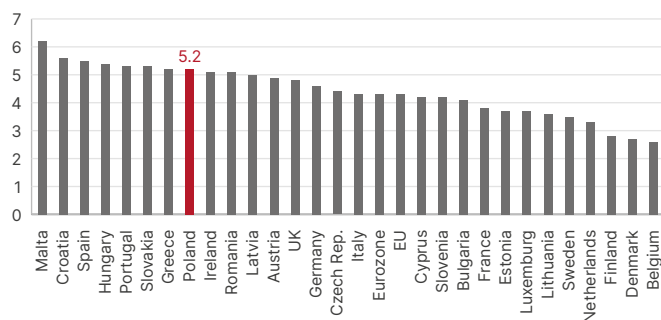
Graph 12. Poland's GDP growth rate forecast (% , y/y)



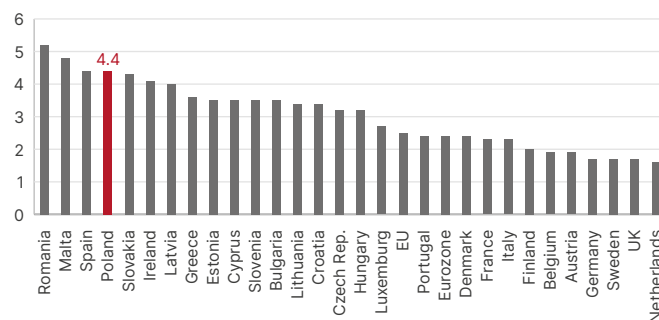
Source: IMF, World Economic Outlook, October 2021



Graph 13. GDP forecast for 2021 (%)



Graph 14. GDP forecast for 2022 (%)



Source: EU Commission, European Economic Forecast. Autumn 2021

ized on 1 March 2021. The process involved elimination of the hard copy document form of the shares with their concurrent registration in an electronic system. The register of the Company's shareholders is kept by Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna – Biuro Maklerskie w Warszawie with its registered office in Warsaw.

4. DRIVERS OF THE PFR CORPORATE GROUP'S FINANCIAL RESULTS IN 2022

The most important factor affecting the PFR Corporate Group's operating conditions and results is the heightened uncertainty connected with the continuing disturbances in the international supply chains, high prices of fuels and new coronavirus variants.

The volatility of the main economic parameters create a greater risk of needing to change the strategy and current operating plans during the course of the year, which may cause a significant and unpredictable impact on the financial results.

What follows is a description of the current forecasts for selected major macroeconomic variables, i.e. the GDP and inflation rate, as well as expectations as regards the interest rate trends.

The most recent GDP forecast of the IMF predicts a growth in GDP by 5.1% in 2022, and an average dynamic of 3.1% in the period of 2023-2026 (graph 12).

Similarly, the European Commission's most recent GDP forecast for Poland sets the GDP growth rate over 5% in 2022, with a lower dynamic in 2023 (graphs 13 and 14).

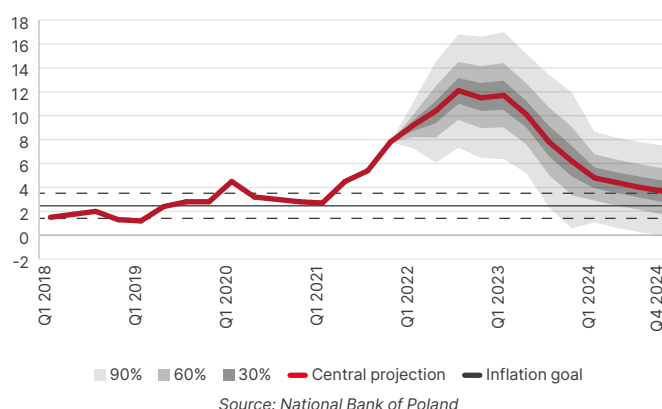
Inflation forecasts published by the National Bank of Poland (NBP) predict the CPI inflation rate going up to 5.8% in 2022, to decrease to approximately 3.6% in 2023 (graph 15).

The analysts' consensus compiled by the Parkiet newspaper indicates an even steeper inflation path this year, with the median forecast rates of: 8.05%, 8.10%, 7.90% and 6.20%, respectively, in the successive quarters of 2022 (graph 16).

The announcements made by Polish and foreign central banks, including by President of the NBP Adam Glapiński, as well as the statements of monetary policy analysts predict that the NBP interest rates will continue to grow in the upcoming months.

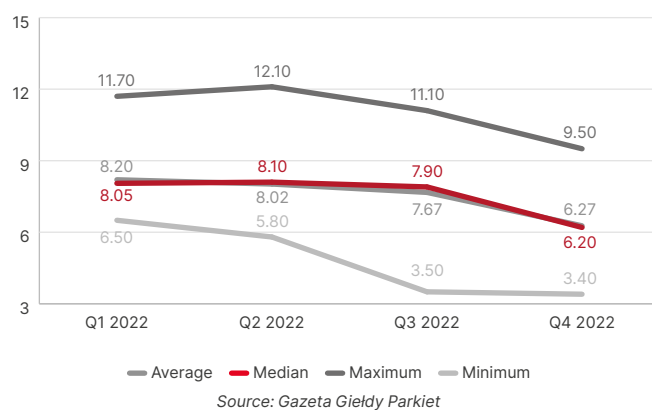
The predictions of interest rate trends compiled by the Parkiet newspaper also suggest that the interest rates will be increased, to reach the median of 3.5% at the end of Q4 2022 (graph 17).

Graph 15. Inflation and economic growth projection - NECMOD model (March 2022)



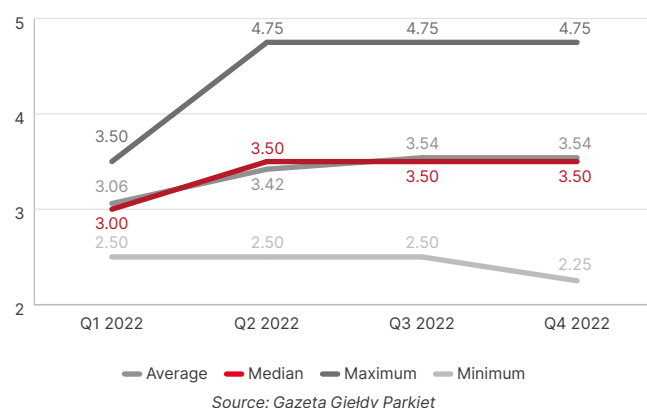
Source: National Bank of Poland

Graph 16. CPI forecasts (% y/y, quarterly average) - economic consensus (36 teams)



Source: Gazeta Giełdy Parkiet

Graph 17. NBP reference rate (% end of period) - economic consensus (36 teams)



Source: Gazeta Giełdy Parkiet



BGK
BANK GOSPODARSTWA
KRAJOWEGO

**Bank
Gospodarstwa
Krajowego**

0.13% of shares




**State
Treasury**

99.87% of shares




PFR
Polski Fundusz Rozwoju




PFR TFI

100.0% of shares




PFR Ventures

100.0% stake




PFR Nieruchomości

100.0% of shares




PFR Portal PPK

100.0% stake



PFR Operacje

100.0% stake



**PPP
VENTURE**

90.0% stake



Structure of the PFR Corporate Group

1. INFORMATION ABOUT THE PARENT COMPANY – PFR

PFR with its registered office in Warsaw is a Polish development institution established as a joint stock company, with the State Treasury as the majority shareholder. It was established on 28 December 2012 by the Ministry of State Treasury and operated under the name of Polskie Inwestycje Rozwojowe S.A. (Polish Development Investments) until 13 April 2016.

The purpose of PFR is to conduct economic activity in its own name and for its own account, in accordance with best commercial practices, while endeavoring to generate a market return on invested capital in the long-term. The Company places the greatest emphasis on: infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, supporting local governments, execution of the Employee Capital Plan program and management of foreign investments. PFR's mission is "Investments for Poland".

PFR's registered office is located in the Cedet office building, at ul. Krucza 50 in Warsaw.

The Company pursues its goals through the specialist centers of competence operating within the PFR Corporate Group:

- PFR TFI – capital investments, foreign expansion, ECP management;
- PFR Ventures – investments in the form of a fund of funds;
- PFR Nieruchomości – residential investments;
- PFR Portal PPK – operation of Employee Capital Plans (ECP);
- PFR Operacje – IT and cybersecurity services for the PFR Corporate Group;
- PPP Venture – building and running student housing in Kraków under a public private partnership.

In addition, PFR is involved in accelerating digitization of the Polish economy through the company Operator Chmury Krajowej Sp. z o.o. ("**National Cloud Operator**", "**NCO**" or "**National Cloud**") in which PFR holds a 50% equity stake. PFR pursues its goals in respect of the development of Poland's capital market through an affiliate company Polska Agencja Ratingowa S.A. (Polish Rating Agency) ("**PAR**").

The PFR Corporate Group's ecosystem also includes the PFR Foundation (the "**Foundation**"), established by the Company to engage into activities designed to make positive changes in the Group's social environment.

Under the Act on the Development Institutions System, PFR also creates an integrated system of development institutions referred to as the PFR Group. It operates on the basis of a consistent strategy that is compliant with the Council of Ministers' economic policy. The PFR Group comprises the following institutions and their subsidiaries:

- Polski Fundusz Rozwoju (Polish Development Fund),
- Agencja Rozwoju Przemysłu S.A. ("**ARP**") (Industrial Development Agency),
- Bank Gospodarstwa Krajowego ("**BGK**") (National Development Bank),
- Korporacja Ubezpieczeń Kredytów Eksportowych S.A. ("**KUKE**") (Export Credits Insurance Corporation),
- Polska Agencja Inwestycji i Handlu ("**PAIH**") (Polish Investment and Trade Agency),
- Polska Agencja Rozwoju Przedsiębiorczości ("**PARP**") (Polish Agency for Enterprise Development).

According to its group-wide strategy, the PFR Group focuses on the following six most important areas of business, with a lead institution being designated in each of them: PFR for investments; BGK for banking; KUKE for export insurance; PAIH for foreign trade; ARP for industry; and PARP for enterprise development. The Act facilitates tight cooperation, better coordination of activities and regular sharing of information and knowledge among the Group's institutions.

The Act on the Development Institutions System also makes it possible to raise PFR's share capital by contribution of treasury securities. Furthermore, PFR can extend sureties or guarantees on behalf of the State Treasury for the repayment of liabilities under loans incurred or bonds issued by PFR. In addition, pursuant to the Act on the Development Institutions System, PFR may issue bonds on the domestic market and on foreign markets to obtain funds to finance the execution of the Programs. PFR's liabilities by virtue thereof are backed by a State Treasury guarantee. The latter solution was crucial to obtain funds to implement the Programs that have proven to be critical in buffering Polish businesses from the consequences of freezing the economy resulting from the COVID-19 pandemic.

The PFR Group is overseen by the Group's Supervisory Board, which constitutes a platform for coordinating the collaboration among the six development institutions. Its members are the presidents of the aforementioned institutions and its chairman is the President of the Management Board of PFR.



Historical background

2012

DECEMBER 2012



Establishment of Polskie Inwestycje Rozwojowe S.A.

2016

APRIL 2016



Change of name to Polish Development Fund.

JUNE 2016



PFR establishes PFR Ventures.

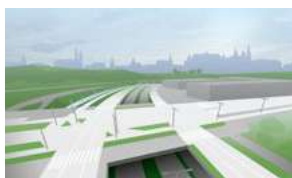
DECEMBER 2016



PFR and PZU S.A. acquire a 32.8% stake in Bank Pekao S.A. from UniCredit. PFR's share in the bank's share capital is 12.8%.

2017

FEBRUARY 2017



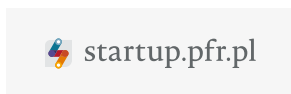
PFR-managed fund invests in the construction of Trasa Łagiewnicka in Kraków.

AUGUST 2017



PFR-managed fund invests in the steel pipe manufacturer Ferrum S.A.

SEPTEMBER 2017



Launch of the startup.pfr.pl portal.

OCTOBER 2017



PFR acquires a 100% stake in BGK TFI S.A. (at present: PFR TFI) from BGK.

NOVEMBER 2017



PFR-managed fund becomes a new investor in the WB Electronics Group, a manufacturer of military drones and communication systems.

JANUARY 2018



PFR-managed FIS FIZAN invests in Sądeckie Wodociągi and MGKIM in Limanowa.

FEBRUARY 2018



PFR establishes the Polish Development Fund Foundation.

JUNE 2018

Launch of the first edition of the "Szkoły Pionierów PFR" ("PFR School of Pioneers") – an international educational program for technological visionaries.

JUNE 2018



PFR Ventures signs the first investment contracts with VC funds.

JULY 2018

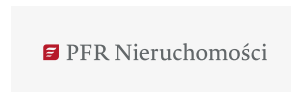
PFR acquires a nearly 100% stake in PESA S.A., Poland's largest rolling stock manufacturer.

SEPTEMBER 2018



PFR awarded the title of the Company of the Year at the Krynica Forum.

OCTOBER 2018



PFR becomes the owner of a 100% stake in BGK Nieruchomości S.A. (at present: PFR Nieruchomości).

PFR made its investments directly and/or through the investment funds included in its management portfolio.



Historical background

OCTOBER 2018



A fund managed by PFR acquires a 99.77% stake in Polskie Koleje Linowe S.A.

OCTOBER 2018



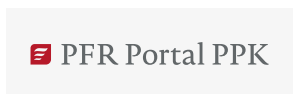
Enactment of the Act on Employee Capital Plans

DECEMBER 2018



The city of Gdynia signs an investment agreement with PFR for the sale of a 25% stake in Przedsiębiorstwo Wodociągów i Kanalizacji

JANUARY 2019



PFR Portal PPK commences operations and the MojePPK.pl portal is launched.

MARCH 2019



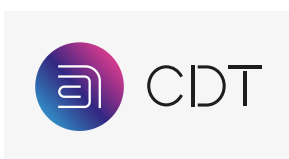
PFR becomes a shareholder in the consortium that acquired DCT Gdańsk S.A., Poland's largest container terminal

JULY 2019



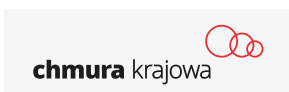
Entry into force of the Act on the Development Institutions System.

AUGUST 2019



PFR Foundation opens the Central House of Technology.

AUGUST 2019



Signing of an investment agreement under which PFR acquires a 50% stake in the National Cloud Operator.

OCTOBER 2019



An investment by a fund managed by PFR: acquisition of a 49.02% stake in the Municipal Buildings Administration Board.

DECEMBER 2019



An investment by a fund managed by PFR: acquisition of a 45% stake in the Tarnobrzeskie Wodociągi.

DECEMBER 2019



Completion of the first stage of the rollout of Employee Capital Plans in companies employing over 250 persons.

FEBRUARY 2020



Launch of the "PFR for Cities and Towns", a program addressed to innovative local governments.

APRIL 2020



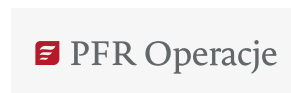
Under the government's Anti-Crisis Shield, PFR commences work on the Financial Shield for SMEs and the Financial Shield for Large Companies.

JUNE 2020



The PFR Consulting Center in Chełm is opened.

OCTOBER 2020



Establishment of PFR Operacje, with the purpose to provide IT and security-related services to members of the PFR Corporate Group.

2020

2019

PFR made its investments directly and/or through the investment funds included in its management portfolio.

Table 1. Stake held by shareholders in the share capital and in the total number of votes at shareholder meetings as at the balance sheet date

Shareholders	Number of shares	Number of votes	Par value of shares	Stake in the share capital	Percentage (%)
State Treasury	11,460,907,779	11,461,207,779	11,460,907,779	99.87%	99.87%
BGK	15,000,000	15,000,000	15,000,000	0.13%	0.13%
Total	11,475,907,779	11,475,907,779	11,475,907,779	100.00%	100.00%

1.2. Shareholding structure and share capital

As at the balance sheet date, PFR's shareholders comprised:

(i) State Treasury, which held:

- Series A shares with numbers from A 1 to A 300 000, of the nominal value of PLN 300,000.00, paid up in full,
- Series C shares with numbers from C 1 to C 1 143 062 525, of the nominal value of PLN 1,143,062,525.00, paid up in full,
- Series D shares with numbers from D 1 to D 1 294 964 028, of the nominal value of PLN 1,294,964,028.00, paid up in full,
- Series E shares with numbers from E 1 to E 2 499 926 000, of the nominal value of PLN 2,499,926,000.00, paid up in full,
- Series F shares with numbers from F 1 to F 6 522 655 226, of the nominal value of PLN 6,522,655,226.00, paid up in full,

(ii) Bank Gospodarstwa Krajowego, which held Series B shares with numbers from B 1 to B 15 000 000, of the nominal value of PLN 15,000,000.00, paid up in full, (table 1).

As of the date of drawing up this report, the above structure has not changed.

Special rights of the State Treasury

Each Series A share is preferred in that it enjoys two votes per one share. All the registered Series A shares have been subscribed for by the State Treasury.

Restrictions in exercising the voting right at the shareholder meeting

The voting right of shareholders has been restricted in that at the Shareholder Meeting no such shareholder may exercise more than 10% of the total number of votes existing in PFR as on the date of the shareholder meeting, provided that the restriction does not apply to the shareholder holding rights under all Series A shares.

As at the balance sheet date, the share capital of PFR was PLN 11,475,907,779.00, and was divided into:

- 300,000 preferred registered shares of the nominal value of PLN 1 each, namely Series A shares numbered from A 1 to A 300,000,
- 15,000,000 ordinary registered shares of the nominal value of PLN 1 each, namely Series B shares numbered from B 1 to B 15 000 000,
- 1,143,062,525 ordinary registered shares of the nominal value of PLN 1 each, namely Series C shares numbered from C 1 to C 1 143 062 525,
- 1,294,964,028 ordinary registered shares with the nominal value of PLN 1 each, namely Series D shares numbered from D 1 to D 1 294 964 028,

- 2,499,926,000 ordinary registered shares of the nominal value of PLN 1 each, namely Series E shares numbered from E 1 to E 2 499 926 000.

- 6,522,655,226 ordinary registered shares of the nominal value of PLN 1 each, namely Series F shares numbered from F 1 to F 2 499 926 000.

Series A Shares were taken up and paid for by the State Treasury before PFR was registered.

Series B Shares were taken up and paid for with a cash contribution by Bank Gospodarstwa Krajowego.

Series C Shares were taken up and covered by a non-cash contribution by the State Treasury.

Series D Shares were taken up and paid for with a cash contribution by the State Treasury.

Series E Shares were taken up and covered by a non-cash contribution by the State Treasury.

Series F Shares were taken up and covered by a non-cash contribution by the State Treasury.

As at the date of preparation of these statements, the share capital of PFR is PLN 11,475,907,779, 00 and has been paid up in full.

1.3. PFR on the capital market

After PFR has been entrusted with the execution of the Financial Shield Programs, the Company conducted a bond issue program in the total amount up to PLN 100 billion.

The proceeds from the issue were used to finance the Financial Shields, i.e. to support companies affected by the COVID-19 pandemic.

This support helped businesses maintain liquidity and financial stability, as well as keep jobs in the period of severe economic disruption caused by COVID-19. Entrusting to PFR the leading role in combating the negative effects of COVID-19 on the Polish economy has been combined with the introduction of legislative solutions enabling full involvement of the Company in anti-crisis activities.

The PFR bond issue program is based on Article 21 aa sec. 1 of the Act on the Development Institutions System in conjunction with Article 39p-39w of the Act of 27 October 1994 on Toll Motorways and the National Road Fund. Bonds are issued in series, whereby all bonds issued by PFR are, by the force of the Act, covered by a State Treasury guarantee.

As at 31 December 2021, the Company had issued bonds for the total amount of PLN 73.9 billion.

**Table 2.** Basic parameters of PFR bonds listed on the Catalyst ATS market at yearend 2021

Bond series and ISIN code	Basic information		
	Issue size	Type and annual interest rate	Maturity date
PFR0324 (ISIN: PLPFR0000019)	PLN 16,325 million	fixed 1.375%	29 March 2024
PFR0325 (ISIN: PLPFR0000027)	PLN 18,500 million	fixed 1.625%	31 March 2025
PFR0925 (ISIN: PLPFR0000035)	PLN 15,175 million	fixed 1.625%	22 September 2025
PFR0627 (ISIN: PLPFR0000043)	PLN 10,000 million	fixed 1.750%	7 June 2027
PFR10927 (ISIN: PLPFR0000084)	PLN 900 million	fixed 1.325%	30 September 2027
PFR0330 (ISIN: PLPFR0000050)	PLN 3,250 million	fixed 2%	5 March 2030
PFR0827 (ISIN: PLPFR0000092)	PLN 5,250 million	fixed 1.375%	30 August 2027
PFR 0927 (ISIN: PLPFR0000076)	PLN 2,000 million	fixed 1.5%	30 September 2027

On 28 May 2020, the first bonds issued by PFR debuted on the Catalyst ATS public bond trading market. As at the end of 2021, eight series of PFR bonds were listed on the Catalyst ATS market: PFR0324, PFR0325, PFR0925, PFR0627, PFR10927, PFR0330, PFR0827 and PFR0927 (table 2).

A detailed description of the bonds issued to date is given in item "Financing of aid programs" of this report.

2. INFORMATION ON THE SUBSIDIARIES

PFR TFI

2.1. PFR TFI

PFR TFI specializes in the establishment and management of investment funds and management of a collective security portfolio. The activities of PFR TFI focus on four areas:

- management of closed-end investment funds, which invest in the Polish economy and in development of Polish companies;
- management of investments listed in regulated markets, included in closed-end fund portfolios, and management of closed-end fund liquidity;
- capital expansion in foreign markets (direct outgoing foreign investments);
- management of a specialized open-end investment fund within the framework of Employee Capital Plans (ECPs).

PFR TFI is a team of highly qualified professionals with many years' worth of experience in the management of closed-end and open-end funds as well as saving and investment products.

The Management Company is developing rapidly. As at the end of 2021, PFR TFI managed a total of 14 investment funds, with the net asset value in excess of PLN 13 billion, compared to PLN 9 billion in 2020 and PLN 8 billion in 2019, respectively.

Closed-end investment funds:

- Fundusz Ekspansji Zagranicznej FIZAN (Foreign Expansion Fund)
- Fundusz Sektora Mieszkań dla Rozwoju FIZAN (Housing Sector Development Fund)
- PFR Starter FIZ
- PFR BIZNEST FIZ
- PFR KOFFI FIZ

- PFR Otwarte Innowacje FIZ (Open Innovations)
- PFR NCBR CVC FIZAN
- Fundusz Sektora Mieszkań na Wynajem FIZAN (Rental Housing Fund)
- Fundusz Inwestycji Samorządowych FIZAN (Local Government Investment Fund)
- Fundusz Inwestycji Polskich Przedsiębiorstw FIZAN (Polish Corporates Investment Fund)
- Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN (Infrastructural Investment Fund - Equity)
- PFR Fundusz Funduszy FIZ (PFR Fund of Funds)
- FIZAN Spółek ARP (ARP Companies Fund)

Open-end investment funds:

- PFR PPK Specjalistyczny Fundusz Inwestycyjny Otwarty (PFR PPK Specialist Open-end Investment Fund) with separated sub-funds: PFR PPK 2025, PFR PPK 2030, PFR PPK 2035, PFR PPK 2040, PFR PPK 2045, PFR PPK 2050, PFR PPK 2055, PFR PPK 2060, PFR PPK 2065.

Investment fund management is a complex process, involving both asset management as well as administrative aspects of the fund operation, including: keeping of accounting books and valuation of participation units and investment certificates, reporting, operational management, risk management and support processes.

Every aspect of fund management is characterized by high complexity, and operated by a separate PFR TFI expert team. Its overall operation is overseen by the depositary designated by the legislator to perform independent verification of all activities performed in the area of investment fund assets valuation.

As at 31 December 2021, the Company itself managed directly the Foreign Expansion Fund, the ARP Companies Fund and the PFR PPK SFIO, whereas it employed entities from the PFR Group to manage a portion of the investment portfolio of the remaining funds:

- PFR manages the Local Government Investment Fund, the Polish Corporate Investment Fund, and the Infrastructural Investment Fund – Equity;
- PFR Ventures Sp. z o.o. manages PFR Starter FIZ, PFR BIZNEST FIZ, PFR Open Innovations FIZ, PFR KOFFI FIZ, PFR NCBR CVC FIZAN, and PFR Fund of Funds FIZ.
- PFR Nieruchomości S.A. manages the Rental Housing Fund and the Housing Sector Development Fund.

Management of investment funds

**Asset
management**

**Operational
management**

**Valuation of participa-
tion units and invest-
ment certificates**

**Risk
management**

**Legal and tax
support**

**Regulatory and fund
participant reporting**

**Support
processes**

Pursuant to the Act on Investment Funds, PFR TFI is liable for actions of the entities providing fund management and is obligated to exercise oversight of their operations. The Management Company fulfills these duties by the way of, among others, meetings of investment committees, in which it verifies and provides opinions on investment applications made by the managers; it has the right of effective veto. In 2021, 692 investment committees meetings took place, including 445 for externally managed funds and 247 for directly managed funds and investments.

Operation of the entities outsourced for fund management is also verified and assessed by PFR TFI's internal control system units. The Supervision Office, as a part of the compliance system, conducts internal inspections under the *Inspection Plan* adopted for a given year. The internal inspections cover operations of the TFI and the funds managed thereby, but they are also conducted in the entities hired to manage funds, as regards, among others, performance of the fund management agreement and availability of adequate technical and organizational resources.

Operation of management entities is also covered by the PFR TFI's risk management system, pursuant to the *Risk Management Strategy* introduced in 2021. Moreover, the Audit Office, as the "third line of defense", examines the adequacy and effectiveness of business processes and internal regulations in all areas of the TFI Company's activities, as well as periodically verifies performance of the terms and conditions of the fund management agreements from the viewpoint of correct and effective fulfillment of all obligations resulting from the law, as well as recommends corrective actions if irregularities are found. The audits are conducted regularly in all entities hired to manage the funds, as per the *Audit Plan* approved by the Management Board and the Supervisory Board.

Fulfillment of regulatory and market requirements

As a supervised institution, PFR TFI follows the requirements of the Polish Financial Supervision Authority, the Act on Investment Funds and other applicable regulations. As a result of regulatory changes in 2021, PFR TFI made modifications in the following areas:

Organizational structure and division of competences

PFR TFI is obligated to ensure an adequate organizational structure and division of competences between the individual entities. In 2021, the Act Amending the Act on Investment Funds introduced new requirement for investment fund management companies. One of these duties is to separate the functions discharged by mem-

bers of the management board. Pursuant to Article 42a of the Act on Investment Funds, investment fund management companies must ensure that the functions of the president of the management board, the member of the management board responsible for investments and the member of the management board responsible for risk management be not discharged by one and the same person. To meet these requirements, in 2021 PFR TFI expanded the composition of the management board to include a management board member responsible for risk management. To this position, the Supervisory Board appointed Tomasz Bartmiński, commanding many years' worth of experience in renowned financial institutions.

Following the *Corporate Governance Principles for Supervised Institutions*, in 2021, PFR TFI adopted the *Risk Management Strategy for 2021-2023*, which sets the risk tolerance levels. At PFR TFI, risk management is conducted on an on-going basis, with participation of all the Company's organizational units. At PFR TFI, the risk management process proceeds in the following stages: identification, measurement, estimation, monitoring, and application of mechanisms to mitigate the identified, measured or estimated risk level. Furthermore, the TFI Company manages risk at the level of each fund, in particular by defining the fund's risk profile, setting risk limits, as well as conducting in-depth analysis of market and legal conditions when making investment decisions for each individual fund.

The Regulation of the Minister of Finance, Regional Funds and Regional Policy of 18 November 2020 on the manner, procedure and conditions of operation of investment fund management companies stipulates the obligation to separate the functions of internal audit, risk management and compliance. Pursuant to the European Commission Delegated Regulation 231/2013, all the above mentioned units of internal control must enjoy full independence. In other words, employees of the internal control units cannot perform operational tasks that may fall within the scope of their inspection or oversight.

Furthermore, pursuant to the recommendations of the Polish Financial Supervision Authority, TFI companies must have an adequate organizational structure to ensure protection of confidential information ("Chinese walls"), independence of the internal control system and independence of valuations, as well as to prevent conflicts of interest. PFR TFI complies with the above requirement by operating correct division of competencies, structuring its organization with account being taken of the nature, scale and complexity of the conducted activities, as well as following the principles of investment policy and the investment strategy of the funds under its man-



ESG standards - examples

agement. The units responsible for the execution of internal control system tasks include in particular:

- the Supervision Office, responsible for compliance of the TFI Company's operations and the persons acting for it with the applicable laws, procedures and regulations; in the organizational structure, it is positioned in the division of the president of the management board.
- the Audit Office, also reporting to the president of the management board, responsible for systematic verification of systems and procedures and internal by-laws in force at PFR TFI, from the viewpoint of the correctness and effectiveness of fulfillment by the Company of its duties resulting from the law and internal procedures, as well as taking actions to remove irregularities;
- Risk Management and Quantitative Analyses Office, positioned in the division of the management board member responsible for risk management - its major function is to maintain a risk management system for PFR TFI and the funds under its management.

The division of the president of the management board also includes the following support functions: Finance Department, Legal Office, IT Office, Marketing and Communication Office, ECP Development and Operation Department, Modeling and Valuations Office, Management Board and Administration Office, and Human Resources Management Office.

The management board member responsible for investments oversees all the processes in respect of investment decisions and execution of investment objectives of the funds and portfolios under management, in keeping with the applicable law, investment limits, risk limits and the PFR TFI's internal regulations, in particular the *Investment Strategy*. The division of the management board member responsible for investments comprises the following departments: Non-Public Asset Fund Management Department, Foreign Expansion Fund Management Department and Fund and Asset Management Department.

The management board member responsible for operations oversees the Operations Department, which provides administrative management to closed-end funds (including coordination of cooperation with the depositary, participation in the valuation of closed-end fund assets, coordination of accounting books audits), and the Asset Administration and Valuation Department, which is respon-

sible for the operational-accounting, administrative and reporting management of the PFR PPK SFIO fund as well as the accounting and reporting of closed-end funds for which PFR TFI maintains accounting books.

Sustainable development

Since 10 March 2021, financial institutions are obligated to follow Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (*Sustainable Finance Disclosure Regulation*, SFDR), which is designed to ensure greater transparency of the financial market participants. The Regulation imposes new disclosure obligations on financial institutions, not only as regards reporting and communication with fund participants, but also in relation to marketing communication with the market.

To meet the SFDR requirements, PFR TFI has adopted the principles of sustainable development and ESG standards, which cover environmental, social responsibility and management, as well as corporate governance and counteracting corruption. All these issues are reflected both at the PFR TFI level, as well as in the operation of the individual funds under its management, whereby the scope and type of factors taken into account depends on the investment policy of a given fund. The detailed principles of operation in this respect are defined by the *Strategy of assuming risks to sustainable development in PFR TFI S.A.'s investment decision-making process*, which is available on the TFI Company's website, under the tag "Sustainable Investing".

In the meaning of the SFDR, PFR TFI, as a market participant, is required to monitor communication in respect of the investment funds, in order to provide reliable, credible information, in particular in respect of the products linked to sustainable development, especially the so-called dark green products - targeting sustainable investments, and the so-called light green products - which promote certain environmental or social aspects.

The upcoming months will see introduction of a new set of regulations, including implementing acts to the Regulation (regulatory technical standards, RTS), which will provide detailed specification and methodology of the calculation of indicators to be reported in accordance with the Directive.



Dobre Praktyki Informacyjne

(Best Information Practices)

- 1 Publication of portfolio composition
- 2 Publication of sales balance data
- 3 Presentation of fund portfolio structure
- 4 Presentation of the rates of return for the fund's benchmark
- 5 Publication of the fees applicable to all units

Greater transparency

As an active participant of the financial market, PFR TFI engages into self-regulation initiatives of the Polish investment funds industry and has been among the initiators of the implementation of the Best Reporting Practices. Since October 2021, the sub-funds of PFR PPK SFIO meet the requirements of all the Practices. The primary objective of this initiative is to improve access of retail investors to investment product information. Each of the five Best Reporting Practices applies to a different area of the fund industry, and is designed to increase fund transparency.

As per the guidelines, portfolio composition information is published quarterly, by the last day of the month following the quarter end. On the other hand, information about PFR TFI's sales balance and portfolio structure is published monthly: the sales balance data - by the 15th day of the following month, and the portfolio structure -

by the 20th day of the following month. The data reported under the Best Reporting Practices is prepared and published in cooperation of three organizational units: Fund and Asset Management Department, Asset Administration and Valuation Department and the Marketing and Communication Office.

With the regular publication on its website of the information on the fund flows balance, portfolio structure and composition, and the fees collected, PFR TFI provides fuller information about its managed funds. As a result, for example the participants of the Employee Capital Plans managed by PFR TFI may find out how the investment policy of the funds is implemented and how the portfolio composition changes in individual year quarters.

Members of the company's Management Board are:

- Ewa Małyżko – President of the Management Board,
- Piotr Kuba – Management Board Member, Chief Investment Officer,
- Tomasz Orlik – Management Board Member, Chief Operations Officer,
- Tomasz Bartmiński, Management Board Member, Chief Risk Officer.

PFR Ventures

2.2. PFR Ventures

PFR Ventures manages the funds of funds dedicated to *venture capital* (VC) and *private equity* (PE) markets. It is the largest entity of this type in Central and Eastern Europe. The funds are used to increase the financing of innovations in the sector of small and medium enterprises (start-ups), as well as provide capital to mature companies. Investments are carried out by financial intermediaries (teams managing VC and PE funds). The funds held by PFR Ventures come from: the Smart Development Operational Programme 2014-2020,

Active VC and PE funds in the PFR Ventures portfolio



the Innovative Economy Operational Programme 2007-2013, the Swiss-Polish Cooperation Programme, the Ministry of Economy and the Polish Development Fund. In total, PFR Ventures manages assets of over PLN 3 billion.

As at the end of 2021, PFR Ventures had 61 VC and PE funds in its portfolio. Out of this number, 43 funds continue investment activities, i.e. search for new investment targets. So far, they have invested approximately PLN 8 billion in 337 companies. 18 VC funds from the PFR Ventures portfolio are at the exit stage. The average cash-on-cash (CoC) ratio for exits from 86 out of 212 companies is 1.4x. The top 10 exits ranged from 2.8x to 34.8x.

PFR Ventures manages eight investment programs. Each one of them activates a different market segment: co-investments, business angels or fund creation for corporations (Corporate Venture Capital). In 2021, the PFR Green Hub FoF program was launched, designed to stimulate investments in the energy transition in Poland and provide financing to the so-called positive impact businesses.

The portfolios of PFR Ventures's funds include companies such as: Audioteka, Booksy, Brand24, Frisco.pl, Infermedica, iTaxi and Oshee. PFR Ventures funds financed the growth of 6 out of 10 largest start-ups in Poland.

Members of the company's Management Board are:

- Maciej Ćwikiewicz – President of the Management Board,
- Aleksander Mokrzycki – Vice-President of the Management Board.

PFR Nieruchomości

2.3. PFR Nieruchomości

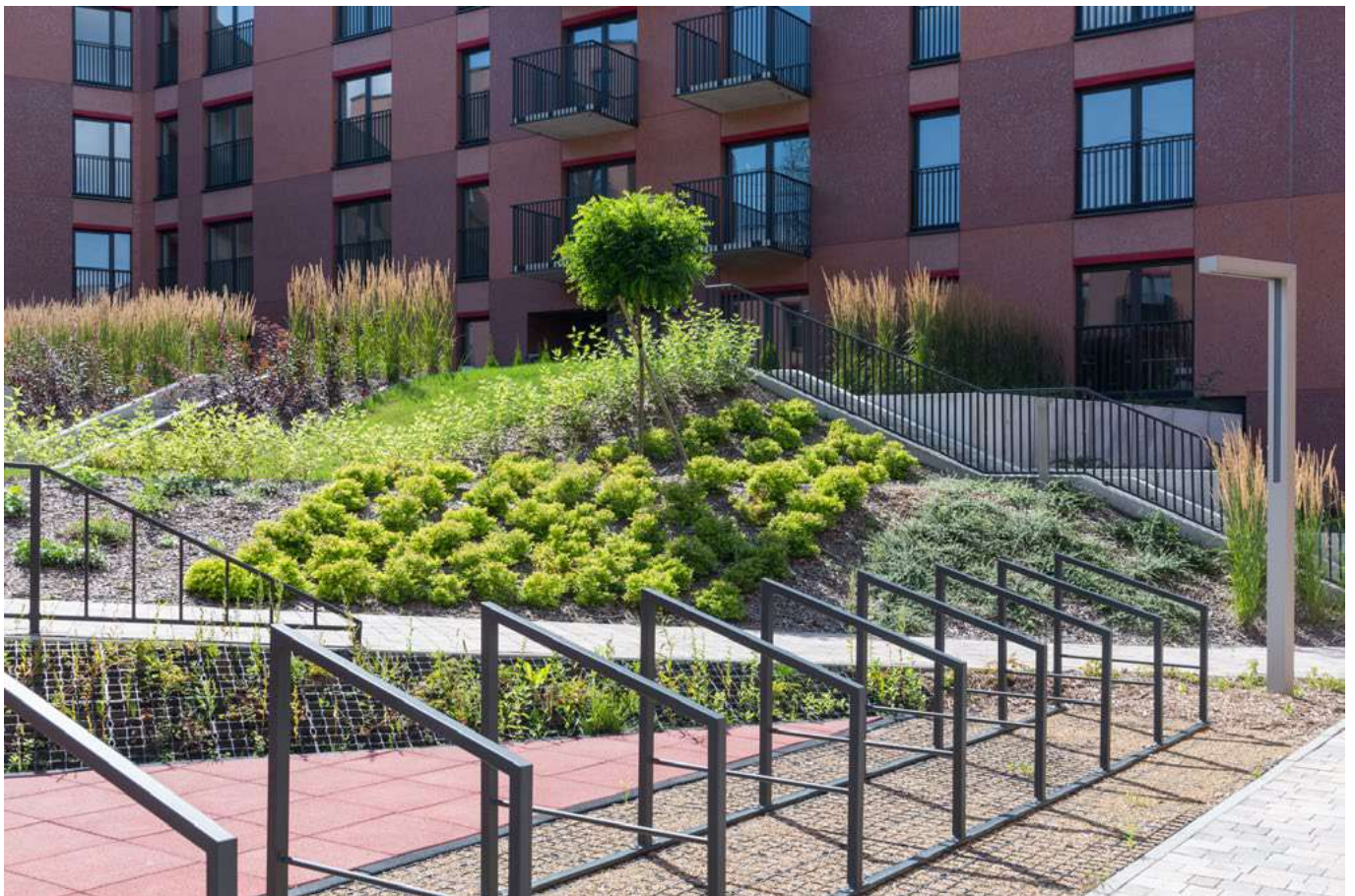
PFR Nieruchomości S.A. is a Polish joint stock company and a member of the PFR Corporate Group. It is responsible for investments of the Rental Housing Fund and the Housing Development Fund, which finance the market portion of the government residential housing program. The Company is the leader of the institutional rental market in Poland.

PFR Nieruchomości was created in October 2017, based on the company BGK Nieruchomości established by Bank Gospodarstwa Krajowego in 2013.

The Target Companies of the Rental Housing Fund and the Housing Development Fund hold approximately seven thousand apartments - completed or under construction - in over 30 locations all across Poland. The projects include both investments in the largest agglomerations: in Warsaw, Kraków, Wrocław, Gdańsk-Sopot-Gdynia (Tri-City) and Łódź, as well as in medium-sized cities, such as Toruń, Radom, Wałbrzych and Świdnik.

As at 31 December 2021, the members of the Company's Management Board are:

- Wojciech Caruk – President of the Management Board,
- Krystyna Wąchała-Malik – Management Board Member, Chief Rental Officer,
- Krzysztof Pniewski – Management Board Member, Chief Finance Officer.



Nowy Nikiszowiec residential housing project in Katowice



PFR Portal PPK

2.4. PFR Portal PPK

PFR Portal PPK is a company responsible for collecting and reporting information on the Employee Capital Plans pursuant to Article 77 of the Act of 4 October 2018 on Employee Capital Plans (Journal of Laws of 2020 Item 1342, as amended) (the "ECP Act"). The company's primary objectives and tasks include: promotion of the private retirement savings program for employees working in Poland under the Employee Capital Plan program and operating a web portal dedicated to the program. In order to achieve a market rate of return on the invested capital, the company contemplates to conduct additional business activity, not stipulated by the scope of the Act.

Information and education activities: MojePPK.pl website

The MojePPK.pl website is the most important official source of information about the Employee Capital Plans. It provides a broad range of publications: guides, answers to frequently asked questions, podcasts, videos, forms of documents, legislative acts, offers of financial institutions, as well as e-books on various legal issues and HR/payroll regulations, and calculators of payments, savings, taxes and management cost. The contents ECPs is published not only in Polish, but also in: English, Ukrainian, Belarusian and Vietnamese. The portal also provides ECP's participants with information about the value of their funds balance in the ECP account. Login into the portal is possible via the Trusted Profile, at <https://rachunek.mojeppk.pl/>.

Training and information activities

The company's educational and information activities involve organization of training for employers and employees, to provide knowledge about, among others, the rollout of the ECP program. The Compa-

ny's representatives also take part as speakers in various conferences, presenting the terms and conditions, as well as the working principles of the ECPs.

Editorial and legal activities

The Company's key objectives also include the interpretation and clarification of the provisions of labor law and the social security system, as well as publication of helpful guides addressed to employers and employees, as regards, for example, the ECP rollout process. Moreover, the Company prepares opinions on the application of the ECP Act, in consultation with the relevant institutions, including the Polish Financial Supervision Authority and the Ministry of Finance.

Members of the company's Management Board are:

- Robert Zapotoczny – President of the Management Board,
- Małgorzata Smółkowska – Management Board Member.

PFR Operacje

2.5. PFR Operacje

PFR Operacje Sp. z o.o. (PFRO) was established in October 2020, as a Shared Services Center for ITC and cybersecurity services.

The purpose of the company is to optimize and improve security of the IT services provided for the PFR Corporate Group.

Members of the company's Management Board are:

- Radosław Hoc – Management Board Member.

Information on other subordinated entities

Operator Chmury Krajowej

Operator Chmury Krajowej (National Cloud Operator) is a technology company established in 2018 at the initiative of PKO Bank Polski S.A. and Polski Fundusz Rozwoju, to ensure availability of advanced cloud computing services for Polish companies and public institutions. Today, it is the most specialized supplier of cloud solutions on the Polish market. It offers both its own products and services via the proprietary National Cloud Platform, as well as solutions of its strategic partners – global public cloud suppliers: Google and Microsoft. In this way, the company gives users freedom of choice in selecting the most suitable option of a cloud solution.

Using National Cloud Operator's services, businesses, regardless of their scale of operation, can optimize IT processes and costs, cutting down project execution time and increasing efficiency, as cloud solutions are available in a service-based model, i.e. without any need

for costly investment in infrastructure, as well as its maintenance and management. National Cloud is a team of over 150 highly qualified professionals, engineers and cloud architects, data analysts, experts in artificial intelligence, machine learning and cybersecurity, whose skills and experience may be used in execution of any transformation project. National Cloud Operator brings together the state-of-the-art technologies and people who know how to use them effectively. This is how it can successfully assist businesses and public institutions in digital transformation processes.

Members of the company's Management Board are:

- Michał Potoczek – President of the Management Board,
- Dariusz Śliwowski – Vice-President of the Management Board,
- Marcin Dzienniak – Vice President of the Management Board,
- Paweł Ławecki – Vice President of the Management Board.

HR and payroll situation

1. PROJECTS TO MODIFY HEADCOUNT AND ITS STRUCTURE

As at 31 December 2021, the headcount in PFR was 250 employees. Compared to the end of 2020, the headcount increased by 31 persons, i.e. 14%. Average annual headcount was 233.9 full-time positions, or 239 persons. At the end of 2021, the workforce of the PFR Corporate Group increased by 8% (52 persons) as compared to 2020, up to 667 employees.

In 2021, the gender structure was similar as in the previous year - 47% of the total of PFR's employees are women. They represented 38% of all managers.

The majority of employees (63%) are persons with a length of service with the Company from 1 to 5 years. In 2020, this percentage was lower - 46%.

To increase work productivity while at the same safeguarding employee satisfaction, the Company organized individual training improving their competencies, as well as, among others, a series of development training for managers and their subordinates:

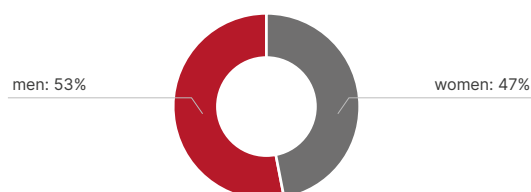
- "Employee of the Future" - attended by 95% of all PFR employees,
- "Leader of the Future" - a training for managers, attended by 98% of PFR's management team,
- "Effective Customer Support" - a training for the employees of the Advisory Center, attended by 97% of the center's advisors,
- "Effective Recruitment" - a training for managers, attended by 80% of PFR's management team.

In December 2021, the Company completed the process of shares services centralization for the PFR Corporate Group in respect of HR and payroll administration. These services are now provided in one location by the Personnel Management Department of PFR.

All the measures implemented by PFR were aligned with the strategy, values, internal regulations - in particular the bylaws of PFR employee remuneration policy, PFR employee incentives bylaws and the PFR labor bylaws.

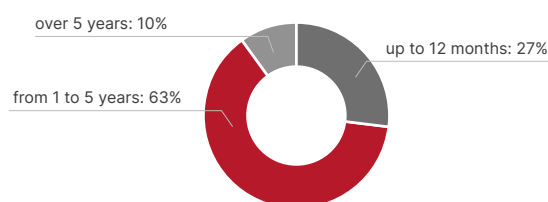
Employment structure in PFR by gender (as at 31.12.2021)

	women	men
Management staff	18	30
Other employees	100	102
Total	118	132



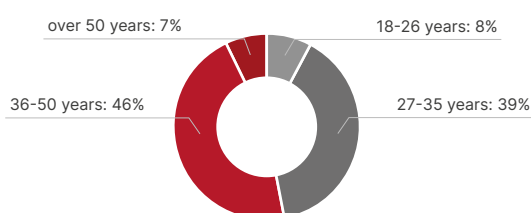
Employment structure in PFR by length of service in the Company (as at 31.12.2021)

	up to 12 months	from 1 to 5 years	over 5 years
Management staff	4	33	11
Other employees	64	125	13
Total	68	158	24



Employment structure in PFR by age (as at 31.12.2021)

	18-26	27-35	36-50	over 50
Women	12	42	58	6
Men	8	56	58	10
Total	20	98	116	16



	Average annual headcount		As at 31.12.2021	
	Persons	FTEs	Persons	FTEs
PFR	239	233.9	250	245.74
PFR TFI	85	84.45	84	82.8
PFR Ventures	51.99	51.6	53	52.88
PFR Nieruchomości	190.4	187.5	180	177.63
PFR Portal PPK	45.26	41.6	43	39.4
PFR Operacje	30.06	28.2	46	44.75
PFR Foundation	11.29	10.1	12	10.65



Corporate governance

1. CORPORATE GOVERNANCE PRINCIPLES

PFR is a commercial law company with 99.87% of its shares held by the State Treasury. In its activities, it attaches great importance to transparency of its operations and decision-making processes, which are carried out in accordance with generally applicable laws and best market practices.

The rules of operation of the PFR are set out in corporate documents; adoption and observance of these documents ensures that the Company is managed properly and in accordance with applicable laws.

The Company carries out its business in accordance with its Articles of Association.

In order to ensure proper operation of the Company's governing bodies, bylaws were adopted defining the organization and the manner of performance of particular activities by those bodies, i.e. Regulations of the Management Board of Polski Fundusz Rozwoju S.A. and Regulations of the Supervisory Board of Polski Fundusz Rozwoju S.A.

The entity keeping the register of the Company's shareholders is Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna – Biuro Maklerskie w Warszawie with its registered office in Warsaw.

The Company has adopted numerous internal regulations governing employee conduct in accordance with the rules adopted and observed by the Company. Such regulations include in particular the "Conflict of Interest Prevention and Management Policy", "Anti-Corruption Procedure", "Best Practice for Social Media" or the PFR Corporate Group's Code of Conduct.

2. AUDIT FIRM AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The Supervisory Board of PFR selected PKF Consult sp. z o.o. sp. k. in Warsaw to audit the Company's financial statements and the consolidated financial statements of the PFR Corporate Group for 2021 and 2022, with an option to extend the agreement for the next two financial years (2023 and 2024).

PKF Consult sp. z o.o. sp. k. also audits financial statements of other companies of the PFR Corporate Group.

3. SHAREHOLDER MEETING

The powers and the course of PFR's Shareholder Meetings are set out in detail by the PFR Articles of Association and the Standing Regulations of the Shareholder Meeting.

Resolutions may be adopted even if the Shareholder Meeting has not been convened formally if the entire share capital is represented and no person in attendance objects to holding the Shareholder Meeting or placing any specific matters on the agenda.

The Shareholder Meeting is valid if at least 50% plus one share are represented, subject to the mandatory provisions of the law. All matters submitted to a Shareholder Meeting on the motion of the Management Board should first be presented to the Supervisory Board for opinion.

Resolutions of the Shareholder Meeting must be adopted with a qualified majority of 2/3 (two thirds) of votes cast, unless the law or the

articles of association provide for a more strict requirements for adopting a resolution.

A Shareholder Meeting resolution is required in matters specifically identified by the provisions of law, in particular the Commercial Company Code or the Articles of Association. Powers of the Shareholder Meeting include, in addition to the matters specifically identified by the provisions of law, in particular the Commercial Company Code:

1. reviewing and approving the activity report and the financial statements for the previous financial year,
2. adopting a resolution on distribution of profit or coverage of loss,
3. reviewing and approving Supervisory Board activity reports,
4. granting a discharge to members of the Supervisory Board and Management Board on the performance of their duties,
5. specifying the dividend record date and the dividend payment date;
6. selling or leasing an enterprise or an organized part thereof and establishing a limited right in rem thereon,
7. amending the Articles of Association,
8. increasing or decreasing the share capital,
9. issuing bonds, convertible bonds or bonds with a pre-emptive right to shares and issuing subscription warrants,
10. retiring shares and defining the terms and conditions of the retirement,
11. merger, demerger or liquidation,
12. forming and merging with a European company,
13. establishing and liquidating special-purpose funds,
14. appointing and dismissing Supervisory Board members,
15. adopting rules of compensation for Supervisory Board members,
16. adopting rules of compensation and setting compensation amounts for Management Board members, including the President of the Management Board,
17. giving consent to a disposal of non-current assets within the meaning of the Accounting Act, in the cases and on the terms set forth in the PFR Articles of Association,
18. giving consent to a purchase of non-current assets within the meaning of the Accounting Act, with the value exceeding: (a) PLN 100,000,000 or (b) 5% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements,

19. giving consent to a subscription for or purchase of shares in another company with a value exceeding: (a) PLN 100,000,000 million, or (b) 10% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements,
20. giving consent to a disposal of shares in another company with a value exceeding: (a) PLN 100,000,000 million, or (b) 10% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements,

a purchase and sale of real properties, perpetual usufruct rights or interests in real properties do not require a resolution of the Shareholder Meeting, subject to items 17-18 above.

4. SUPERVISORY BOARD

The PFR Supervisory Board operates on the basis of the PFR Articles of Association and detailed rules of procedure of the Supervisory Board – Regulations of the PFR Supervisory Board. They also define the procedure and scope of powers of the PFR Supervisory Board.

The Supervisory Board may consist of three to seven members appointed and dismissed for a joint term of office of five years by the Shareholder Meeting.

Supervisory Board members exercise their rights and perform their duties in person. The Supervisory Board elects a Chairman, Deputy Chairman and a Secretary of the Supervisory Board from among its members in the event that the Shareholder Meeting of Shareholders does not do so in the resolution on appointment of a given Supervisory Board member. As long as the Supervisory Board consists of at least three members, the Supervisory Board is capable of taking all actions provided for by law and the Articles of Association.

There are two Committees functioning within the Supervisory Board; they consist of Supervisory Board members and perform permanent advisory and opining functions for the PFR Supervisory Board.

The Audit Committee has operated within the Supervisory Board since 16 September 2014, performing tasks in the following areas of PFR's operations:

- financial reporting in the Company,
- annual financial planning and fulfillment of financial plans,
- audit of financial statements by a statutory auditor,
- internal control systems, risk management and internal audit systems,
- relations between PFR and its related parties within the meaning of the Accounting Act and the Commercial Company Code.

On 27 July 2017, the Supervisory Board appointed the Strategy Committee from among its members, with tasks including in particular issuing of opinions and making recommendations to the Supervisory Board in respect of strategic motions or applications made to the Board and requiring its approval or opinion.

Furthermore, the Strategy Committee monitors the implementation of the Company's strategy, strategic multi-year plans and the Company's operational plans, as well as its investment activities which are relevant from the viewpoint of the Committee's tasks connected

with the implementation of the Company's strategy. It also performs other tasks as directed by the Supervisory Board.

The Committee is also empowered in particular to: (i) examine any other aspect of the Company's activities which are relevant for the Strategy Committee's tasks in respect of the Company's Strategy, including plans, projects, scenarios and agreements of strategic nature, (ii) request the Company's Management Board to provide all and any information, reports and explanations required for the Committee to execute its tasks and make motions to the Supervisory Board to order expert studies or opinions for the use of the Strategy Committee, in order to ensure proper performance of its functions.

As at 1 January 2021, the members of the Supervisory Board were:

- Magdalena Piłat – Supervisory Board Chairperson,
- Izabela Antos – Supervisory Board Deputy Chairperson,
- Kamila Majcher-Zalewska – Supervisory Board Secretary,
- Tomasz Dudek – Supervisory Board Member,
- Anna Miazek – Supervisory Board Member,
- Piotr Szwarz – Supervisory Board Member.

During the financial year, on 25 October 2021 Izabela Antos tendered her resignation from the function of the Company's Supervisory Board Member. On 12 November 2021, the Extraordinary Shareholder Meeting appointed Grzegorz Pazura to the Supervisory Board. On 2 December 2021, the Supervisory Board elected Grzegorz Pazura to serve as the Supervisory Board Deputy Chairperson.

As at 31 December 2021, the members of the Supervisory Board were:

- Magdalena Piłat – Supervisory Board Chairperson,
- Grzegorz Pazura – Supervisory Board Deputy Chairperson,
- Kamila Majcher-Zalewska – Supervisory Board Secretary,
- Tomasz Dudek – Supervisory Board Member,
- Piotr Szwarz – Supervisory Board Member,
- Anna Miazek – Supervisory Board Member.

5. REPORT ON THE ACTIVITY OF THE MANAGEMENT BOARD AS A CORPORATE BODY

Term of office and changes in the composition of the Management Board, date of appointment and composition of the Management Board of the current term of office

According to the PFR Articles of Association, the Management Board of PFR may consist of one to five members.

The Management Board may consist of: the President of the Management Board and other Management Board members as Vice-Presidents of the Management Board elected for a joint term of office; the Management Board should at all times have a President of the Management Board. Appointment to a Management Board member is made after the Supervisory Board has conducted a recruitment procedure to verify and assess the qualifications of the candi-



dates and to select the best candidate. During the procedure, the Supervisory Board makes sure, that the candidates to the Management Board in particular satisfy the conditions set forth in the Act of 16 December 2016 on the rules for managing state property (consolidated text: Journal of Laws of 2021, Item 1933, as amended) (“**RMSP Act**”), which have been incorporated in the PFR Articles of Association. The term of office of the Management Board is five years. The number of Management Board members is set by the PFR Supervisory Board.

As at 1 January 2021, the composition of the Management Board of the second term of office was as follows:

- Paweł Borys – President of the Management Board, appointed by the Supervisory Board effective as of 1 May 2016 (reappointed for the second term of office as of 30 June 2018),
- Bartłomiej Pawlak – Vice-President of the Management Board, appointed by the Supervisory Board effective as of 16 October 2017 (reappointed for the second term of office as of 30 June 2018),
- Tomasz Fill – Vice-President of the Management Board, appointed by the Supervisory Board effective as of 30 June 2018,
- Bartosz Marczyk – Vice-President of the Management Board appointed by the Supervisory Board effective as of 19 November 2018.

The composition of the Management Board did not change during the financial year and as at 31 December 2021 it was as specified above.

Internal allocation of duties and functions discharged by Management Board members

The PFR Management Board operates on the basis of the PFR Articles of Association and the Regulations of the Management Board of PFR.

The Management Board runs PFR's affairs and represents PFR before third parties. The Management Board is authorized to run all of PFR's affairs not restricted for the powers of the Shareholder Meeting or the Supervisory Board.

The Management Board is obliged to prepare annual activity plans, annual financial plans and PFR's long-term development strategy.

The Management Board is obliged to submit to the Supervisory Board, at least on a quarterly basis, reports on material events in PFR's activity. Each report also includes a statement on PFR's revenues, costs and financial result.

The Management Board is obliged to prepare and submit to the Shareholder Meeting an annual report on representation expenses, expenses on legal services, marketing services, public relations and social communication services and management services as well as reports on the application of the best practices referred to in Article 7 Section 3 item 2 of the Act on the Rules for Managing State Property.

The allocation of powers among the Management Board members effective in PFR as at 1 January 2021 was approved by the PFR Supervisory Board on 30 May 2019.

Management Board meetings held and resolutions adopted

In the financial year 2021, the PFR Management Board held 67 meetings, during which it adopted 1063 resolutions, including 21 by circulation, using means of direct remote communication. The Management Board meetings were recorded in the form of minutes, which are kept at the PFR head office.

Information on Shareholder Meetings held and the implementation of Shareholder Meeting resolutions and recommendations of the entity authorized to exercise the rights attaching to the shares held by the State Treasury

In 2021, nine Shareholder Meetings were held at PFR. PFR implemented the resolutions adopted by the Shareholder Meeting in 2021.

6. COMMERCIAL PROXY

In the 2021 financial year, PFR had four proxies. On 4 June 2019, Joanna Dynysiuk – legal counsel and Managing Director of the Legal Department was appointed a joint proxy. On 12 October 2021, joint proxy to act with a member of the management board was granted to Anna Wawrzyńczak-Palynyczak – legal counsel, Director of the Corporate Support Legal Office, and acting Managing Director of the Legal Department; Andrzej Kopyrski – Managing Director of the Investment Division; and to Mariusz Jaszczuk – Director of the Finance and Controlling Department. On 19 October 2021, the power of proxy granted to Joanna Dynysiuk was changed from joint proxy to joint proxy to act with a member of the management board.

7. DESCRIPTION OF SIGNIFICANT PENDING LITIGATION

As at 31 December 2021, no court litigation was pending with the participation of PFR that might significantly affect the Company's activity by generating a significant potential risk of a material adverse effect on its financial situation, prospects, operating performance or ability to fulfill obligations.

Noteworthy, claims are raised against PFR in respect of the execution of the government programs “Polish Development Fund Financial Shield for Small and Medium-Sized Enterprises”, “Polish Development Fund Financial Shield 2.0 for Micro, Small and Medium-Sized Enterprises” and the “Polish Development Fund Financial Shield for Large Companies”, whereby as at 31 December 2021 the value of pecuniary claims pursued in court is approximately PLN 2 million and none of them individually has any impact on the Company's operation and its financial standing.

8. MANAGEMENT BOARD REPORT ON THE APPLICATION OF BEST PRACTICES

Pursuant to Article 7 Section 3 Item 2 of the RMSP Act of 16 December 2016, the Prime Minister may define certain best practices, in particular in the area of corporate governance, corporate social responsibility and sponsorship activities, addressed to companies in which the State Treasury holds an equity stake. In accordance with the PFR Articles of Association, the Management Board is required to prepare and present to the PFR Shareholder Meeting a report on the application of such practices.

As at the date of this report, no such best practices have been defined by the Prime Minister.



Paweł Borys

President of the PFR Management Board

He is a graduate of the Faculty of Finance and Banking of the Warsaw School of Economics, specializing in international financial markets.

He started his work in 2000 as chief economist at Erste Bank Group in Poland. He dealt with macroeconomic forecasts for the Polish economy and analyses of financial markets.

Since 2001, he has been the head of the Analysis Department, a fund manager, and then the director of the Investments Department at Deutsche Bank Group – Deutsche Asset Management and at DWS – the second largest asset management company in the world. He managed pension programs for leading Polish financial institutions such as the National Bank of Poland and the Warsaw Stock Exchange. He has twice been awarded for the best investment fund performance on the Polish market.

From August 2005 to April 2010 he co-founded a Polish company specializing in *private equity* and *venture capital* investments, acting as Vice-President of the investment and advisory company AKJ Capital S.A. and President of the Management Board of AKJ Investment TFI.

From May 2010 to April 2016 he was the Managing Director at PKO Bank Polski S.A. responsible for economic analysis, strategy and development of the capital group and investor relations. He participated in the drawing up and implementation of two develop-

ment strategies of PKO BP S.A., as a result of which he significantly strengthened its position as the leader of the banking market in Poland. He conducted, among others, a successful restructuring of Kredobank in Ukraine, implementation of the strategic alliance between the American payment company EVO Payments International and eService S.A., acquisition and integration of Nordea Bank Polska S.A., implementation of a new model of insurance sales in PKO BP S.A.

President of the PFR Management Board since May 2016. The President of the PFR Management Board implemented the reform of the system of Polish development institutions within the framework of the PFR Group and the program of Employee Capital Plans. He was responsible for the preparation and implementation of anti-crisis measures preventing the effects of the COVID-19 pandemic, including the PFR Financial Shield program.

Since 2016, he has been the Chairman of the Supervisory Board of Bank Gospodarstwa Krajowego. Since 2018, the Chairman of the Academic Board of the Polish Economic Institute.

He has extensive contacts with international investors and financial institutions and extensive corporate experience gained while working on 18 supervisory boards of companies in Poland and abroad, including three banks, an insurance company and TFI.

As at 31 December 2021, the scope of the President's activity included directing the activities of the Management Board and PFR's ongoing operations, including oversight over:

- operation of the strategy and organization area,
 - organization of management and work of the management board office,
 - performance of analyses,
 - execution of strategies,
 - human resources management,
 - legal support, excluding exercise of corporate governance over the companies in which PFR holds shares,
 - ensuring compliance,
 - risk management,
 - execution of innovation development programs,
 - security,
 - internal audit in the administrative area,
 - ensuring protection of personal data,
 - PFR's execution of assigned tasks, including organization and implementation of Programs,
 - operation of the investment division,
 - operation of the investment area,
- and also:
- participation in PFR's investment processes in accordance with the PFR Strategy and the Procedure for making investment decisions,
 - origination of investment projects,
 - execution of infrastructural investments,
 - execution of equity and debt investments,
 - management of the investment portfolio,
 - legal support of the investments.



Bartłomiej Pawlak

Vice President of the PFR Management Board

He is a graduate of the University of Warsaw, Executive Studies in Finance and Advanced Management Program at IESE Business School. Scholarship holder of the Herbert Hoover Institute and the Woodrow Wilson Center for Scholars.

Before accepting the function in PFR, he was a management board member at BGK Nieruchomości. Earlier, as the President of BOŚ Eko Profit S.A. he created tools for comprehensive support of investments, based on *one-stop-shop* principles.

Previously, he also worked for the PKO BP S.A. Group, where he was responsible for restructuring and creating a new operational management model, and for PGNiG S.A., where he implemented a strategy in the area of trade consolidation and foreign upstream.

He was also a manager in international consulting companies (Arthur Andersen and Ernst & Young), where he was responsible, among others, for services for Polish entrepreneurs.

The duties of the Vice-President of the Management Board in charge of the finance and development area included supervision over:

- operation of the finance and development area,
- execution of local government investments, including participation in PFR's investment processes in accordance with the Procedure for making investment decisions for local government investments,
- PFR financial statements and controlling,
- preparation and verification of performance of PFR's annual and long-term plans and financial forecasts,
- issues of financing of PFR's activities and financing of programs entrusted to the Company for implementation, including raising financing to implement the PFR Financial Shield program,
- management of liquidity and PFR's relations with entities securing its financial services and services related to debt securities issued by the Company,
- administration and procurement department.
- execution of energy transition strategies in the PFR Group,
- coordination of work of the interdisciplinary PFR Green Hub team,
- initiation and monitoring of activities in the area of equity investments – both direct and indirect, creation of development programs, analytics and education,
- settlement of the Anti-Crisis Shield, including the internal systems and teams, as well as cooperation with external partners.



Tomasz Fill

Vice President of the PFR Management Board

A graduate of the Faculty of Journalism and Political Science of the University of Warsaw. He also completed postgraduate studies in insurance at the Academy of Finance in Warsaw and the Executive MBA programme at the French Institute of Management.

He worked for the largest Polish companies, including those listed on the Warsaw Stock Exchange, in the financial, energy and telecommunications sectors. He managed communication, marketing and investor relations teams. He was also responsible for strategic communication of companies in foreign markets, including the Czech Republic, Lithuania and Germany. In 2016-2017 he worked for PFR, where he was responsible for the communication and marketing and coordination of cooperation between PFR Group entities. In April 2018 he was appointed to the PFR Management Board, effective as of 30 June 2018, and re-appointed to the second term of office on 30 June 2018.

The duties of the Vice-President of the Management Board in charge of marketing and technology included supervision over:

- operation of the communication, marketing and technology area,
- external and internal communication and promotion of PFR's activity and programs pursued by PFR, in particular over the execution of information and media campaigns pertaining to Employee Capital Plans and PFR Financial Shield program,
- maintenance and development of ITC systems,
- performance of obligations resulting from the exercise of corporate governance over the companies in which PFR holds shares.



Bartosz Marczuk

Vice President of the PFR Management Board

He graduated in Sociology at the University of Warsaw, completed doctoral studies in economics at the Institute of Labor and Social Studies and postgraduate studies in international relations at the University of Warsaw and the National Defence University of Warsaw.

He started his professional career in one of the Open-End Pension Funds and subsequently he worked for the Pension Fund Supervisory Office. Then he became a specialist journalist in Gazeta Prawna newspaper dealing with social policy, where he also headed the Work section.

In his career, he was also the head of the department in Dziennik Gazeta Prawna, as well as deputy editor-in-chief of Rzeczpospolita daily and Wprost weekly. He hosted the show "Economics Report" on TV channel Telewizja Republika.

In 2015, he was appointed to the position of Undersecretary of State in the Ministry of Family, Labour and Social Policy, where he was in charge of the areas of family policy and digitization. He successfully deployed Program 500+, Good Start Program and other programs. He also co-authored the digitalization of the application process for family benefits.

During his work at the Ministry, he served as a member of the Committee for European Affairs, the Housing Council (Apartment+ program) and the team for the creation of the "Immigration Policy of the Republic of Poland".

The duties of the Vice-President of the Management Board in charge of development programs included supervision over:

- work on development programs, in particular related to the rollout of Employee Capital Plans,
- deployment of the record and settlement system for Employee Capital Plans,
- operation of the record and settlement system for Employee Capital Plans,
- launch of a training system and preparation of materials on: (i) the ECP system in cooperation with PFR Portal PPK, or (ii) selected development programs deployed within the framework of development programs,
- provision of support to the information campaign on the ECP system, run by the marketing and technology division and PFR Portal PPK,
- provision of support for the operation of the call center for the purposes of: (i) the ECP system, implemented by the marketing and technology division in cooperation with PFR Portal PPK, or (ii) selected development programs deployed within the framework of development programs,
- customer support and related activities,
- operational activities and execution of tasks of PFR Portal PPK,
- deployment of a system for the granting and settlement of subsidies under the Financial Shield for SMEs and the Financial Shield for SMEs 2.0.



Risk management system

The primary purpose of the risk management process is to ensure that major risks associated with the Company's operations are identified, properly measured, reported and controlled.

In the context of PFR's operations under the Commercial Company Code and the Act on the Development Institutions System as well as the Company's involvement in administering the Programs, PFR is exposed to the likelihood of materialization of the risk factors described below. While exercising due care in the risk management area, PFR deploys solutions, based on the principles of proportionality and adequacy, aimed at effectively reducing to a minimum the materialization of these risks in line with the market's current best practices.

The Company's risk management process has been founded on three independent complementary lines of defense.

The first line of defense covers all organizational units managing distinct risks arising from the performance of entrusted tasks, in compliance with generally applicable laws and the PFR Organizational Rules Regulations. The heads of these units report directly to Management Board Members in charge of the respective areas.

The second line of defense covers support units responsible for the coordination and management process, that is the Risk Director in charge of coordinating the management of the Company's risk portfolio and the Compliance Department entrusted with the management of compliance risk. These units submit quarterly summary reports to the Management Board.

The role of the third line of defense, provided by the Company's Internal Audit Department, is to ensure verification of the risk management process and evaluate the effectiveness of the internal control system. This assignment is carried out in keeping with the control plan approved by the Audit Committee. The outcomes of various audits are presented at Management Board meetings and are reviewed by the independent Audit Committee.

All three lines of defense apply proper control mechanisms or independently monitor compliance with the adopted measures.

1. CREDIT RISK

Credit risk is the risk of an unexpected non-performance, partial performance or delay in the performance of an obligation (including a financial obligation) by a counterparty. In this context, it is crucial to examine and evaluate the Company's counterparties and to monitor on an ongoing basis the payment of their liabilities, especially in terms of timeliness. It is also very important to apply appropriate contractual safeguards. In the event of non-compliance with the counterparty's contractual obligations, the Company may incur a financial loss. Credit risk arises both directly within PFR, where it concerns investment agreements signed by the Company on its own behalf, and indirectly through investment certificates, representing the portfolio of investments made by the Company for and on behalf of the funds in which PFR acts as an investor. This risk arises chiefly from debt instruments. The purpose of risk management is to maintain a stable and balanced (in terms of quality and value) portfolio of receivables following from loans granted and other investments in debt financial instruments. This risk may be mitigated by ensuring appropriate structuring of transactions.

2. LIQUIDITY RISK

Liquidity risk is construed as the inability to settle financial liabilities as they mature within the framework of PFR's business operations due to improper planning of financial flows or as the inability to raise capital for growth or for the continuation of activity. The Company monitors its cash flows on an ongoing basis, prepares liquidity forecasts and keeps sufficient cash to cover anticipated operating and current expenditures and to fulfill long-term investment commitments, by maintaining adequate funds on bank deposits with a time structure matching the liability structure, with certain flexibility buffers.

3. MARKET RISK

Market risk means that changes of market prices, such as foreign exchange rates, interest rates, liquidity of capital markets will impact the Company's results or the value of the financial instruments it holds and the possibility of exiting an investment. Market risk management aims to maintain and control the Company's degree of exposure to market risk within acceptable bounds, while simultaneously making efforts to optimize the rate of return on investments. The Company manages this risk both with regard to the investment agreements executed directly by the Company and with regard to the investment agreements entered into by the Company for and behalf of the funds in which PFR acts as an investor.

Currency risk

At present, the Company has no material exposure to currency risk. The investments, both those made directly by the Company and those made indirectly by the funds in which PFR acts as an investor are denominated in Polish zloty (PLN) and the future cash flows are also expected to be in PLN. For projects which generate certain cash flows in foreign currencies, the Company minimizes its currency risk by structuring the transactions in question appropriately and taking into consideration the currency risk in models on which its assessments of investment projects are based.

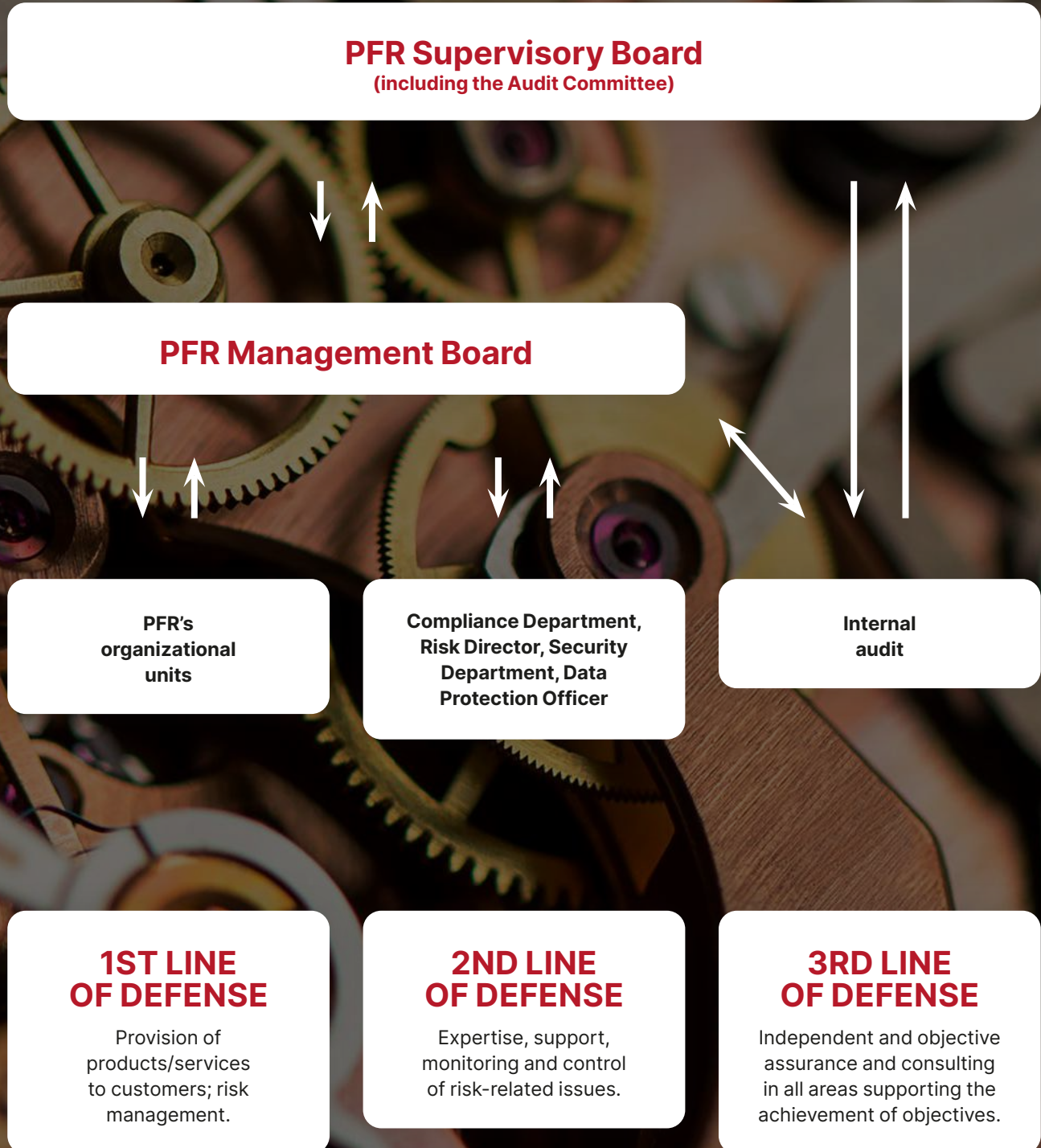
Interest rate risk

The Company's activity, both in the case of investments made directly by the Company and those made indirectly through the funds in which PFR acts as an investor, because the latter affect the value of the investment certificates held by the Company, is inextricably associated with long-term investments, some of which are naturally exposed to interest rate risk by defining a fixed rate of return on the investment. This risk may materialize by the failure to obtain an assumed risk premium compared to the risk-free rate. The Company seeks to mitigate this risk by taking it into account in the structure of transactions or in appropriate clauses that make it possible to renegotiate investment returns if certain circumstances occur.

Interest rate risk may also materialize through an increase in interest expense resulting from the floating rate loan granted by PKO BP. This risk is partially offset by an adequate diversification of deposits and management of the timing of deposits. In addition, if there are signals that interest rates will be raised, deposits are opened for shorter periods.

4. COMPLIANCE RISK

Compliance risk is the risk of suffering legal sanctions or losing reputation or credibility as a result of failure to comply, by the Company or its employees, with the applicable laws, internal regulations,





accepted standards of conduct (including ethical principles) and/or codes of best market practices. The materialization of compliance risk may trigger the materialization of operational risk.

5. OPERATIONAL RISK

This risk is construed as the risk of a loss arising from inappropriate or unreliable internal processes, people or systems, or from external events that may disrupt PFR's proper operation. This category also includes information security, business continuity and the risk of fraud.

6. INVESTMENT RISK

Investment risk is construed as the risk of failure in achieving the expected rate of return on the Company's investments within the assumed timeframe or incurring a loss related to such investments. The PFR Corporate Group monitors its investments, defines exit paths for own exposures and appoints representatives to the corporate authorities of its investment targets. Value caps are imposed on operations related to the management of the investment portfolio in aggregate and with respect to individual investments. In order to exercise effective supervision, the Company seeks to appoint a fund representative to the corporate authorities of its portfolio companies.

7. POLITICAL RISK

This risk arises predominantly from unpredictable political changes or political instability in the respective country. It may involve, without limitation, a change of the national government or changes in other high-profile government positions, government decisions affecting the legal environment for the functioning of enterprises and the economy as a whole, e.g. changes in taxes or government expenditure. In order to minimize political risk, the Company continuously monitors the government's economic development plans, changes in the government's strategy and projected or proposed amendments to the applicable legal regulations from the perspective of their impact on PFR's business. The Company actively participates in public consultations and provides its opinions within the framework of the government's legislative process, in particular with respect to amendments that might potentially affect PFR's operations.

8. PROJECT RISK

This risk is construed as unexpected delays in the execution of projects or unforeseen events preventing the execution of projects in whole or in part, which may result in additional expenditures or losses. The Company's project management system is fully operational, supporting the execution of projects in line with the adopted project management methodology. The PFR Corporate Group mon-

itors the execution of projects, in particular by reviewing spending vis-à-vis the adopted budget and the timeliness of actions taken within each project.

9. STRATEGIC RISK

This risk arises from improper decisions regarding the development strategy of the PFR Corporate Group, inadequate or incomplete implementation of the adopted strategy or the inaction or an inappropriate reaction to changes in the Company's environment. The PFR Corporate Group reviews its market and economic environment and regularly verifies the implementation of its plans while monitoring the validity of the adopted objectives and actions called for in the strategy.

10. REPUTATION RISK

This risk is construed as the risk of an unfavorable perception of PFR's image by customers, counterparties, investors, regulators, supervisory authorities and/or the public. This risk may be a derivative of any of the other types of risk. The Company, through the activities of its various organizational units and the adopted external communication strategy, pursues a number of initiatives aimed at minimizing the materialization of this risk. The fundamental tool to prevent this type of risk, under the first line of defense in the company all managers of the organizational units are obligated to perform systematic functional control.

11. LEGAL RISK

In the context of the Company's business, legal risk is identified primarily as the risk of changes in generally applicable laws or case-law, or of the absence of pertinent regulations in areas affecting the Company's operations and activities. Such changes in regulations or the absence of regulations in significant business areas may exert an unfavorable impact on the Company's operations. They may also result in the Company's inability to realign its processes in an efficient and effective manner.

An additional category of legal risk that may affect the Company's business is the risk of unfavorable decisions by courts or public administration authorities settling the PFR Corporate Group's disputes with other entities. In order to minimize such legal risk, the Company has implemented appropriate processes for issuing opinions on contracts, regulations, internal procedures and other documents. PFR's internal Legal Department provides appropriate legal assistance, and in cases where complex transactions or projects are involved, it collaborates with experienced external legal advisers. The Company also constantly monitors changes in legal regulations and evaluates their impact on its business on an ongoing basis.

Compliance system

1. COMPLIANCE MANAGEMENT STRATEGY

In view of the nature of PFR's business, the applicable legal regulations and the latest market standards, in 2021 the Company implemented the Compliance Management Strategy. It includes a Compliance Management System (CMS), designed to enhance the Company's security and stability.

The Compliance Management System (CMS) is founded on the so-called PFR Compliance Pillars and managed by a specialized organization unit - the Compliance Department. In order to ensure an appropriate level of independence, the head of the department reports directly to the President of the PFR Management Board.

2. COMPLIANCE RISK MANAGEMENT

PFR deploys solutions designed to effectively monitor compliance risk, which are in line with the market's current best practices. PFR mitigates compliance risk through:

- prevention – preventing the occurrence of compliance risk,
- detection – actions taken to identify, examine and manage compliance risk,
- analysis – verification and analysis of the identified compliance risk and taking corrective actions to eliminate compliance risk.

This area is supported by the so-called Compliance Matrices, i.e. a tool to test and confirm correct execution of tasks material for compliance as performed by the organizational units. The results of this monitoring are reported to the PFR Management Board on a quarterly basis. Moreover, it is a tool that supports the Company's three lines of defense model.

In its operations, the PFR endeavors to comply with all best practices, standards and solutions applicable to market participants in line with pertinent adequacy and proportionality principles. As an institution acting within the framework and pursuant to the Commercial Company Code and the Act on the System of Development Institutions, the Company expends due diligence to ensure compliance with the applicable laws in all aspects of its activities, guided by the cardinal principle of compliance being the foundation of any development.

The Company's Compliance Management System places highest importance on counteracting corruption, whistleblower protection, prevention and management of conflicts of interest and the broadly conceived compliance with the law and internal regulations. Detailed information on compliance management, including in particular:

- compliance with generally applicable laws and market standards,
- compliance with internal regulations,
- compliance with ethical business principles,
- counteracting corruption,
- protection of whistleblowers,
- prevention and management of conflicts of interest,

and the Code of Conduct in force in the Corporate Group can be found in the non-financial section of this report, on page 114

3. ANTICORRUPTION SHIELD

In view of the execution by the Company of government business financial support programs, i.e. the so-called PFR Financial Shield, the Company, at the request of the President of the Management

Board, has been included in the so-called Anti-corruption Shield program, i.e. a set of operational and support activities pursued by authorized entities with a view to protecting Poland's economic interests. Due to the nature, scale and value of public funds involved in the rollout of all the Financial Shield Programs, in April 2020 Company applied to the Central Anticorruption Bureau ("CBA") for all its Programs to be covered by activities aimed at reducing the risk of irregularities or fraud.

In response, the CBA agreed to take actions to support PFR in the execution of the Programs. The CBA's protection covers PFR employees directly involved in the execution activities, advisors supporting the Company, as well as the individual entities that have applied for and received support.

In parallel, coordinators have been appointed for cooperation both on the side of the CBA and PFR (designated employees of the Compliance Department). Based on the legal grounds provided by the CBA for its collection and processing of personal data, PFR began work on the creation of a dedicated IT resource intended to provide the CBA with specified information. It was launched on 24 April 2020, with access to this resource having been granted to designated CBA and PFR staff.

At the same time, work began aimed at signing pertinent agreements between the CBA and PFR regarding the provision of information, which were signed on 14 September 2020, and subsequently annexed in March 2021 and October 2021.

Pursuant to the arrangements with the CBA, the following has been uploaded into the designated network resource:

- PFR internal procedures in respect of the execution of the Programs,
- a list of service providers for the purposes of the Programs (advisers),
- operational requirements as regards the execution of the Programs,
- personal data of decision-making personnel involved in the management of the Financial Shield for Large Companies.

As a result of a similar request, addressed to the Internal Security Agency ("ABW"), on 17 April 2020 PFR became covered by special oversight in terms of securing its ICT systems and providing counter-intelligence protection. On 27 April 2020, an agreement was entered into on the inclusion of PFR into the ARAKIS early warning system, which resulted in the implementation of the ARAKIS system in PFR on 4 May 2020 and the commencement of operational cooperation with the ABW's Computer Security Incident Response Team (CSIRT) in the area of handling security incidents. Moreover, on 28 July 2020, a request was made to the Internal Security Agency to include PFR in the annual ICT systems security assessment plan in 2021, which resulted in the execution of an agreement on 17 February 2021 to perform a security assessment of PFR's ICT systems in 2021. From May to June 2021, the ABW conducted a security assessment of PFR's ICT systems in accordance with these agreement.

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2021

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Structure of the PFR Corporate Group

The net profit of the PFR Corporate Group for the period from 1 January to 31 December 2021 was PLN 169.2 million, which was PLN 156.3 million higher than last year (PLN 12.9 million). In 2021, PFR received a dividend from Bank Pekao S.A. in the amount of PLN 107.8 million (in 2020, it received no dividend because of the KNF's recommendation for the banking industry).

1. DISCUSSION OF SELECTED REVENUE AND COST ITEMS OF THE PFR CORPORATE GROUP

Revenue

In 2021, the PFR Corporate Group achieved revenue of PLN 429.4 million, up PLN 104.5 million from PLN 325 million last year. In 2021, the main revenue items in the Corporate Group included the fee for managing investment fund assets in the amount of PLN 213.3 million and the revenue for operating the PFR Financial Shield programs in the amount of PLN 200.0 million (Table 1).

Operating expenses

The expenses of the PFR Corporate Group in 2021 were PLN 39.8 million higher than last year, mainly due to higher costs of third party services (principally in connection with the consulting, legal and tax services associated with PFR Financial Shield programs) and the aggregate increase in cost of salaries caused by a significant increase in the number of employees, chiefly in order to operate the PFR Financial Shield campaign (Table 2). The decline in costs of consumption of materials and energy and other costs by nature was driven by the changes to the operating model during the pandemic. Most employees worked from home, which directly reduced costs of office equipment, fuel consumption and costs of business trips. There were several events, such as conferences, that were canceled (or were held remotely), which contributed to lower marketing costs in all PFR Corporate Group companies.

Table 1. Revenue

PFR Corporate Group – Structure of revenues	1 January - 31 December 2021	1 January - 31 December 2020	2021-2020 (change)
Revenue from Financial Shield	200,000,000	135,714,286	64,285,714
Management revenue	213,349,122	178,156,283	35,192,838
Activities arising from the ECP Act	9,656,877	4,517,171	5,139,706
Revenue from performance of a public partnership agreement	4,505,307	4,941,585	-436,278
Other revenue	1,898,445	1,626,021	272,424
Total revenue	429,409,752	324,955,346	104,454,405

Table 2. Operating expenses

PFR Corporate Group – Structure of operating expenses	1 January - 31 December 2021	1 January - 31 December 2020	2021-2020 (change)
Depreciation and amortization	8,415,983	6,145,457	2,270,525
Consumption of materials and energy	1,931,628	2,261,156	-329,528
Third party services	79,395,009	60,010,970	19,384,039
Taxes and charges	3,717,691	3,413,868	303,823
Salaries	143,301,875	127,562,016	15,739,859
Social insurance and other benefits	28,969,742	23,196,082	5,773,660
Other costs by nature	24,464,112	27,894,449	-3,430,337
Value of goods and materials sold	58,137	0	58,137
Total operating expenses	290,254,177	250,483,998	39,770,179



Statement of financial position of the PFR Corporate Group

As at 31 December 2021, the total balance sheet value of the PFR Corporate Group was PLN 89.3 billion, up 17.0 billion from PLN 72.3 billion at the end of 2020. The increase in total assets in 2021 was driven mainly by the increase in non-current investments resulting from the growth of value of Bank Pekao S.A. shares and the

acquisition of FSMdR Investment Certificates. At the same time, the amount of PLN 38 million was transferred from non-current investments to current assets. This amount represented the redeemed portion of subsidies granted to businesses (*Table 3*).

Table 3. Balance sheet of the PFR Corporate Group

PFR Corporate Group – Balance sheet	2021	percentage (%)	2020	percentage (%)
ASSETS				
Non-current assets	24,619,463,363	28%	54,697,123,419	76%
Intangible assets	25,112,510	0%	28,773,221	0%
Property, plant and equipment	8,918,654	0%	10,635,446	0%
Non-current receivables	3,734,669	0%	3,555,888	0%
Non-current investments	24,546,870,615	27%	54,252,621,270	75%
Non-current prepayments and accruals	34,826,915	0%	401,537,594	1%
Current assets	64,708,984,423	72%	17,589,477,035	24%
Inventory	546,703		8,800	
Current receivables	38,164,072,144	43%	845,794,120	1%
Current investments	26,537,043,097	30%	16,739,131,565	23%
Current prepayments and accruals	7,322,479	0%	4,542,550	0%
Total assets	89,328,447,786	100%	72,286,600,454	100%
EQUITY AND LIABILITIES				
Equity	12,873,764,114	14%	4,459,734,812	6%
Liabilities and provisions for liabilities	76,454,683,672	86%	67,826,865,642	94%
Provisions for liabilities	115,132,460	0%	78,459,548	0%
Non-current liabilities	73,371,738,289	82%	64,835,458,632	90%
Current liabilities	2,928,931,990	3%	2,901,594,144	4%
Accruals and deferred income	38,880,933	0%	11,353,318	0%
Total equity and liabilities	89,328,447,786	100%	72,286,600,454	100%

Financial result of PFR

The net profit of the Company for the period from 1 January to 31 December 2021 was PLN 189.3 million, which was PLN 139.6 million higher than last year (PLN 49.7 million). In 2020, the Company received no dividends from Bank Pekao S.A. (in connection with the KNF's recommendation for the banking industry) which had a significant impact on PFR's performance in 2020.

1. DISCUSSION OF SELECTED REVENUE AND COST ITEMS OF THE OF THE COMPANY

Revenue

In 2021, the Company achieved revenue of PLN 288.7 million, up PLN 75.1 million from last year (PLN 213.6 million in 2020). The main revenue item in the Company in 2021 was the fee for handling the PFR Financial Shield program (as in 2020), which represented 69% of the revenue. Pursuant to an agreement with the State Treasury, PFR charges an annual fee for the handling of PFR Programs of 0.2% of the total value of the Programs, i.e. PLN 100 billion. During 2021, the Company earned PLN 200 million (Table 4).

Another significant revenue category was revenue from managing part of the investment portfolios of closed-end investment funds. In 2021, revenue on this account amounted to PLN 79.0 million, i.e. up PLN 7.8 million compared to 2020 (PLN 71.2 million).

Operating expenses

In 2021, the Company's operating expenses amounted to PLN 143.5 million and were PLN 25.8 million higher than the costs in 2020 (PLN 117.8 million) mainly due to an increase in the costs of third party services and costs of salaries and social security, with a simultaneous decrease in the costs of consumption of materials and energy and other costs by nature (Table 5). The higher costs of salaries with insurance and other benefits in 2021 resulted, inter alia, from the increased headcount in the Company. As at 31 December 2021 the headcount in PFR was 250 employees. Compared to the end of 2020, it increased by 31 people, i.e. 14%. The increase in the costs of third party services was associated mainly with the implementation of programs constituting the PFR Financial Shield. In 2021, the works associated with the program management continued which entailed cost items related to financial, legal and tax consulting and expenditures for information campaigns about the Programs (e.g. TV advertising campaigns).

Material non-recurring revenue and cost items

In 2021, the Company received a dividend from Bank Pekao S.A. in the amount of PLN 107.8 million from profit generated by the Bank in 2020. In 2020, the Company did not receive any dividend.

2. FULFILLMENT OF ECONOMIC AND FINANCIAL RESULTS IN 2021

In 2020, the Company generated operating revenue (on core and other operations) in the amount of PLN 294.0 million. The financial

Table 4. Revenue

PFR – Structure of revenues	1 January - 31 December 2021	1 January - 31 December 2020	2021-2020 (change)
Fee for PFR Financial Shield	200,000,000	135,714,286	64,285,714
Management revenue	79,021,724	71,228,969	7,792,755
Other revenue	9,689,803	6,647,914	3,041,889
Total revenue	288,711,527	213,591,168	75,120,359

Table 5. Operating expenses

PFR – Structure of operating expenses	1 January - 31 December 2021	percentage (%)	1 January - 31 December 2020	percentage (%)	2021-2020 (change)
Depreciation and amortization	5,664,890	3.9%	3,340,099	2.8%	2,324,791
Consumption of materials and energy	612,681	0.4%	750,145	0.6%	(137,464)
Third party services	53,374,887	37.2%	37,146,296	31.5%	16,228,591
Taxes and charges	443,235	0.3%	428,125	0.4%	15,111
Salaries	54,922,259	38.3%	46,305,621	39.3%	8,616,638
Social insurance and other benefits	10,329,024	7.2%	8,875,375	7.5%	1,453,649
Other costs by nature	18,141,905	12.6%	20,947,701	17.8%	(2,805,795)
Value of goods and materials sold	58,137	0.1%	-	-	58,137
Total operating expenses	143,547,018	100%	117,793,361	100%	25,753,658



plan for 2021 assumed operating revenue (on core operations and other operations) of PLN 295.0 million. Operating profit in 2021 was PLN 144.0 million and was PLN 20.9 million higher than planned (PLN

123.1 million). The Company's net profit for 2021 amounted to PLN 189.3 million and was PLN 3.5 million higher than the planned net profit of PLN 185.8 million.

PFR's statement of financial position

As at 31 December 2021, PFR's total balance sheet value was PLN 89,280.2 million, signifying an increase in the value of assets and equity and liabilities by PLN 17.0 million compared to the end of 2020 (Table 6).

The increase in total assets in 2021 was driven mainly by the increase in non-current investments by the increase in value on the valuation of Bank Pekao S.A. shares and the acquisition of FSMdR Investment Certificates. At the same time, the amount of PLN 38 million was transferred from non-current investments to current assets. This

amount represented the redeemed portion of subsidies granted to businesses (Table 3).

In 2020, the Company provided financial aid to businesses registered in Poland, in the form of loans and subsidies. The Program was launched in 2020 to tackle the impact of the COVID-19 pandemic and continued through 2021. During 2021, the Company continued to process the applications under the Financial Shield 2.0 program and the claims under the Financial Shield 1.0 program.

Table 6. Balance sheet of PFR

Balance sheet	2021	percentage (%)	2020	percentage (%)
ASSETS				
Non-current assets	24,839,708,694	28%	54,883,795,277	76%
Intangible assets	14,858,124	0%	14,005,810	0%
Property, plant and equipment	4,320,047	0%	6,053,753	0%
Non-current receivables	1,509,465	0%	1,363,405	0%
Non-current investments	24,786,808,253	28%	54,459,649,655	75%
Non-current prepayments and accruals	32,212,805	0%	402,722,654	1%
Current assets	64,440,534,747	72%	17,383,742,163	24%
Current receivables	38,149,671,911	43%	848,801,928	1%
Current investments	26,288,773,715	29%	16,532,785,100	23%
Current prepayments and accruals	2,089,120	0%	2,155,135	0%
Total assets	89,280,243,441	100%	72,267,537,440	100%
EQUITY AND LIABILITIES				
Equity	12,962,675,902	15%	4,535,242,456	6%
Liabilities and provisions for liabilities	76,317,567,539	85%	67,732,294,984	94%
Provisions for liabilities	81,888,451	0%	53,753,040	0%
Non-current liabilities	73,318,399,485	82%	64,789,706,046	90%
Current liabilities	2,915,699,617	3%	2,887,687,689	4%
Accruals and deferred income	1,579,986	0%	1,148,209	0%
Total equity and liabilities	89,280,243,441	100%	72,267,537,440	100%

In connection with the fulfilment of conditions for redemption of up to 75% of the value of subsidies received by entrepreneurs, the Company "redeemed" a portion of subsidies in the amount of PLN 36.4 billion, disclosing it in outstanding receivables until repayment of the remaining part of the subsidies granted.

PFR also classifies investments in investment certificates, subsidiaries and associates, shares in other companies, including Bank Pekao S.A. and bonds, as non-current investments. The value of the stake held in Bank Pekao S.A. presented in the Company's balance sheet at the end-of-2021 prices was PLN 4,098.7 million, up PLN 2,046 million from the previous year. The increase in the value of Bank Pekao S.A. shares was caused by the stabilization of financial markets and interest rate increases by the Monetary Policy Council, which translated into improvement of quotations of banks listed on the Warsaw Stock Exchange.

The largest items of the Company's equity and liabilities were long-term liabilities and short-term liabilities from the issue of debt securities, which included bonds issued by PFR in order to raise funds for the execution of the PFR Financial Shield program. As at the balance sheet date, the total value of these liabilities was PLN 74,470.4 million. All the bonds are fully guaranteed by the State Treasury. In 2021, PFR's share capital was increased by PLN 6,522,655,226, i.e. from PLN 4,953,252,553 to PLN 11,475,907,779. The capital contribution was effected thorough an issue of 6,522,655,226 new Series F registered common shares with a par value of PLN 1 each, and the issue value of PLN 1.01. The offer to subscribe for the Series F Shares was directed solely to the State Treasury, represented by the Prime Minister. The difference between the nominal and the issue price, in the amount of PLN 65,226,552.26, was partly earmarked to cover the costs of the issue, in the form of the civil law transaction tax, and the remainder increased the supplementary capital. On 27 September 2021, the PFR's share capital increase was registered.

1. LIST OF OVERDUE RECEIVABLES AND LIABILITIES

The list of overdue receivables and liabilities as at the end of 2021, by past due dates, is presented in the table below (Table 7).

2. UTILIZATION OF BANK LOANS DURING THE YEAR

In April 2021, the Company signed Annex 4 to the agreement with PKO BP S.A. Bank, extending the availability period of the overdraft facility by another year. The maximum amount is PLN 30 million. The loan was taken out to cover unexpected payments without having to terminate deposits. During the year there was no need to use the loan on an ongoing basis.

On 30 May 2017, PFR signed a loan agreement with Bank PKO BP S.A. in the amount of PLN 3,132 million to finance the purchase of Bank Pekao S.A. shares. The loan was secured by with financial and registered pledges established on the shares in Bank Pekao S.A. held by the Company. On 6 December 2016, a resolution was adopted under which the Extraordinary Shareholder Meeting acknowledged the aforementioned terms and conditions of the transaction. During 2021, in addition to interest payments as scheduled, there was also a partial repayment of the principal amount using the dividend received from Bank Pekao S.A. On 11 May 2021, Annex 4 was signed to extend the term of the loan agreement by another year. As of 31 December 2021, the Company's debt under the loan amounted to PLN 1,725.6 million. At present, another Annex to the agreement with PKO Bank Polski S.A. is being negotiated with a view to extending the loan agreement to 30 May 2024.

3. SURETIES AND GUARANTEES GRANTED

Under the agreement of 30 August 2019, PFR extended a surety to Operator Chmury Krajowej to secure OChK's liabilities under the Guarantee Agreement granted by PKO BP S.A. The surety secures the liabilities up to the amount of USD 100 million, i.e. 50% of the guarantee amount, while the surety amount will be reduced pro rata to the reduction of the guarantee amount. As at 31 December 2021, the guarantee amount was USD 97,502,463. The surety is valid until 2 December 2027.

PFR extended a surety for good performance bond and guarantees of advance payment refund issued at the request of a portfolio company (PESA) of a fund managed by PFR, in connection with contracts performed by that entity. The surety amount does not exceed PLN 200 million. The surety was extended partially on 23 April and partially on 10 May 2021.

In 2019, PFR, PKO BP and Ferrum S.A. signed a surety and support agreement, which envisaged granting by PKO BP to Ferrum a renewable working capital facility in the total amount of PLN 61 million. Pursuant to this agreement, PFR has undertaken to provide surety for all secured liabilities of Ferrum S.A. in respect of PKO BP, up to the maximum amount of PLN 18 million (the surety has already expired) and to cover any shortage (deficit) of funds in respect of specified costs and obligations of Ferrum S.A. to the maximum amount of PLN 61 million – this obligation continues to remain in effect. For the extension of the surety and support to Ferrum S.A., PFR receives remuneration from the former company.

4. LIST OF DONATIONS MADE AND DEBT EXEMPTIONS

In 2021, the Company made donations in favor of the PFR Foundation in the amount of PLN 5.0 million.

The Company did not grant any debt exemptions in 2021.

Table 7. List of overdue receivables and liabilities

Receivables	31 December 2021	Percentage (%)
Receivables up to 3 months overdue	454,820	100%
Receivables from 3 to 6 months overdue	-	-
Receivables from 6 to 12 months overdue	-	-
Receivables over 12 months overdue	-	-
Total overdue receivables	454,820	100.0%
including: Disputed receivables	-	-
Liabilities	31 December 2021	Percentage (%)
Total liabilities	17,150,493	100.0%
of which: Liabilities more than 1 month overdue	1,231,754	7.18%
of which: overdue liabilities to the state budget	-	-

Current and projected financial standing of PFR and the PFR Corporate Group

The financial standing of the Company and the PFR Corporate Group is stable. In 2021, the PFR Corporate Group generated a net profit of PLN 169.2 million as compared to the net profit of 2020 amounting to PLN 12.9 million. Such significant increase in net profit is mainly attributable to higher revenue (increase of revenue from the management of the Financial Shield Program as a result of a comprehensive operation of the program for 12 months) and the dividend received from Bank Pekao S.A. in the amount of PLN 107.8 million in 2021 (in 2020 there was no dividend).

The pre-tax profit earned by the Group amounted to PLN 204.0 million (PLN 37.1 million in 2020). The PFR Corporate Group reported operating profit of PLN 154.2 million (PLN 69.8 million in 2020). Financial income was PLN 133.4 million (PLN 73.8 million in 2020) and financial costs amounted to PLN 60.7 million (PLN 80.5 million in 2020). The Company also reported a financial loss on the sale of bonds received as part of the capital increase in the amount of PLN 26.4 million.

As at 31 December 2021, the total balance sheet value of the PFR Corporate Group was PLN 89,328.4 million, compared to PLN 72,286.6 million as at 31 December 2020. As at 31 December 2021, equity was PLN 12,873.0 million (vs. PLN 4,458.9 million as at 31 December 2020) and non-current investments were at PLN 24,546.9 million (PLN 54,252.6 million at the end of 2020). The increase in equity was mainly due to the capital contribution of PFR (reduced by the negative effects of valuation of Bank Pekao S.A. shares). An important component of non-current investments is the block of 33,596,166 shares of Bank Pekao S.A., which represents 12.8% of the overall number of votes at the Shareholder Meeting of Bank Pekao S.A.

The PFR Financial Shield program is a major balance sheet item. Subsidies and loans granted and shares purchased under the Programs amount to approx. PLN 74.5 billion, with a corresponding amount of bonds issued by PFR on the equity and liabilities side, which were used to finance aid for Polish companies. The stage of processing applications for subsidies from the Financial Shield for Large Companies 2.0 is currently being completed, and simultaneously works on formalizing the process of repayment and recovery of the aid granted have already begun. Two new teams were created within the PFR structures to handle the process: the Shield Service Department and the Debt Collection Department.

The impact of the COVID-19 pandemic, which began in early 2020, also affected the Company's operations throughout 2021, involving a large number of the Company's staff in the continued perfor-

mance of tasks related to implementation of the Financial Shield project. In 2021, the fee for handling the PFR Financial Shield program amounted to PLN 200 million. Due to the significant involvement of the Company's employees in this project, many other projects planned for 2021 were not implemented or postponed to future years. The remote working, which continued for nearly the entire period of the pandemic, certain savings were also achieved, such as: lower consumption of materials and energy, lower consumption of office supplies and fuel, or reduced costs of business trips and marketing. The 2021 budget was prepared based on the assumption that the Company would return, to some extent, to its functional capacity as before the pandemic, but this did not happen. Majority of employees continued to work remotely for most of the year, and many of the anticipated events and conferences were not held.

The economic situation in the country resulting in a significant reduction in interest rates (virtually to zero) brought about a significant decrease in financial income from deposits and lower than expected financial costs related to the loan for the purchase of shares of Bank Pekao S.A. Managing the Company's liquidity became more difficult as banks introduced additional fees on high cash balances. At the end of 2021, the increase in interest rates translated into an increase in interest income on deposits and, on the expense side, an increase in interests on the loan.

In its 2022 plan, the Company assumed a dividend in the amount of PLN 144 million. The plan was drafted assuming an increase in WIBOR as well. The Company also adopted an individual approach to cost planning based on current offerings.

Other PFR Corporate Group companies operate in stable environments and their Management Board did not report material adverse effects of the pandemic on their ongoing operations. Ongoing financial data reported quarterly by PFR Corporate Group companies also point to their stable financial standing. Moreover, further investments in development of subsidiaries are planned in 2022, which will strengthen their financial standing.

The challenges for PFR stem from its key role in the PFR Group Strategy and the Sustainable Development Strategy. Recently, PFR has evolved from an asset manager of investment funds into an important entity within the Programs performed by the Group, a center coordinating the operations of the entire PFR Group and a competence center with regard to investments. The resulting activities have a major effect on the organizational structure and financial performance of the Company.

Management Board's reports on representation expenditures, expenditures for legal, marketing, public relations and public communication services and management services

1. COST OF REPRESENTATION, COMMUNICATION AND MARKETING

In 2021, PFR designated PLN 16 million for expenditures relating to marketing, representation, advertising and PR (*Table 8*), i.e. down more than 20% as compared to expenses borne in 2020.

The majority of tasks implemented in this area were a continuation of activities undertaken in previous years. The most important ones included providing businesses that have been granted subsidies under all Financial Shield programs with information on methods and

dates of their settlement and providing necessary documentation. Moreover, PFR actively promoted the benefits of long-term retirement savings and participation in Employee Capital Plans (ECPs).

The process of accepting applications for the Financial Shield for SMEs 2.0 started in January 2021. Based on the experience gained in Shield 1.0, an information and education campaign was launched in parallel with the start of the period to submit applications. The campaign included articles prepared by the PFR Corporate Communication Department regarding the principles and methods of applying

Table 8. Cost of representation, communication and marketing

PFR – Cost of representation, communication and marketing	2021
Media monitoring	41,645
Graphic design and printing services	298,324
Promotion and advertising	2,428,974
Sponsorship	1,264,366
Intranet / Internal communication	33,305
Production of promotional materials	54,729
Events	449,540
Social Media/Digital	291,483
PR	254,591
Activities in the media	570,561
Photo, audio, video services	97,700
Other marketing services	0
Communication costs related to Green Hub	236,406
Communication costs related to ECP	4,441,215
Communication costs related to Financial Shield	5,583,068
Representation expenditures	42,625
	16,088,533

for the Shield published in web portals, the press and on TV. Reports on the press conference announcing the launch of the period to submit applications were featured, among others, in leading TV stations, daily newspapers and business websites.

These activities were supported with an advertising campaign, including ads promoting the Shield in daily press and the most important websites dedicated to economic matters. They were accompanied by a radio campaign in RMF FM, Polish Radio, Radio Wnet and Radio Warszawa.

Meanwhile, on 24 February 2021, a nationwide promotional campaign concerning the government's Anti-Crisis Shield was launched, which was prepared jointly by ARP, BGK, PKO BP, the Ministry of Family and Social Policy, PFR and ZUS Social Insurance Institution. The ads were broadcast on TV, Internet and selected radio stations. The campaign lasted until the end of March. Two advertising spots were prepared presenting the difficulties of Polish entrepreneurs in the aftermath of the COVID-19 pandemic. In both videos, these difficulties are addressed by the government's efficient and expeditious Anti-Crisis Shield, of which the PFR Financial Shield was a part.

A further stage of the Financial Shield promotional campaign was launched in November 2021. Its purpose was to inform about the starting date of Financial Shield 2.0 settlements, to ensure timely settlement of the Financial Shield and to inform about the possibility of using other programs run by PFR, in particular ECP, PFR Green Hub and innovation and support for Local Governments.

A distinctive element of the spot is the use of a well-known piece by Michał Lorenc entitled *Elena's Dance* composed for the *Bastard* movie.

The campaign's reach was higher than expected in all the media. The campaign also contributed to the achievement of the business objectives, i.e. a high level of settlements under the Financial Shield 2.0.

"I'm Staying!" Campaign Second Edition

On 23 March 2022, the broadcast of spots was launched as part of the new "I'm staying!" campaign promoting Employee Capital Plans.

The target group of the campaign included principally employees participating in the fourth stage of ECP implementation, from entities employing less than 20 people and public finance sector entities. This amounts to about 6 million potential ECP participants.



"I'm Staying!" Campaign Advertising Banners



The advertisement features real program participants, who are satisfied with its effects and the profits generated, who may be considered to be ECP ambassadors. These are the people who speak about the benefits of participation in ECP in spots that have been broadcast on television and the internet, as well as on the radio. The campaign was designed by the PFR Corporate Communication Department and the PFR Portal PPK marketing department.

Other marketing and communication activities

In 2021, PFR's communication efforts were dominated by the issues related to the implementation of the Financial Shield for SMEs. They were also affected by the situation related to the epidemic. Most press conferences and regular meetings with the media were organized remotely. Films, online relations and infographics were used in communication more often than previously.

In 2020, most events such as congresses and conferences devoted to economic issues were canceled or organized online. The Economic Forum in Karpacz was one of the few "live" events. The PFR Corporate Group was one of its partners. Therefore, the PFR representatives participated in a range of discussion panels and debates regarding the Group's operations and economy in general.

Responsibilities of PFR's Corporate Communication Department include also organization of internal communication targeting the employees. It is conducted mainly through PFR's Intranet, regular newsletters, events organized for employees and their families and information campaigns. Due to the pandemic, events with physical participation of employee have been limited. Some were organized online, for example the traditional strategic meeting of PFR Corporate Group employees which was held in February 2021. During the meeting, the progress in the implementation of the strategy made by all companies of the PFR Corporate Group was presented, along with the most interesting projects carried out by the individual com-

panies. The meeting was concluded with a lecture by Piotr Konieczny from Niebezpiecznik.pl portal, who presented the threats to corporate employees in the Internet in an amusing way. This theme of the lecture stemmed from the noticeably increasing number of attacks aimed at phishing PFR employees or infiltrating PFR's internal computer network.

2. COST OF LEGAL SERVICES

The cost of legal services incurred by PFR in 2021 amounted to approx. PLN 14 million (*Table 9*). They included, among others: (i) costs of external legal and transaction consulting associated with the execution of the PFR Financial Shield programs (being the largest cost item), (ii) costs of external legal and transaction consulting associated with investments and the Company's ongoing operations, preparing legal and expert opinions, (iii) representation of PFR in court, administrative or administrative court proceedings, and (iv) costs of notary deeds.

In order to monitor expenditures in this respect and select the optimum consultant (among others in terms of experience in a specific area of law), legal advisors are selected in a competitive procedure and most of the fees are set based on hourly rates, while specifying the maximum amount of the fee. This payment system allows for direct and ongoing oversight over the commissioned work and the ultimate amount of the costs and guarantees that payments are made for activities that were actually performed.

3. COST OF MANAGEMENT CONSULTING SERVICES

PFR's costs incurred in 2021 for management consulting services amounted to PLN 2.2 thousand (*Table 10*). This amount consists mainly of costs of legal, financial and tax consulting related to the carrying out of an investment transaction.

Table 9. Cost of legal services

PFR – Cost of legal services	1 January - 31 December 2021
Legal costs related to projects	1,425,646
Corporate support – costs of current legal services	268,981
Investment support – costs of current legal services	49,235
Administrative fees, including the fee for the General Counsel to the Republic of Poland	109,200
Legal costs related to ECP	-
Legal costs related to PFR Financial Shield	12,212,836
Total costs	14,065,897

Table 10. Cost of management consulting services

PFR – Cost of management consulting services	1 January - 31 December 2021
Accounting and tax services	2,144,322
Services related to the capital contribution transaction	24,024
Total costs	2,168,346

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2021

Chapter 3: Activity in 2021

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Involvement in fighting the effects of the COVID-19 crisis

1. SUMMARY OF AID ACTIVITIES (AS AT THE END OF 2021)

In 2021, the COVID-19 pandemic was still a real health and life threat for residents of Poland. Successive waves of the disease were recorded. The first of them began already in the fall of 2020. It peaked on 7 November 2020, when the number of new COVID-19 cases reached nearly 28 thousand over one day. Starting from that day, the number of new cases fell gradually to the level of approx. 6 thousand per day in early February. This is when the daily rate of new cases began to rise again to exceed 35 thousand at the end of March 2021.

The entire period was marked by economic restrictions, which had been imposed with a view to preventing the spread of the pandemic. The activities of sectors such as retail, restaurant, hotel, hairdressing and beauty services, cultural, educational and exhibition activities were curtailed to a large extent. Shopping malls, DIY stores, hotels, swimming pools and cultural institutions were among the entities that were not allowed to pursue their normal business activities. This is why the option to apply for subsidies as part of the Financial Shield for SMEs 2.0 was introduced already on 15 January 2021. The applications for subsidies could be submitted by enterprises from the 54 industries most affected by the lockdown introduced in the fall of 2020. The applications were accepted until 28 February and the appeal procedure was closed on 31 March 2021.

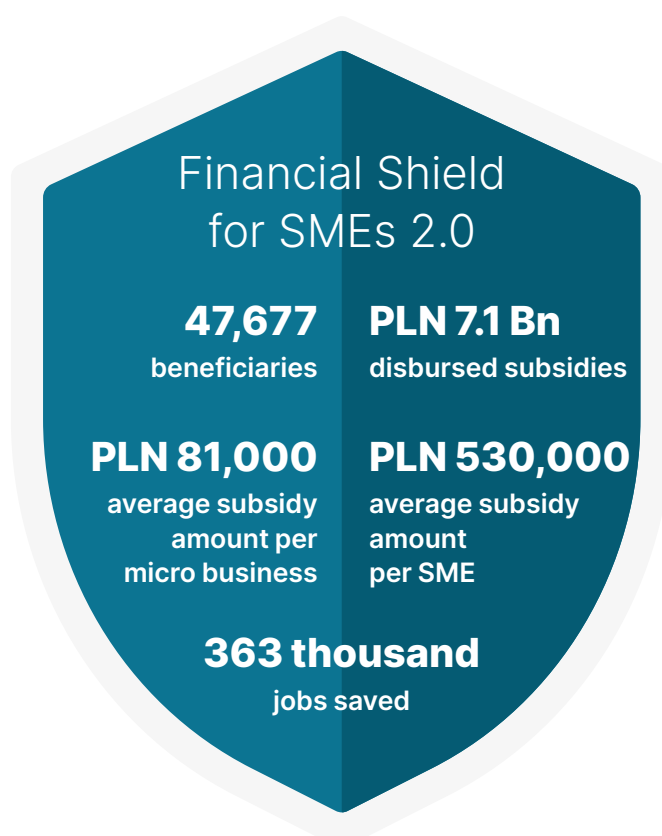
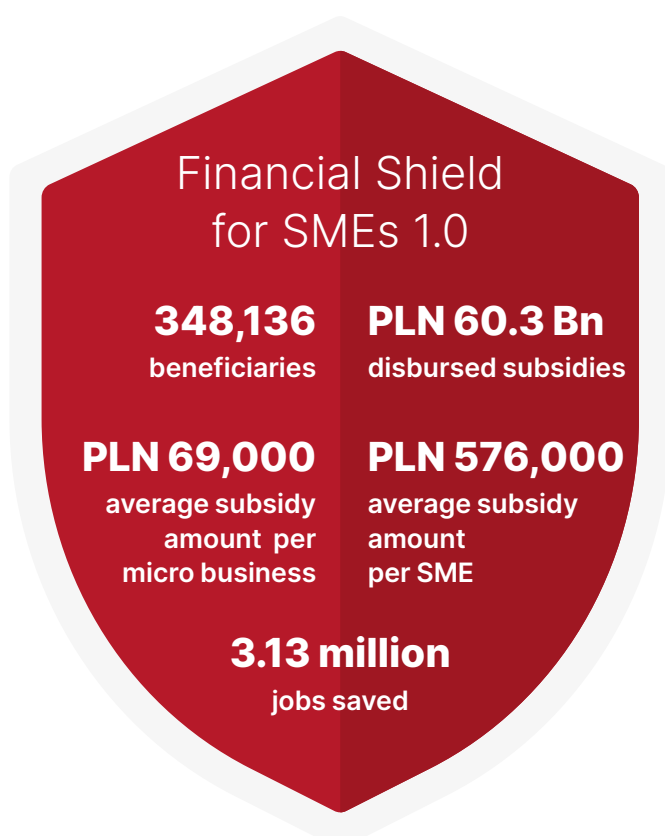
The IT solutions applied in the Financial Shield for SMEs 2.0 were similar to those introduced to the Financial Shield for SMEs 1.0. The

difference was that the system also verified consistency of the PKD entry declared by the business against the data included in the government registers and the list of PKD entries eligible for support.

The criteria for granting subsidies varied in both programs. The program beneficiaries were defined differently and the thresholds of losses suffered by eligible businesses were raised (from 25% to 30% and from 50% to 60%). Moreover, the maximum subsidy amount for the companies that had already received support under the Financial Shield for SMEs 1.0 was reduced (to PLN 72 thousand for micro businesses and PLN 144 thousand for medium-sized enterprises).

In the second edition of the program, the applications were also filed through electronic banking systems of 16 commercial banks and most of the cooperative banks. Since the IT system had already been tried and tested, implementation of the Financial Shield for SMEs 2.0 was not as challenging for the organization as the program's first edition. However, Polish business owners rated it equally as high, emphasizing that the support was granted as quickly as previously.

The total amount disbursed as part of the PFR Financial Shield for SMEs 2.0 was PLN 7.1 billion, which was allocated to 47 thousand businesses (around 40 thousand micro enterprises and 7 thousand SMEs). The program is estimated to have saved approx. 363 thousand jobs.



Financial Shield for SMEs 2.0 by voivodship



2. REMISSIONS OF SUBSIDIES IN THE FINANCIAL SHIELD FOR SMES 1.0 AND 2.0

PFR commenced the implementation of the Financial Shield for SMEs 1.0 in April 2020. In accordance with the principles of this program, a year after the disbursement of a subsidy, a business entity could apply for remission of the subsidy in part or in whole. As an effect, the application acceptance process began on 30 April 2021. Some business entities were informed by PFR about the remission amount proposed based, among others, on the fact that their business activities were continued and that their employment levels were maintained. On the basis of that declaration, a given business entity could prepare and send the information about the values that, in its opinion, should be taken into account when calculating the value of the repaid subsidy. Additionally, the business entities which had received aid as part of the Financial Shield for SMEs 2.0 could apply for remission of 100% of the subsidy disbursed as part of the Financial Shield for SMEs 1.0.

For PFR, the subsidy settlement and repayment processes became its new responsibilities. Therefore, it was necessary to form organizational units to manage those processes in the PFR structure. As an effect, the Settlement Management and Debt Collection Departments were established. The former was supposed to aggregate sources of information about settlements and the repayment schedule and compare them to banks' reports on the actually made repayments. In the case of overdue payments, the information was provided to the Debt Collection Department, which was expected to take measures to ensure that a debtor paid its liabilities in a timely manner.

Under the Financial Shield for SMEs 1.0, subsidies worth PLN 36.8 billion in total were remitted, which constituted 61% of the amount of PLN 60.3 billion, which had been disbursed to business entities as part of the program. Remissions were applied to 97.9% of the subsidized entities, i.e. almost 341 thousand enterprises.

In the case of the Financial Shield for SMEs 2.0, the technical aspect of the remission process was similar to that of the Shield 1.0. Yet, the settlement declaration submission time-limit changed (it was no longer a year after receiving the subsidy), it became obligatory to submit the declaration, and the remission principles, which were derived from the selection criteria, were modified.

The Shield 2.0 was settled in two periods:

Settlements of small and medium-sized enterprises: from 18 November 2021 to 15 January 2022. At that time, PFR published a settlement declaration form in electronic banking to be used by a business entity for settling its subsidy. As there were many enterprises that failed to submit their declarations on time, PFR extended the declaration submission deadline several times.

Settlement of micro enterprises: the preparations for launching the settlement process continued in 2021. Like in the case of small and medium-sized enterprises, PFR extended the declaration submission deadline for micro businesses. From 19 January to 28 February 2022, PFR published a settlement declaration form for micro enterprises in electronic banking to be used by a business entity for settling its subsidy.

3. SUPPORT FOR LARGE ENTERPRISES

On 9 June 2020, following the completion of the notification process and while waiting for a positive decision of the European Commission regarding the instrument financing aid in the form of equity, PFR opened the process of filing applications under the Financial Shield for Large Companies (FSLC). It was the first such comprehensive public aid program for large companies, i.e. companies which employed more than 249 persons or earned annual turnover exceeding EUR 50 million in 2019 or whose total balance sheet value was more than EUR 43 million in 2019. Under the program, small and medium enterprises that satisfied specific conditions, were able to apply for financial support.

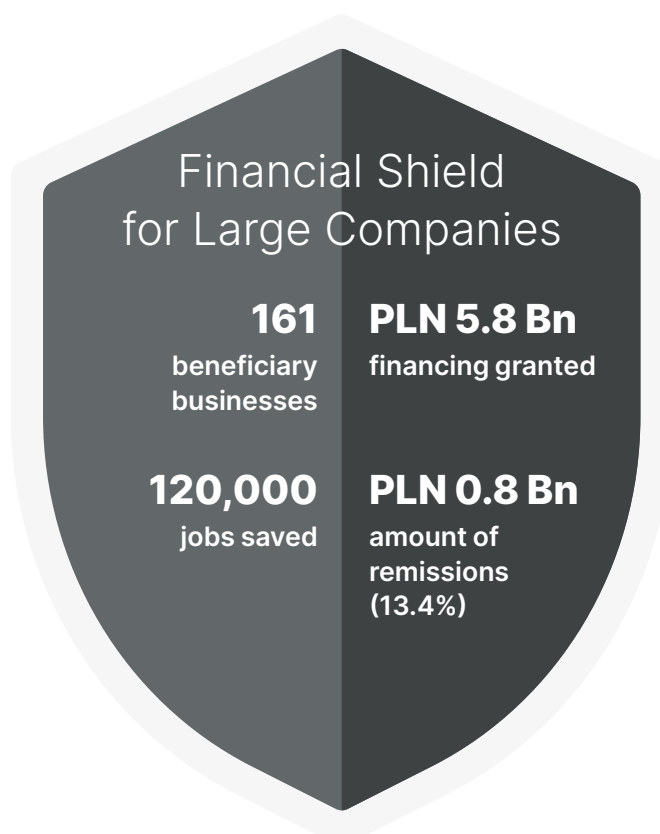
**PLN 36.8 billion
(61%)**

amount of remissions
in Shield 1.0

**PLN 6.2 billion
(87.3%)***

amount of remissions
in Shield 2.0

* Remission forecast for Financial Shield for SMEs 2.0 (the level of remissions for microenterprises has been taken into account, assuming a decrease in headcount similar to that under 1.0) and the Financial Shield for Large Companies.





Comparison of key changes to the new Financial Shield for Large Companies (Preferential Loan 2.0, introduced in 2021):

	Preferential Loan 1.0 (previous)	Preferential Loan 2.0 (new instrument introduced in 2021)
Program beneficiaries	Large enterprises, SMEs with specific parameters (PLN 100+ million in revenues in 2019 and 150+ employees) (so-called "Large SMEs")	Only large companies; apart from previous sectoral exclusions, transport companies and companies related to transport infrastructure where the damage exceeds EUR 4 million per month are additionally excluded; beneficiaries may be companies whose business has been de jure or de facto prohibited by Polish authorities
Maximum damage period	March – August 2020	November 2020 – April 2021
Individual damage period	From March 1 to the date of expiration of the last cause of damage	Multiple individual damage periods related to specific causes
Partial restrictions taken into account	Admissible, application at the beneficiary's discretion	Partial restrictions may not be taken into account Program eligibility: minimum 50% of business subject to total restrictions
IFRS16 adjustment	No provisions	Permissible adjustments related to IFRS16 – in practice increasing the damage value
Damage calculation	Negative EBITDA in the period from 1 March 2020 to the date when the last restriction ceases	Minimum 50% of business subject to restrictions. Negative EBITDA in the periods subject to restrictions in individual segments of business subject to the restrictions (at specific dates and geographic locations)
Calculation of damage greater than EUR 4 million per month	No detailed provisions	If the damage exceeds EUR 4 million per month, the calculation should refer to the economic factors causing the decrease in operating performance (analysis of the general drop in demand, greater consumer reluctance to buy, rules of social distancing). As such should be excluded from the damage calculation.

The FSLC was composed of the following financial instruments:

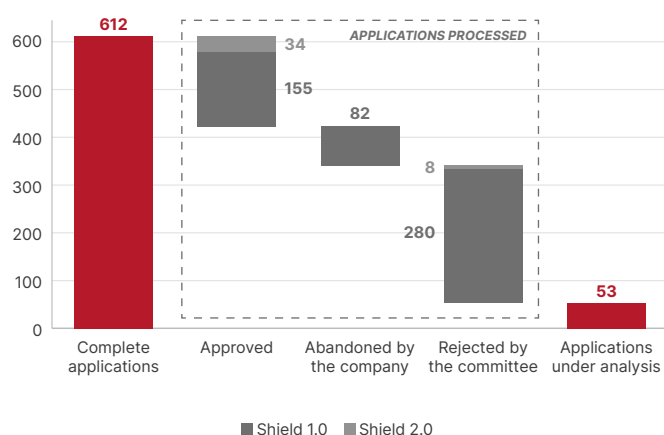
- liquidity loans, preferential interest rate, in the total amount of PLN 10 billion, in order to secure liquidity of companies. The loans could be granted with maturities of up to 4 years (subsequently extended by the European Commission's decision to up to 6 years) and the maximum amount of a loan could be PLN 1 billion;
- preferential loans, which constitute compensation for the losses incurred as a result of administrative decisions and sanitary restrictions related to COVID-19, in the total amount of PLN 7.5 billion. Just as in the case of liquidity loans, they could be granted for a period of up to 4 years (subsequently extended by the European Commission's

decision to up to 6 years), up to the amount of PLN 750 million, with an option of remission of up to 75% of the loan amount;

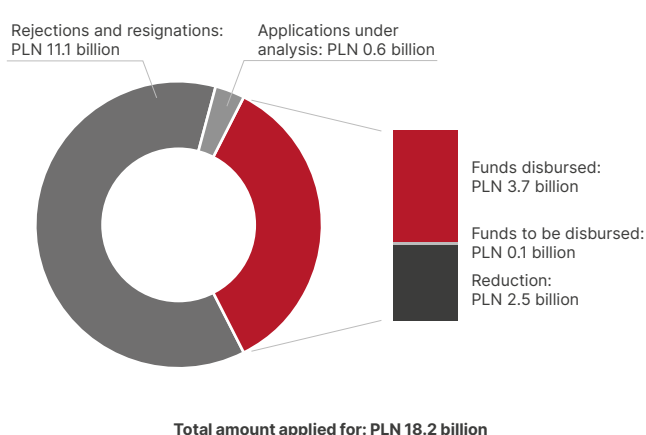
- equity instruments, including convertible bonds and capital increases in the total amount of PLN 7.5 billion, which were aimed at improving the capital structure of companies, which was eroded by the COVID-19 pandemic. Equity instruments could be granted up to the amount of PLN 1 billion in two procedures: (i) under the public aid regime, or (ii) on an arm's length basis.

Applications under the program could be filed through an online form available on PFR's website. Settlements of the signed agreements were entrusted to PKO Bank Polski S.A.

Status of submitted applications – number (as at 10 February 2022)

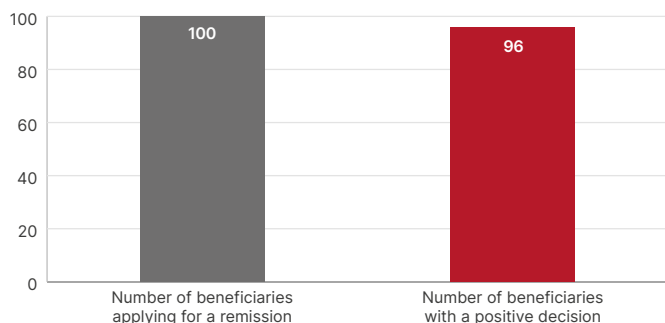


Status of submitted applications – amounts applied for and disbursed (as at 10 February 2022)

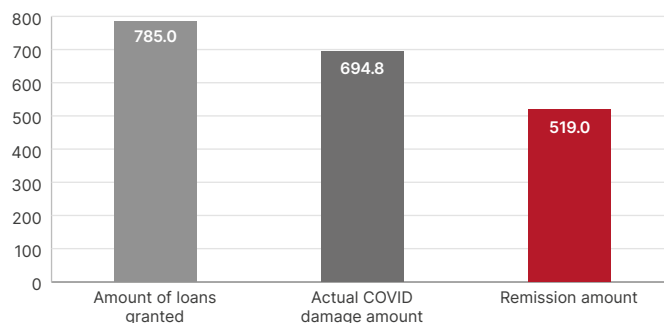




Remission applications – in numbers



Remission process – in amounts (PLN million)



The FSLC required analysis of each company on a case-by-case basis, with emphasis placed on, among others, satisfaction of the conditions of participation in the program, performance of simplified *due diligence*, analysis of financial projections or collateral for repayment of the financing.

Initially, the program assumed disbursement of funds until 31 December 2020, but – as a consequence of another wave of the pandemic and the resulting necessity to provide an additional aid to businesses – Poland commenced talks with the European Commission with the aim to extend the application of the anti-Covid-19 support programs, including the FSLC. The effect of the talks was the Commission's decision of 15 December 2020 to extend, among others, the option to disburse funds under the instruments until 30 June 2021. Under a separate decision, one of 1 March 2021, the option to sign liquidity loan agreements was extended until 31 December 2021 and the option to disburse funds – until 31 March 2022; the notification provided also for a reduction of the interest rate.

The application submission period for the four abovementioned instruments ended on 30 April 2021.

Taking into account the successive waves of the COVID-19 pandemic and the associated administrative restrictions, in late 2020 Poland commenced additional discussions with the European Commission on the launch of a new instrument managed by PFR, i.e. the Preferential Loan 2.0 (addressing the administrative restrictions from 1 November 2020 to, ultimately, 30 April 2021). On 17 June 2021, the European Commission issued the decision approving the new aid. Applications for the new instrument could be submitted until the end of September 2021, agreements could be signed until 31 December 2021, and disbursements could be made until 31 March 2022. By a separate decision of 22 December 2021, the European Commission extended the deadlines for signing agreements and disbursing funds by three months (until 31 March 2022 and 30 June 2022, respectively).

Until 31 December 2021, 612 applications in the total amount of approx. PLN 18.2 billion were submitted under all FSLC instruments, including

- 168 applications in the total amount of PLN 6.3 billion with positive decisions of the Program Financing Committee. The total recommended amount for the applications was PLN 3.8 billion (a 40% reduction with respect to the application amounts). PLN 3.7 billion

Selected beneficiaries of the Financial Shield for Large Companies program at the end of 2021



JSW S.A.
PLN 1,173.6 million



Polska Grupa Górnicza S.A.
PLN 1,000.0 million



Enter Air Sp. z o.o.
PLN 365.1 million



CCC.EU Sp. z o.o.
PLN 71.3 million



Nowa Itaka Sp. z o.o.
PLN 58.2 million



Empik S.A.
PLN 52.7 million



Międzynarodowe Targi Poznańskie Sp. z o.o.
PLN 52.4 million



Venezia Oganowska Nachiło Sp. J.
PLN 45.6 million



KROSS S.A.
PLN 45.0 million



Mosty Łódź S.A.
PLN 43.0 million



Photo courtesy of LOT

was disbursed to business entities and the remaining PLN 0.1 billion was at the stage of meeting conditions precedent;

- 286 applications in the total amount of PLN 7.5 billion (47% of the total number of submitted applications) were rejected at various stages of the analysis. The most common reason for the rejection was the failure to satisfy the formal requirements of the program, i.e.: (i) non-existence of the so-called "COVID-19 Damage" (as defined in the program), including due to improved financial standing, (ii) no demand for liquidity and (iii) availability of other sources of external financing;
- 82 applicants for the total amount of PLN 3.6 billion resigned from participation in the program at various stages of the analysis. The most common reason for the resignation was the obtainment of financing from other sources and non-acceptance of certain restrictions involved in the program and expressed by the provisions of the loan agreement (including in particular as regards distribution of dividends in the period of using the aid instrument);
- the process of analysis covered 76 applications of large enterprises, all of which were submitted in September 2021 and regarded the Preferential Loan 2.0.

Information on all loans granted under the FSLC program is published on the PFR website.

In compliance with the European Commission's decision, the Rules and Regulations of Support and individual provisions of preferential loan agreements, the loan debt remission process covered initial and in-depth analyses. The final "ex post" amount of the actual

COVID-19 damage was determined based on the audited financial statements for 2020 and the maximum remission amount could not exceed 75% of the amount of the loan granted or 75% of the actual COVID-19 damage suffered, whichever was lower.

Until 31 December 2021, 96 beneficiaries' debts in the total amount of PLN 519 million were remitted. The remission amount constitutes 66% of the amount of the preferential loans granted.

4. SUPPORT FOR PLL LOT

The COVID-19 pandemic caused severe disruptions in the transport and tourism industry, including the liquidity and equity gaps in Polskie Linie Lotnicze LOT S.A. In spite of internal measures undertaken by the national carrier, it was unable to fill these gaps on its own, i.e. without external financial support from the State Treasury.

Therefore, on 21 December 2020, the Council of Ministers adopted the PLL LOT Support Program, which offered comprehensive support for the Polish national carrier in combating the effects of COVID-19, and on 22 December 2020, the European Commission approved a support package for PLL LOT, which included e.g. a loan to be granted to it by PFR. Given the very important role of the company in the Polish transport system and its impact on the national economy, it was decided that a capital contribution to PLL LOT would be made from the state budget in the amount not exceeding EUR 250 million and PFR would grant it a loan of PLN 1.8 billion.

On 31 December 2020, PFR disbursed approx. PLN 900 million to PLL LOT as the first tranche of the loan under the government support program. The second tranche, amounting to around PLN 900 million, was disbursed to PLL LOT on 22 January 2021. The support ensured



that the company maintained liquidity and an adequate level of capital required to pursue its operating activities. The final maturity date of the financing granted by PFR to PLL LOT is 30 December 2026.

5. FINANCING OF AID PROGRAMS

In order to finance the aid programs, in 2020–2021 PFR issued bonds for the total amount of PLN 73.9 billion as listed below. The statement of the individual issues is provided in the following table:

Bond issue no.	ISIN	Abbreviated bond name	Nominal value of emission (capital)
1	PLPFR0000019	PFR0324	16,325,000,000.00
2	PLPFR0000027	PFR0325	18,500,000,000.00
3	PLPFR0000035	PFR0925	15,175,000,000.00
4	PLPFR0000043	PFR0627	10,000,000,000.00
5	PLPFR0000050	PFR0330	2,000,000,000.00
6	PLPFR0000068	PFR1227	500,000,000.00
7	PLPFR0000076	PFR0927	2,000,000,000.00
8	PLPFR0000084	PFR092027	900,000,000.00
9	PLPFR0000092	PFR0827	5,250,000,000.00
10	PLPFR0000050	PFR0330B	1,250,000,000.00
11	PLPFR0000100	PFR0228	1,000,000,000.00
12	PLPFR0000118	PFR0228B	1,000,000,000.00
Total			73,900,000,000.00

Detailed terms and conditions of the individual issues are included in the letters of issue published by PFR:

- Issue no. PFR0324 of 27 April 2020: 16,325 bonds with the total nominal value of PLN 16,325,000,000, bearing interest at 1.375% and maturing on 29 March 2024;
- Issue no. PFR0325 of 8 May 2020: 18,500 bonds with the total nominal value of PLN 18,500,000,000, bearing interest at 1.625% and maturing on 31 March 2025;
- Issue no. PFR0925 of 22 May 2020: 15,175 bonds with the total nominal value of PLN 15,175,000,000, bearing interest at 1.625% and maturing on 22 September 2025;

- Issue no. PFR0627 of 5 June 2020: 10,000 bonds with the total nominal value of PLN 10,000,000,000, bearing interest at 1.750% and maturing on 7 June 2027;
- Issue no. PFR0330 of 5 June 2020: 2,000 bonds with the total nominal value of PLN 2,000,000,000, bearing interest at 2.000% and maturing on 5 March 2030;
- Issue no. PFR1227 of 10 December 2020 addressed to the European Investment Bank (EIB): 500 bonds with the total nominal value of PLN 500,000,000, bearing interest at 1.400% and maturing on 10 December 2027;
- Issue no. PFR0927 of 14 December 2020: 2,000 bonds with the total nominal value of PLN 2,000,000,000, bearing interest at 1.500% and maturing on 30 September 2027;
- Issue no. PFR092027 of 23 December 2020: 900 bonds with the total nominal value of PLN 900,000,000, bearing interest at 1.375% and maturing on 30 September 2027.
- Issue no. PFR0827 of 15 January 2021: 5,250 bonds with the total nominal value of PLN 5,250,000,000, bearing interest at 1.375% and maturing on 30 August 2027;
- Issue no. PFR0330B of 3 February 2021: 1,250 bonds with the total nominal value of PLN 1,250,000,000, bearing interest at 2.000% and maturing on 5 March 2030;
- Issue no. PFR0228 of 5 February 2021 addressed to the European Investment Bank (EIB): 1,000 bonds with the total nominal value of PLN 1,000,000,000, bearing interest at 1.300% and maturing on 5 February 2028;
- Issue no. PFR0228B of 12 February 2021 addressed to the European Investment Bank (EIB): 1,000 bonds with the total nominal value of PLN 1,000,000,000, bearing interest at 1.375% and maturing on 12 February 2028.

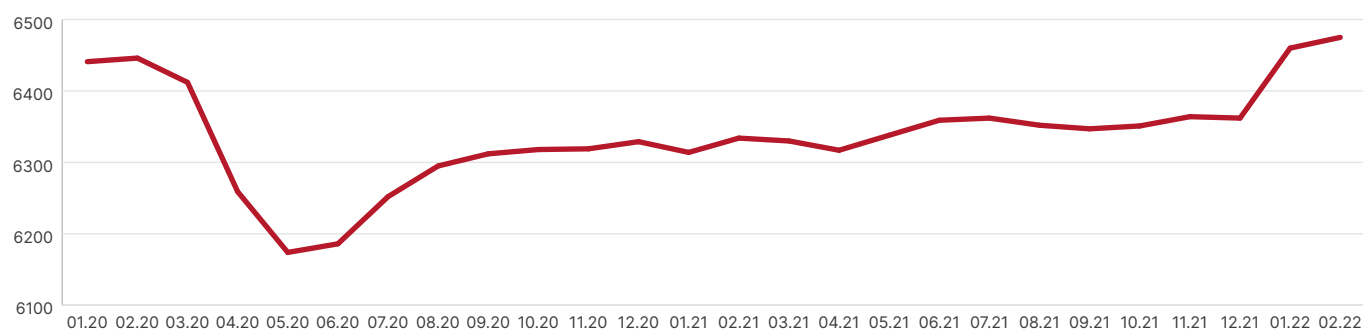
6. IMPACT ON THE EMPLOYMENT LEVEL IN THE ENTERPRISE SECTOR

An increase in the difference between the employment rate in Poland and the average employment rate in the euro area has been noticeable in recent quarters. In Q3 2021, the rate was 76.1% for Poland and 73.5% for eurozone countries. The graph comparing the data

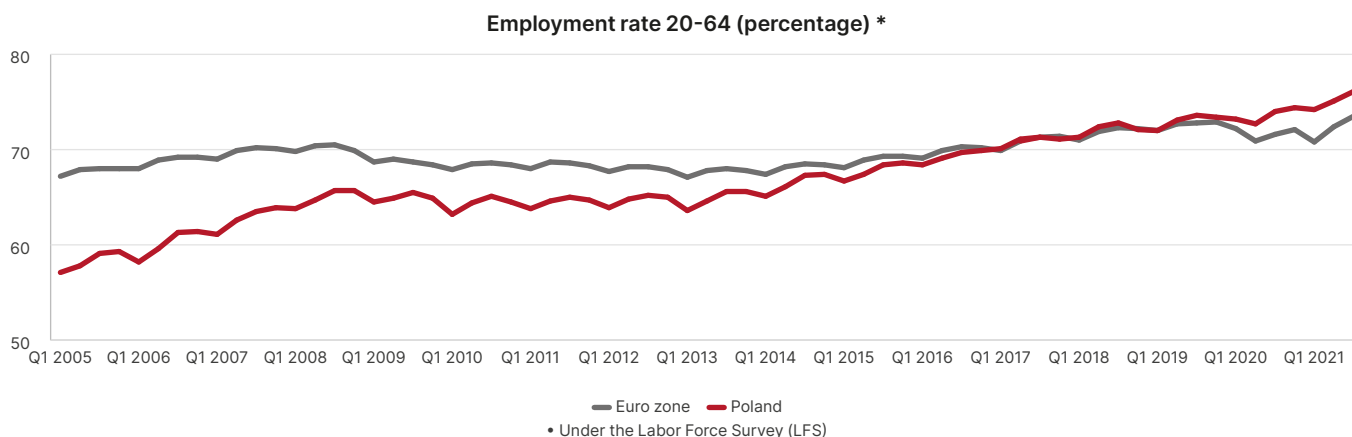
90% beneficiaries who held their jobs

4% Increase in headcount in companies that obtained subsidies

Employment level in the enterprise sector (in thousands, monthly)



Since 2020, the employment rate in Poland has been above the euro area average



shows a more marked drop in the employment rate in the euro area in Q1 2021. The described situation illustrates, among others, the effects of the Financial Shields, the primary objective of which was to protect jobs in the enterprise sector.

The support under the Financial Shields was provided to the enterprises employing more than 3.2 million people in total. It is estimated that, had it not been for the program, the employment rate would have dropped by nearly 900 thousand instead of 272 thousand in Q2 2020. This means that the Shield saved around 600 thousand jobs. As an effect, 90% of the program beneficiaries maintained their employment level and, if taking into account the data of the end of February 2022, the level increased by 30 thousand people, i.e. 4 pp, in the sector of enterprises.

It is also worth noting the other value that proves the effectiveness of the programs. From among more than 353 thousand enterprises subsidized under the Shields, merely 186, i.e. 0.05%, failed to handle the economic situation resulting from the COVID-19 pandemic.

7. FINANCIAL SHIELD MANAGEMENT COSTS

The Company has put an emphasis on ensuring transparency of the measures taken since the very beginning of the work on implementing the Financial Shield programs. Although the stage of granting financing as part of the Shields has ended, the management of both subsidy repayments by enterprises and bonds issued by PFR is going to be continued in successive years.

The program implementation costs from the viewpoint of the State Treasury can be divided into remissions of some of the subsidies granted, cost of interest on the bonds from which the program was financed, and cost of program management, i.e. cost of PFR's consideration, from which the program organization and other costs incurred directly by the Ministry of Development and Technology were covered. It is also noteworthy that the banks managing subsidy disbursements and regular repayments did not charge any fees in that respect. To sum up, the cost of the program from the perspective of public finance will be less than 2% of the GDP within the timeframe of 10 years.

All editions of the Financial Shields were characterized by a huge scale of operational management. More than 628 thousand applications were submitted in both programs addressed to SMEs and 63% of them were approved. Most of the negative decisions arose from formal errors in the applications, which was automatically verified by analytical systems. It is also worth noting the enormity of the work required for conducting investigation procedures: 25 thousand applications from the application stage (in the Financial Shield for SMEs 1.0 and 2.0 programs) and 43 thousand procedures initiated under the Financial Shield 1.0 at the subsidy remission stage (in the Financial Shield for SMEs 1.0 program).



Program value

PLN 100 billion

Value of bonds issued by PFR

PLN 73.90 billion

Value transferred to businesses

PLN 73.22 billion

Total program handling expenses

PLN 1.69 billion

1.69% of the program value

Remissions

PLN 43.88 billion

Loans and subsidies to be repaid

PLN 29.34 billion

Direct costs of the Ministry of Development and Transport

PLN 0.24 billion in total

0.24% of the program value

PFR's fee

PLN 150 million annually (PLN 1.45 billion)

1.45% of the program value

Total interest expense on bonds

PLN 6.53 billion

8.8% of the value of issued bonds

Structure of the costs of administration of the Financial Shield incurred by PFR

Program administration costs for PFR

Without taking into account the remuneration costs of employees involved in the execution of the program

Telecommunications and IT costs

21%

Costs of legal and tax services

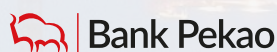
59%

Other costs

20%

Summary of investment activity

Selected investments made by PFR directly and through funds as at the end of 2021



Exposure of PFR/Funds:
PLN 4.1 billion



Exposure of PFR/Funds:
PLN 1.25 billion



Exposure of PFR/Funds:
PLN 1.7 billion



Exposure of PFR/Funds:
PLN 360 million



Exposure of PFR/Funds:
PLN 257 million



Exposure of PFR/Funds:
PLN 300 million



Exposure of PFR/Funds:
PLN 130 million



Polska Grupa Biogazowa

Exposure of PFR/Funds:
PLN 190 million



Trasa Łagiewnicka SA
w Krakowie

Exposure of PFR/Funds:
PLN 135 million



Exposure of PFR/Funds:
PLN 77 million

over PLN 11 billion

invested in projects for companies in the power, industry, infrastructure, biotech areas

1. CAPITAL AND INFRASTRUCTURAL INVESTMENTS

In the investment area, PFR's 2021 activity concerned all elements of the investment process: originating new projects, building the value of the existing portfolio businesses and exiting investments.

CCC / eObuwie

In September 2021, the fund managed by PFR granted financing in the total amount of PLN 360 million to CCC S.A., which is a CCC Group company. It is one of the top European players in the shoe segment. The Group has more than 80 e-commerce platforms and almost 1,000 stores in 29 countries under the CCC, eobuwie.pl, Modivo and DeeZee brands. The company has been developing sales also in the *off-price* segment through the HalfPrice chain since May 2021. CCC S.A. has been listed on the Warsaw Stock Exchange since 2004. The provided support helped ensure long-term financing of the further development of the Group and reinforce the shareholding structure at the level of eobuwie.pl, a company that is highly innovative and dynamically growing on the international scale.

Rental Housing Fund and Housing Sector Development Fund

In December 2021, PFR acquired investment certificates of closed-end investment funds: Rental Housing Fund FIZAN ("RHF") and Housing Sector Development Fund FIZAN ("HSDF"), for PLN 2.2 billion from Bank Gospodarstwa Krajowego, thus becoming the only investor in both funds. The transaction fits in the PFR Group Strategy for 2020–2025, which assumes, among others, implementation of housing projects. The PFR Group Strategy refers to the Sustainable Development Strategy, the aim of which is to create conditions for residents of Poland to increase their income with the simultaneous enhancement of cohesion in the social, economic and territorial dimensions, and to the strategic project of the National Housing Program.

The activities of the acquired funds are aligned with the PFR Corporate Group's pro-development initiatives, which reduce the housing deficit in the market, and the long-term development of the rental market with the ultimate buy-out option for tenants. The RHF, which

is present in large urban agglomerations, currently manages around two thousand apartments, while further six hundred apartments are being constructed or planned. The HSDF, in turn, which operates in smaller urban centers and cooperates with local municipalities, manages approx. one thousand apartments and further nine thousand or so are at the stage of construction or planning.

The RHF and HSDF are managed by PFR Nieruchomości S.A., a PFR Corporate Group company.

PESA

In 2021, PFR continued its support for PESA Bydgoszcz S.A. in the optimization process of its operating activities. The ensured financial stability enabled concentration on improvement of internal processes, financial performance and further development of products and technologies.

According to preliminary data, PESA's financial results and performance indicators improved gradually in 2021. For the first time for many years, some products were delivered before sale dates. The company continued its product development and works on hydrogen-fueled vehicles, including the first hydrogen locomotive in Poland. New vehicle families were also being developed, having regard to new production technologies and new drives and taking into account lower production costs. Additionally, a consortium was established with NEWAG S.A. with a view to executing a potential unique project of supplying the so-called *push-pull* vehicles with locomotives.

Polskie Koleje Linowe

Active portfolio measures were also taken in Polskie Koleje Linowe S.A. Even though the COVID-19 pandemic had a direct impact on the company's operations, in 2021 it was still implementing three investment projects:

- Solina dam – construction of a cable car line (the center is scheduled for opening in mid-2022),



PESA hydrogen locomotive



PFR Life Science invested in the following companies: Mabion S.A. and Proteon Pharmaceuticals S.A.

- Palenica in Szczawnica – expansion of the restaurant and hotel building at the bottom station of the chair lift (the project completed and put into service in July 2021),
- Góra Parkowa in Krynica-Zdrój – modernization of the top station building of the funicular.

2021 saw also commencement of another large investment project – a restaurant with its own production of craft beer at the bottom station of the lift to Gubałówka (the completion scheduled for 2023).

Deepwater Container Terminal (DCT) Gdańsk

In 2021, DCT Gdańsk continued its gradual growth in the transshipment volume and improvement of financial performance. All that happened despite the instability of the international trade caused by the COVID-19 pandemic and the “Ever Given” container ship blocking the Suez Canal. After Q1 2021, DCT became the largest container port in the Baltic Sea (for the first time ever), overtaking Sankt Petersburg.

Due to the constant growth in the transshipment volume, DCT continued its operations concerning the project of further expansion of its transshipment capacity based on the new T3 terminal being constructed in the Baltic Sea (which increased DCT capacity by 1.5 million containers a year), including the operations regarding the lease agreement, debt financing, design work, administrative permits and contractor selection.

Rail Capital Partners

In 2021, RCP, a company providing locomotives to railway undertakings, recorded a double growth in its fleet, to 40 locomotives (including completed acceptance of the 12 locomotives acquired as part of the Infrastructure and Environment Operational Programme co-financing). A major interest in RCP's offering is noticeable, which is evidenced by a very high number of leased locomotives.

PFR Life Science

In 2021, PFR Life Science (PFR LS) continued its active portfolio management with a focus on the investment in Mabion S.A., which

expanded its activity by contract-based medicinal product production and development services. Another significant event was PFR LS's new investment in Proteon Pharmaceuticals S.A., the leader in developing bacteriophage (viruses that infect bacteria) health and feed products for farmed animals. PFR LS made the investment as part of the financing round where the company received approx. PLN 100 million from a group of international investors for financing R&D plans, expanding its production capacity and entering global markets actively. PFR LS's team continues also the active mapping of the market and identification of successive investment objectives.

Jaworzno Power Plant (exit from the investment)

Another important 2021 event was the exit of the FIIK Fund, a portion of the investment portfolio of which is managed by PFR, from the investment in the minority stake of the company being the operator of the 910 MW power unit in Jaworzno III Power Plant (a project implemented jointly with Tauron Polska Energia S.A.). As an effect of the process of organizing the shareholding structure of coal-fired units conducted by Tauron in the Group (as an element of executing the government program of establishing the National Energy Security Agency), Tauron offered the FIIK Fund to repurchase its shares in the project company. The transaction was concluded on 22 December 2021.

2. FOREIGN EXPANSION FUND

Managed by PFR TFI, the Foreign Expansion Fund co-finances foreign investments of Polish businesses. The Fund offers multi-annual stable equity and debt financing on an arm's length basis. Importantly, the Fund shares the business risk of the foreign investment with a Polish enterprise pro rata to its shares or debt interest. The Foreign Expansion Fund fills the gap in the equity market by offering financing to respond to business entities' needs – its type, amount and timing are adapted each time to the model of operation of the Polish partner and its foreign business strategy.

The Fund's participation in transactions enhances the capabilities of Polish businesses as regards *greenfield* and *brownfield* equity investments and M&A transactions, and allows them to raise financ-



The PFR TFI Foreign Expansion Fund launched a joint investment on the American market with Elemental Holding (photo courtesy of Elemental Holding)

ing for new projects. Foreign direct investments play a major role in building global value chains. By supporting foreign investments, the Fund helps build the value of Polish enterprises, thus contributing to increased competitiveness of the Polish economy.

In 2021, the Fund cooperated with three Polish partners on five projects:

The Fund commenced another joint investment with the Elemental Holding Group on acquisitions in the US market.

Sector: strategic metal recycling

Country of investment: USA

In 2021, the Fund cooperated with the Group on acquiring shares in two American companies: Maryland Core and Legend Smelting and Recycling. Both of them operate in the strategic metal recycling sector and have strong positions in the US market. Overall, the Fund engaged in five projects of the company, including three concerning the US market. In the case of this company, the direction of the expansion was chosen primarily based on its size. With its 40% share in the global market, the United States has the largest catalyst recycling market. The presence of Elemental in this country brings the Polish company closer to the achievement of its strategic goal, i.e. becoming the world leader in the strategic metal recycling and *urban mining* sectors.

The Fund provided debt financing for the development of Victoria Dom's foreign projects

Sector: property development

Country of investment: Germany

Financing from the Fund: EUR 10 million

In early 2021, Victoria Dom S.A. was granted a loan for the further development of its activity in the German market from the Foreign Expansion Fund. The financing is dedicated to the purchase of investment land in attractive locations in Berlin and Leipzig. Due to the enhanced scale of the projects under implementation, at the end

of 2021 the Fund decided to broaden its cooperation and increase its debt exposure to EUR 10 million in total.

From the company's point of view, Germany is a very important prospective direction, which complements the property developer's activity in Poland. Implementing projects abroad permits the company to expand its skills, which supports the development of the entire Group. The property developer implements many functions and solutions applied in the German projects also in the ones it executes in the Polish market.

The Fund signed an investment agreement on subscription for shares in Laude Assets, a subsidiary of Laude Smart Intermodal

Sector: logistics

Country of investment: Germany

Total investment amount: EUR 20 million

Financing from the Fund: EUR 10 million

In late 2021, the Foreign Expansion Fund finalized its operations related to the project of co-financing Laude Smart Intermodal's investment in Germany and signed an investment agreement on subscription for shares in Laude Assets GmbH, a subsidiary based in Essen, Germany, which will concentrate assets and provide intermodal services in Germany and Western Europe.

Intermodal transport has a big potential for growth, in particular on the international scale. Therefore, the Fund evaluated the project positively and decided to engage in a project concerned with launching new connections in more Western European countries. Employing a business model that has been successful in markets such as Russia and Ukraine will enable the company to develop faster and increase diversification of revenues.

At the end of 2021, the Foreign Expansion Fund's portfolio comprised investments executed in six countries of the world.



The PFR TFI Foreign Expansion Fund signed an investment agreement on the acquisition of shares in the German logistics company Laude Assets

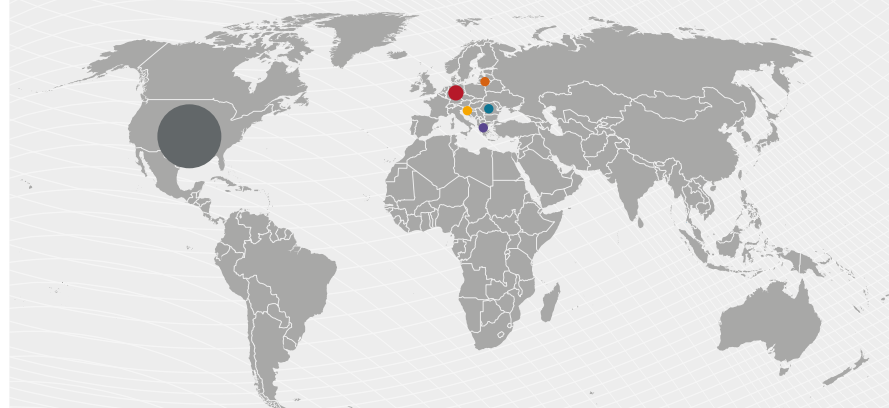
3. INVESTMENTS IN PUBLIC ASSETS

PFR TFI, apart from supervising the PFR Corporate Group entities, which were entrusted with the management of a portion of the investment portfolio of some closed-end funds, manages the liquidity of such funds and the public asset portion of the portfolio on its own by making market investments. This is the area of responsibility of the Non-Public Asset Fund Management Department. It monitors deposits in Bank Ochrony Środowiska S.A., Rafako S.A. and Ferrum S.A., companies listed on the Stock Exchange. One of the crucial initiatives of 2021 was the involvement in Rafako S.A.'s restructuring process.

4. LOCAL GOVERNMENT INVESTMENTS

In 2021, the PFR local government investment area made three investment transactions in the total amount of PLN 80 million, which was obtained from FIS FIZAN. All three transactions were investments in special purpose vehicles of the private partners which had won procedures conducted by local government entities to select a private partner for implementing projects as part of a public-private partnership (PPP):

Locations of investments of the Foreign Expansion Fund



- Germany
- USA
- Lithuania
- Romania
- Croatia
- Greece

PORTFOLIO VALUE:
**over
EUR 75 million**

VALUE OF INVESTMENTS WITH THE FUND'S PARTICIPATION:
EUR 260 million

INVESTMENTS
in 6 countries



Construction of a WTT in Olsztyn

- Dobra Energia dla Olsztyna, a company executing a project of constructing and operating a waste thermal treatment plant (WTT) with a capacity of 110 thousand tonnes of RDF per annum, which will enable disposal of waste from Warmińsko-Mazurskie Voivodship along with energy recovery and deep upgrade of the district heating system of the city of Olsztyn;
- two SPVs of private partners, which implement projects of constructing paid parking lots in centers of large Polish cities.
- the “Heat from Waste” program implemented in cooperation with the Ministry of Climate, the Ministry of Development Funds and Regional Policy and the National Fund for Environmental Protection and Water Management (NFOŚiGW) with the purpose of developing solutions for investments in waste disposal;
- a pilot of the program to improve energy efficiency of residential buildings in cooperation with NFOŚiGW. Both initiatives are continued in 2022.

The FIS FIZAN investments were structured to ensure debt subordinated to SPVs of private partners. The executed investments enabled the FIS FIZAN fund to raise margins with respect to earlier investments.

The abovementioned transactions increased the overall number of FIS FIZAN investments to 12. The total value of the funds released by the fund was PLN 435 million at the end of 2021.

The FIS portfolio still proved to be resilient to the crisis caused by the COVID-19 pandemic throughout 2021.

The performance of the agreement concluded with the Ministry of Development Funds and Regional Policy (MFIPR) was continued last year. Under the agreement, PFR advises local government units and other public entities on the preparation and execution of infrastructural projects based on the PPP formula. At the end of 2021, as an effect of public partners’ analyses and decisions, PFR continued consulting in two PPP procedures for implementing projects worth a few hundred million Polish zloty. They should popularize public-private partnership in Poland and additionally ensure a future stream of projects: investment goals for FIS.

In the area of local government investments, one of the priorities was to seek new strategic directions for activities of replicable nature, especially in the context of the PFR Green Hub, in which the two horizontal projects launched in 2020 were continued:

The “Heat from Waste” initiative resulted in an investment in the project of a waste thermal treatment plant in Olsztyn and development of a stream of WTT projects in Poland, where FIS sees investment opportunities within the timeframe of several years.

A pilot of the program to improve energy efficiency of residential buildings in cooperation with NFOŚiGW, in turn, was launched in 2021 and is expected to ensure submission of applications to bring new investment opportunities to FIS within the next two years.

Like in 2020, the local government investment area joined the implementation of the Financial Shield for Large Companies, many of which co-created an attractive offering for business entities and residents in cooperation with local governments (e.g. hotels, spas, transport infrastructure facilities, transport businesses, exhibition enterprises).

total capital expenditures of projects initiated by FIS in 2021

Investment Project	Total capital expenditures of the project
Good Energy for Olsztyn	PLN 860 million
Car parking in Warsaw at pl. Powstańców Warszawy	PLN 70+ million
Car parks in Łódź	PLN 100+ million



5. GREEN HUB

The PFR Green Hub is PFR's strategic program. Its aim is to support Poland's energy transition through investments on an arm's length basis and without crowding out private capital. The program is composed of two fundamental components: knowledge and capital.

Energy transition will be one of the major challenges faced by the Polish economy within the coming decade. The PFR Green Hub integrates the activities performed by public institutions, local governments and businesses operating in the energy market with a view to developing the Polish value chain and contributing to the improvement of the quality of Poles' lives. It provides financing for projects rooted in the area of the broadly defined energy transition, with a particular focus on the development of RES and new technologies as well as circular economy.

The PFR Green Hub brings together experts acting on the borderline between power generation, marketing, waste management and finance. They have unique skills to help not only business entities but also local governments achieve their plans concerned with energy transition.

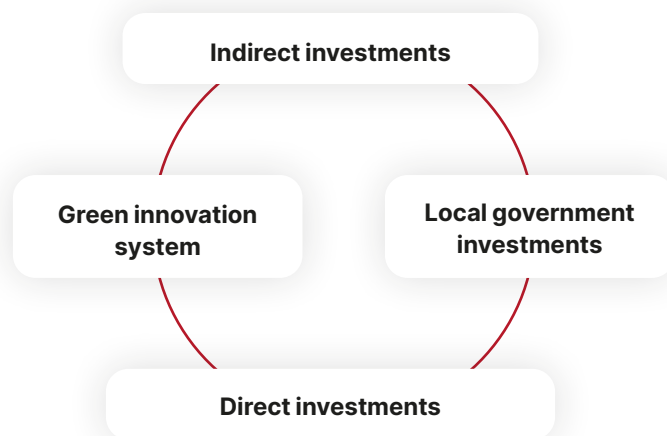
In accordance with the mission of the program, a product offering was created in each of the four pillars of support, which defined financial instruments for the individual groups of recipients.

The PFR Green Hub provides solutions to reduce the price of electricity for business:

- financing cutting-edge energy infrastructure supplying the Polish economy with green energy;
- supporting local governments in using the energy potential of waste by mitigating its adverse environmental impact and optimizing the cost of its transport;
- resolving local energy-related problems concerned with low emission, increasing costs of heat and waste management.

Benefits from the cooperation within the PFR Green Hub:

- development of the cooperation with banks while using the best practices acquired when implementing the Financial Shield for Large Companies;
- subject-matter and business assessment of investments, which supports investors seeking additional financing;
- commercialization of the technologies that had not functioned on an arm's length basis before;
- supplementation of private investments with capital embedded in Polish values.



The PFR Green Hub engages in investments such as:

- agricultural biogas plants,
- photovoltaic (PV) systems,
- wind farms,
- hybrid systems using more than one RES technology,
- RES-powered green transport,
- waste thermal treatment plants,
- energy storage supporting integration of RES into the grid,
- industrial solutions required for RES-related energy transition (value chain),
- development of products and services for business and local communities in the area of energy transition,
- bridging of the capital gap for scaleups in the green tech sector through a dedicated FoF based on PFRV.

In 2021, PFR launched the "Green Energy for Business" program addressed to investors from the photovoltaic and wind sectors as part of the PFR Green Hub. The program is dedicated to projects which are not beneficiaries of the support scheme and which sell electricity on an arm's length basis. PFR's role is to provide financial aid in the form of a subordinated loan or to participate as an equity partner for the investor and the bank. Thus, PFR fills the investment gap arising from the bank's expectations about the investor's own contribution. The pilot phase of the program, where PFR's financial interest amounts to PLN 300 million, offers market risk-based financing to the market.

PFR Green Hub provides funding for projects necessary for the transformation of the Polish energy sector in the following model:

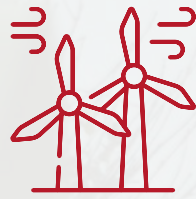


subordinated loan
in addition to the investor's capital
by opening bank financing



increasing the company's capital
to secure cash necessary for the investor
to develop new projects

PFR Green Hub: Four pillars of support



Green energy infrastructure



Energy from waste



Green Fund of Funds



Academy of the Cities of the Future

Basic assumptions of the program



PLN 200M

investment budget

50%

maximum contribution to a single fund

4-5

investments in funds

Detailed assumptions for VC funds may be found on the [PFR Ventures website](#).

PFR Ventures' activities in the Green Hub area

A new program managed by PFR Ventures, PFR Green Hub FoF, was launched at the beginning of 2021. It is a part of the PFR Green Hub project, which focuses on supplying capital to VC funds. The money may be provided to the teams which are experienced in investments associated with energy transition and the so-called positive impact projects.

6. INVESTMENTS IN THE FORM OF FUNDS OF FUNDS (FOF)

PFR Ventures is the investment arm of the PFR Corporate Group dedicated to alternative *venture capital* (VC) and *private equity* (PE) investments. The Company manages funds of funds that have to date provided funding for 61 VC and PE funds.

Intensive seeding

In 2021, 368 preseed/seed transactions were executed in the Polish VC market. Nearly every 3rd of them took place with involvement of PFR Ventures portfolio funds. The average value of such investments was PLN 3 million: it was a significant change, since – with the maximum contribution of up to PLN 1 million – it is the BRIDGE Alfa program funds that had dominated the market in the preseed/seed rounds before.

Boom in the local VC market

The Polish VC market broke another financing record in 2021. Nearly PLN 3.6 billion was allocated to 379 enterprises. The share of the PFR Ventures portfolio funds in that amount was almost 20%. At the same time, approx. 1/3 of the transactions (127 out of 379) were executed by those teams. Not only is the aggregate financing value on the rise, but also the average investment amount is going up. Also, the number of businesses that dynamically obtain successive rounds of financing is noticeably higher.

Locomotives of the Polish VC market in 2021:

Docplanner **PLN 600 million**
Round F

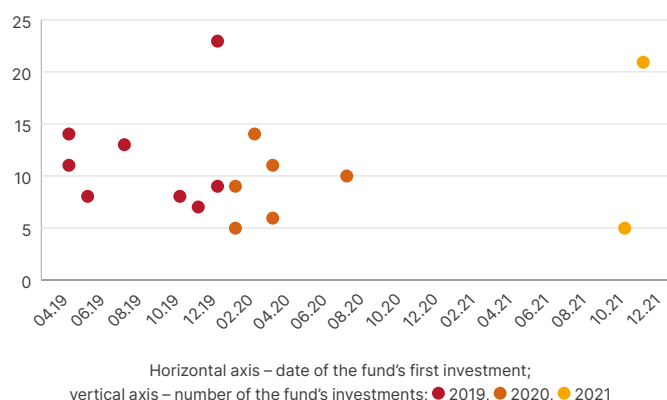
uncapped **PLN 301 million**
Round B

Ramp **PLN 220 million**
Round A

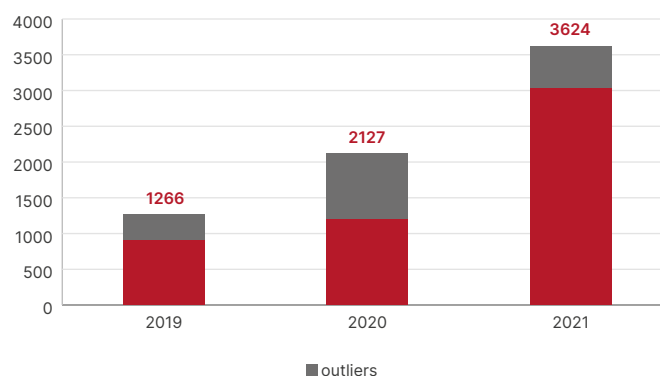
Packhelp **PLN 190 million**
Round B

Infermedica **PLN 120 million**
Round B

Investments in the form of funds of funds



VC investments in Poland in 2019-2021





PFR Ventures

**Actively investing
VC Funds:**

36

**Companies
financed:**

290

Nearly 300 VC investments since 2019

From the beginning of 2019 to the end of 2020, VC funds from the PFR Ventures portfolio made 148 investments. In 2021, they nearly doubled this number. The market for financing young enterprises is accelerating every year, and the measures introduced by PFR Ventures stimulate this development.

**Actively investing
PE Funds:**

10

**Companies
financed:**

47

PFR Ventures also invests in private equity funds. The strategy provides for the provision of funds for the development of local management teams and Poland's exposure to the best international funds. Ultimately, these investments are not only expected to generate a good rate of return, but also to ensure the development of the best performing Polish companies.

Sample investments

Proteon Pharmaceuticals

[VC | Round B | PLN 95.9 million]

Joint investment of a fund from the portfolio of PFR Ventures (Montis Capital) and PFR LifeScience.

Proteon Pharmaceuticals technology helps reduce the use of antibiotics in animal husbandry and supports sustainable protein production and improved human health. The company develops and markets a whole range of products in cooperation with the world leaders in the pet food market.

SUNROOF

[VC | Seed round | PLN 20.4 million]

Joint investment of funds from the portfolio of PFR Ventures: SMOK Ventures and KnowledgeHub Starter.

The company makes solar roofs with software that supports smart energy management. The company produces and installs solar roofs in new and renovated buildings in Poland, Sweden and Germany, among other countries. SunRoof plans to launch an e-commerce platform that will enable users to sell excess electricity. The start-up has ambitions to become the European equivalent of Tesla on the solar roof market.

Bielenda PROFESSIONAL

[PE | buyout | undisclosed]

Investment of the Innova fund from the portfolio of PFR Ventures.

Bielenda has been operating on the market since 1990 as a manufacturer of a range of cosmetics for various applications. Its portfolio includes over several hundred products for women, men and children. The investment enabled the acquisition of two brands from the Orkla Group: Soraya and Dermika. After the merger, the group companies generate total revenue in excess of PLN 200 million annually.

7. RESIDENTIAL INVESTMENTS

PFR Nieruchomości S.A., acting under commission from PFR TFI, manages two funds, i.e. the Rental Housing Fund FIZAN and the Housing Development Fund FIZAN, with enterprises offering nearly 5 thousand apartments for rent. Jointly, the PFR Funds are pioneers and remain the leaders of the institutional rent market in Poland. In 2021, more than 2 thousand apartments were being built.

Rental Housing Fund

Established in 2013, the Rental Housing Fund is the first in Poland to offer a stable, long-term, institutional rent of high-standard apartments in attractive locations as part of its investments. The rental is offered on commercial terms.

The first investment launched by the Fund was 124 apartments at ul. Saperska in Poznań in 2015. Today, tenants have 2048 apartments in 17 locations at their disposal. The Rental Housing Fund's projects are implemented mainly in the largest Polish cities, such as Warsaw, Kraków, Wrocław, Katowice, Gdańsk and Poznań. In the summer of 2021, the Fund delivered a project with 80 apartments in a new location, at ul. Wspólna in Łódź.

The Rental Housing Fund offers finished, "turn-key" apartments with fully equipped kitchens and bathrooms, in buildings with garages and storerooms. There is a 24/7 service in case of failures or faults available in the Fund companies' real properties.

The rental offering is addressed to both individuals and businesses. It is used by those who wish to remain mobile for professional purposes and by posted workers. At the end of 2021, the occupancy rate exceeded 96% of all units offered.

Housing Sector Development Fund

Established in 2017, the Housing Sector Development Fund invests in real properties through its companies and is part of the market side of the government residential program. The Fund's objective is to increase the value of assets by constructing and renting affordable apartments, including the ultimate ownership option. The investment projects – carried out on an arm's length basis – are developed mainly in cooperation with local governments, but also with State Treasury companies and private entities.

The apartments constructed using the financing from the Housing Sector Development Fund are dedicated to a large social group. It is estimated that 40% of the society are families who are too wealthy to be eligible for assisted, that is social and council, housing and at the same time do not have the creditworthiness required for purchasing an apartment on their own. When selecting the applicants, the social criteria determined by the local government and their capability to pay the rent are taken into consideration.

The investments made by the Housing Development Fund fit into the measures aiding the implementation of the Sustainable Development Strategy, the aim of which is to create conditions for residents of Poland to increase their income with the simultaneous enhancement of cohesion in the social, economic and territorial dimensions. The Fund's development might contribute to accelerating the process of pursuing the European standard of availability of apartments for rent. Moreover, it will make the market offer adapt better to social expectations, as it will be addressed not only to the wealthiest but also to less wealthy, yet professionally active, Poles.

The Housing Sector Development Fund's projects are constructed all over Poland, but the preferred locations are towns and cities with the existing market of apartments for rent. The first project on the

market side of the government housing program was 186 apartments in Biła Podlaska, which were delivered to tenants in May 2018. At the end of 2021, the Fund had more than three thousand apartments with occupancy permits – occupied or undergoing the commercialization procedure. They are located in: Biła Podlaska, Jarocin, Kępno, Kępcice, Katowice, Kraków, Wałbrzych, Gdynia, Dębica, Świdnik, Mińsk Mazowiecki, Łowicz, Toruń, Radom, Września. More than 1.9 thousand apartments are being constructed in locations such as: Katowice (ul. Korczaka), Wrocław (ul. Kolejowa), Oława, Sianów, Zgorzelec, Nowy Targ, Zamość and Nakło nad Notecią.

8. FINANCING INVESTMENT ACTIVITY

In 2021, PFR's investment activity was financed with own funds. Under the agreement of 7 June 2021 between the State Treasury and PFR, upon subscription for series F shares, the company received a non-cash contribution in the form of 6,600,000 zero-coupon bonds with ticker number OF0423 and a total nominal value of PLN 6,600,000 thousand, which according to valuation prepared by Deloitte Advisory sp. z o.o. was worth PLN 6,587,882. On 3 March 2021, the OF0423 bonds were assimilated with bonds with ticket number OK0423. Throughout 2021, the company sold 5,492,408 bonds at the average price of PLN 993.36 in 20 transactions, at the total loss of PLN 26,352 thousand relative to the valuation by Deloitte.



Implementation of the Employee Capital Plan (ECP) program

Employee Capital Plan (ECP) is a voluntary private system of long-term savings, which constitutes part of the 3rd pillar of the pension system. It is created together by the employee, the employer and the state. The program was established by the Act of 4 October 2018 on Employee Capital Plans (ECP Act), which came into effect on 1 January 2019. PFR and its subsidiary, PFR Portal PPK sp. z .o.o. (PFR Portal PPK), established pursuant to Article 77 of the ECP Act, are responsible for implementing and keeping accounts of the entire program. The system is overseen by the Polish Financial Supervision Authority.

Activity of the designated institution

The crucial aspect in the context of Employee Capital Plans is fund management performance. The management performance achieved by PFR TFI exceeded the market average. Six out of eight sub-funds were ranked first among competitors in their respective groups¹ – the 2065 target date sub-funds were not included in the list, since the ECP management institutions created them at different points in time in 2021, which prevents their comparison over a full twelve-month period. The PFR PPK SFIO fund has been ranked high since the beginning of its activity. The keys to good performance are, among others, the right decision on asset allocation and active adaptation of the allocation to the changes in the market environment. Managers executed the scenario built on the basis of the macroeconomic environment in a systematic and disciplined manner.

Performance from 30 December 2020 to 30 December 2021

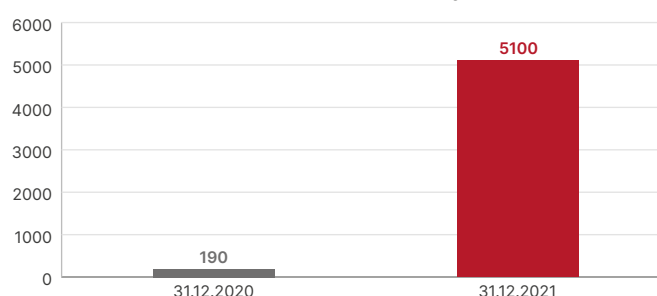
In the specific market considerations, which resulted from the pandemic and the accompanying phenomena in global markets, it was essential to maintain a high allocation in share instruments and a high share of corporate bond portfolio and to build a treasury bond portfolio of the lowest possible sensitivity to interest rate variations. In the share portion, it was crucial to use the influence of the macroeconomic situation on the selection of sectors.

Rates of return for ECP sub-funds in 2021

Defined date	PFR TFI	Average for the group	Position in the group
2025	2.9%	-0.6%	1/19
2030	8.5%	4.9%	1/19
2035	12.1%	9.8%	4/19
2040	14.7%	11.0%	1/19
2045	17.3%	14.3%	1/19
2050	17.5%	14.6%	3/19
2055	17.9%	14.5%	1/19
2060	20.3%	14.2%	1/19

¹ 19 financial institutions having target date funds or sub-funds on offer in each of the eight groups that can be analyzed.

Number of ECP clients served by PFR TFI



When performing the tasks involved in the role of the designated institution, PFR TFI ensured end-to-end solutions in the area of employer and participant service, IT systems and effective fund management. The regional expert team, which is responsible for relationships with customers from individual regions of Poland: northern and central, eastern, and southern and western, ensures subject-matter support to the existing and prospective customers, coordinates the program implementation process, delivers training e.g. in system operation and popularization of the knowledge of ECPs and regular saving.

Although the role of PFR TFI, as the designated institution, is not to compete actively for customers with other institutions, but to ensure common access to ECPs and secure the system, the number of employers served by PFR TFI grew considerably in 2021. Furthermore, the participation among PFR TFI customers is higher than the ECP market average, i.e. 37.2% relative to 31.2%. This results from the measures taken by the ECP Development and Operation Department and the Marketing and Communication Office in the area of popularizing the knowledge of ECPs, building relationships with employers and raising awareness of the necessity to save among employers and employees, as well as high management effectiveness, which is evidenced by the performance achieved by the Fund and Asset Management Department.

The high participation of PFR TFI customers was appreciated as part of the Responsible and Friendly Employer initiative. The winners of the fall edition of the program included the Social Welfare Center in Janów Lubelski, where over 64% of the eligible employees joined ECPs. ECPs' success in that institution was ensured first of all by the good cooperation between PFR TFI and the Center and other entities controlled by the Janów Lubelski Town Hall.

1. RULES AND ORIGIN OF THE PROGRAM

An employer cooperates with a trade union operating in its company (or with employee representatives if there is no trade union) to select a financial institution to open private ECP accounts for employ-



ees. The employer establishes Employee Capital Plans by signing a management agreement with the financial institution and then signs an ECP operation agreement on behalf and for the employees. Conclusion of an ECP operation agreement for an employee makes him/her an ECP member. The operation of Employee Capital Plans is offered by 19 market management entities which, in order to be able to manage participants' savings, must satisfy statutory requirements on a continuous basis. An official list of institutions offering the management of ECPs and their offer is available on the mojeppk.pl portal.

The funds gathered in ECPs are invested in special funds, which adapt the investment policy to the member's age (so called target date funds). The costs of managing the savings accumulated in ECPs are normally lower than in the case of other investment products. Employee Capital Plan accounts are fed by contributions financed by the employee and the employer and subsidies from the state (welcome payment and annual subsidies). The payments from employees and employers are calculated as a percentage of the salary amount, while the state transfers amounts specified in the ECP Act to an ECP account irrespective of the ECP member's income. The employer and the employee finance basic payments and, if they so decide, additional payments.

Employee Capital Plans have been implemented to increase financial security of the Poles, affect the development of the economy, corporations and jobs and also multiply private savings of employees.

2. SUMMARY OF THE WORK ON ECPS IN 2021

The last ECP implementation stage, which covered the largest group, i.e. more than 865 thousand employers, was completed in 2021. The obligation to establish ECPs was imposed on the entities employing up to 19 persons and employers being public finance sector entities.

PFR Portal PPK delivered 5,728 training courses in ECPs for 169,426 people representing 40,913 employers until the end of 2021. In 2021 alone, 1,778 training courses in ECPs were delivered to 59,418 people.

The ECP specialist team and PFR Portal PPK provided almost 6 thousand answers to inquiries and letters from market participants (including more than 2 thousand in 2021), prepared 574 publications (including 208 in 2021) comprising: articles, newsletters, ECP guides and 600 other subject-matter materials concerning ECPs (including 294 in 2021). PFR and PFR Portal PPK representatives took part in 119 meetings (including 37 in 2021) with the Ministry of Finance and the Polish Financial Supervision Authority to clarify doubts about ECPs (33 new legal issues were published in 2021).

The [MojePPK.pl](https://mojeppk.pl) portal recorded 7.3 million views and 2.8 million users in 2021. On 30 December 2021, PFR Portal PPK launched a feature enabling provision of information about the value of funds accumulated in ECP accounts to ECP members on the [MojePPK.pl](https://mojeppk.pl) portal as part of the obligation stipulated in Article 77 sec. 3 item 4 of the ECP Act. It is possible to log in the portal using the [Login.gov.pl](https://login.gov.pl) website – the feature can be found at <https://rachunek.mojeppk.pl/>.

An advertising campaign under the slogan "Zostałeś? Zyskałeś!" [Have you stayed? You've earned!] addressed to employees was carried out in 2021. Its launch required preparation of an advertisement to be broadcast on national television, spots for the radio campaign, online campaign along with publications in social media.

The advertising campaign was carried out in cooperation with PFR and the Ministry of Finance from March to April 2021 and its overall TV reach (3+) was 12.5 million viewers.

PFR Portal PPK prepared also an advertising campaign intended to be broadcast online, addressed to employers. Its aim was to emphasize the significance of employers in the promotion of saving in ECPs. A radio spot, interviews with employers and online advertisement graphics were produced as part of the advertising campaign. The overall online reach of the campaign was 2.5 million users.

Employee Capital Plans in numbers (as at 31 December 2021):

- PLN 425.28 million – profit earned by ECP funds since they were formed,
- PLN 7.63 billion – net value of the assets accumulated in ECP target date funds,
- 280.80 thousand enterprises run ECPs,
- 2.27 million people save in ECPs.

3. FURTHER DEVELOPMENT OF THE EWIDENCJA PPK (ECP RECORDS) IT SYSTEM

The launch of the Central ECP Records according to schedule meant closing the first stage of the project. Its completion enabled registration of financial institution management entities (20), employers (900 thousand), members (more than 13 million eligible persons) and contributions made to their accounts in the central database.

Another stage of implementation in the IT area was the launch of a data warehouse. That enabled the commencement of the professional data analysis and reporting services for PFR. Report tables were created for financial settlements, reporting to the institutions specified in the ECP Act, i.e. the National Bank of Poland, Ministry of Finance, Polish Financial Supervision Authority, National Labour Inspectorate (PIP). The data warehouse is the primary source of information for the instrument implemented jointly with PFR Portal PPK to enable program members to check the value of the accumulated contributions in all ECP registers. The rachunek.mojeppk.pl portal was implemented in accordance with the provisions of the Act on 1 January 2022. The data collected in the ECP Records constitute the basis for the statistics, analyses and studies released in the monthly publication "Biuletyn PPK" [ECP Newsletter].

The popularization of the idea of additional savings for retirement underlay the launch of a new project called Central Retirement Information (CIE) by PFR. Its objective is to expand Poles' knowledge about the rules of the defined-contribution scheme, retirement products and funds accumulated in individual retirement accounts. The idea behind it is that the IT system will collect information about the retirement funds accumulated in all retirement programs and institutions operating in Poland: ZUS (Social Insurance Institution), KRUS (Agricultural Social Insurance Fund), EPP (Employee Pension Plan), ECP (Employee Capital Plan), OFE (Open-End Pension Fund), IRA, IRSA. Additionally, it will enable complex calculations and simulations regarding the future benefits based on various scenarios and assumptions defined by users. They will be able to use a range of services in the system that is being designed. The expected CIE launch date depends on the pace of work on the act that will specify the rules of its operation; it is estimated to take place in Q3 2023.

Pro-development activity

1. DEVELOPMENT OF INNOVATION AND HUMAN CAPITAL IN POLAND

1.1. Activities for the development of innovation in startups and SMEs

In 2021, PFR continued the key initiatives to develop the innovation ecosystem in Poland. It did so primarily through establishing new enterprises, working with technology enterprises and increasing the number of prospective businesses being objects of PFR Ventures' investments. The dynamic development of the VC market in the ClimateTech sector, which arose, among others, from the European Green Deal and the PFR GreenHub strategy, resulted in adding a new goal to the programs under implementation: to prepare a new generation of innovators to the challenges that corporations face in the era of energy transition and development of green technologies.

"School of Pioneers"

The flagship educational program, executed in cooperation with Allegro, was profiled for the first time in 2021. As part of the so-called green edition, which was oriented towards creating solutions for the broadly defined EcoTech sector, three challenge paths were distinguished: sustainable logistics, effective energy generation and conscious consumption. In the two-stage process, 50 persons were selected to form 12 interdisciplinary teams. Their task was to prepare answers to a selected challenge. During the workshops covering almost 90 hours, organized in a three-week cycle, the participants developed modern business and technology skills, while using support provided by mentors and industry experts. The teams presented

the devised solutions at the Final Gala and the best of them received prizes in the total amount of PLN 100 thousand.

The long-term objective of the project is to build the so-called investment pipeline for PFR Ventures funds. After the four editions held to date, the program effectiveness was confirmed by the support and financing of over PLN 120 million for pioneer businesses.

An e-book titled *Jak budujemy start-upy?* [How do we build start-ups?] was published in June 2021. The textbook explains how to take your first steps on the startup stage and what areas deserve particular attention on the way to success, while taking into account e.g. team-building, marketing and idea validation. It was prepared by the organizers of the "PFR School of Pioneers" in cooperation with its graduates and Allegro as the program partner. The publication gives the floor to significant figures of the world of science and business, including Prof. Olaf Żylicz, Rector of the WSB University, Dr. Włodzimierz Świątek from the SWPS University, Marcin Tchórzewski, CEO and founder of Coders Lab, and Agnieszka Lewandowska, entrepreneurship and innovation educator and trainer.

"Companies of Tomorrow"

As part of the program "Companies of Tomorrow", organized jointly by PFR, Google and Operator Chmury Krajowej, nearly 16 thousand businesses took part in training for micro enterprises. The program provided SMEs with advanced educational material and support in the area of *e-commerce* and cloud solutions. It permitted the participating enterprises to increase their revenues, orders, number of customers or to commence new online projects.



Wrap-Up Gala of the PFR School of Pioneers

Evaluation of the “Companies of Tomorrow” program by its participants

OVERALL IMPACT OF THE PROGRAM



73%

out of 15,915 trained,
or
11,452 entrepreneurs

noticed an increase in business/headcount, career development and improved digital competences as a result of the program

INCREASE IN SALES



28%

out of 15,915 trained,
or
4,392 entrepreneurs

confirm an increase in the number of customers or an increase in sales as a result of the training

NEW ONLINE STORES



20%

out of 15,915 trained,
or
3,000 entrepreneurs

opened new online stores and started selling their products or services online

Moreover, “Companies of Tomorrow” delivered effective training to a large group of micro, small and medium-sized enterprises interested in online marketing, business and cloud technologies. It also offered permanent support in the form of individual consultations, webinars, e-learning material, including free Lean Canvas training offered by PFR.

The initial ten months of the program were summed up by an IPSOS survey conducted among its participants. According to 73%, it contributed to increased sales and number of orders placed and to improved digital skills. The respondents confirmed also the positive impact of the program on the employment process and development of their professional careers. There were 1898 individual cloud consultations provided to businesses. 78% of the respondents confirmed that their awareness of the capabilities provided by cloud computing was raised and 67% of them declared that they were going to use cloud in their businesses.

The 2021 experiences permitted the creation of a new format of the program, i.e. an academy: *e-commerce*, export and cloud. It is going to be continued in 2022.

“PFR Innovation Designers”

The third edition of the program “PFR Innovation Designers”, co-organized with Google, was held at the turn of 2021. It was a cycle of *design thinking* workshops, based on the CSI Lab method, which is applied by Google when devising innovative products. In the third edition of the program, 71 elementary and 48 advanced workshops were delivered. They attracted a total of 2073 participants instructed by 22 trainers. The overall number of applications to the three editions of the program was 5,499. On the completion of the third edition, the program was handed over to the PFR Foundation.

The startup.pfr.pl portal

The increasingly more popular startup.pfr.pl portal was still being developed. Last year, it was visited by 308 thousand unique users (230 thousand in 2020), who viewed the website 660 thousand times. In comparison to 2020, the website presents considerably more materials with the most interesting areas and enterprises of the Polish ecosystem, which explain the crucial business and technology terms, and people building our startup market.

startup.pfr.pl

Zapisz się na kurs

i dowiedz się, w jaki sposób **chmura obliczeniowa może usprawnić Twój biznes!**

chmura krajowa



Additionally, the offering of courses available on the startup.pfr.pl portal was expanded by two new ones: "Cloud in business" and "How to establish your own enterprise? All you need to know to start your own business." Overall, the startup.pfr.pl readers can use the offering of four free online courses, which is going to be extended further in 2022.

The e-book *Start-upy i ekologia. Jakie zielone rozwiązania tworzą polskie firmy technologiczne?* [Startups and ecology. What green solutions do Polish technology enterprises develop?] was published in mid-September last year with a view to joining the PFR Green Hub program. It is the first publication in Poland to perform such a broad analysis of the Polish innovation ecosystem in the EcoTech area. Its more than 100 pages provide analyses, opinions, comments, statements, latest data and forecasts prepared by experts: representatives of investment funds, people responsible for the development of the Polish innovation ecosystem and experienced startups.

1.2. Activities for the development of innovation in large enterprises

In 2021, PFR's activities were oriented also towards encouraging traditional Polish enterprises to pursue digital transformation and climate neutrality. Additionally, a community of large enterprises was being built around PFR. As successive waves of the pandemic hit, PFR supported businesses in term of not only finance but also competence. This is when the first consulting and educational offering for large enterprises was created. Its aim was to support businesses, mainly the ones using the Shield for large enterprises, in adapting their strategies to the post-Covid reality.

The actions began with developing an analytical tool composed of 38 questions for the purpose of conducting the Innovation Maturity Survey (BDI). It was used by 94 enterprises, i.e. 66% of the ones which had received support under the Shield. Each of them was given a consulting report containing: the result of the survey, the recommended business development path and future trends for a given

industry. They could also take part in individual evaluation meetings. Those were participated by ten enterprises.

Additionally, an online course "An Enterprise Prepared for the Future" was developed and published on the kursy.pfr.pl platform. It is a free training tool dedicated to management staff and employees. The training was composed of five modules prepared by 13 experts. More than 200 trainees participated in the course between 1 November and the end of 2021.

PFR engaged also in building a community of enterprises concentrated around the challenges of the future. A regular newsletter addressed to large enterprises was introduced. Currently, it reaches more than 1,000 readers. It describes methods of developing innovativeness of a business and digital tools for streamlining business processes and summarizes the most interesting events a the coming month.

In 2021, meetings with business entities were held on five occasions as part of the following programs: "Accelerator of innovation and foreign expansion for the construction industry" and "PFR Group InfoWeek." The aim of the participation was to contact enterprises with PFR Group institutions and to present the current financial and consulting offering. Overall, 13 PFR Group companies presented themselves to more than 1,000 businesses at the meetings.

1.3. Activities for the development of innovation in local governments

PFR's activities in this area focused on supporting their digital transformation and energy transition. At that time, the Innovation Development Department's objectives included:

- increasing the supply of new technology solutions for local governments,
- increasing absorption of new technologies in local authorities,



"Climathon for Cities" banner



Innowacje dla Miast

Ekosystem polskich firm technologicznych współpracujących z samorządami

The infographic is a grid of 24 categories, each with a title and several logos of partner companies. The categories are: Cyberbezpieczeństwo, Mobilność współdzielona, Inteligentne parkowanie, Partycypacja obywatelska, Gospodarka odpadami, Oświatlenie i bezpieczeństwo, Transformacja cyfrowa, Zarządzanie transportem, Edukacja, Teleopieka medyczna, Czyste powietrze, Efektywność energetyczna, Transport zbiorowy, Informacja przestrzenna, Inwentaryzacja infrastruktury, and Meble miejskie. Each category lists logos of companies like ATENDE, blinkcity, City Parking Group, Fliko, ECOBINS, and many others.

PFR dla Miast

Wielkie pytanie na temat rozwiązań przynosił komentarz na adres e-mail: innowacje@pfr.pl. Famy zostały wyekscytowane na podstawie kryteriów takich jak: model biznesowy (B2G / B2C2G), aktywność na rynku w ciągu ostatnich 12 miesięcy, innowacyjność usługi/produktu. Zwycięzcom powstała w lutym 2021 roku:

- enhancing cooperation between technology businesses and local governments,
- business and educational consulting in the area of energy transition.

The initial months of 2021 were marked by the implementation of the solutions developed as part of “City Coders Hackathon.” In December 2020, a programming marathon was organized in cooperation with the GovTech Center: for 48 hours, almost 50 IT teams (200 members) from all over Poland were developing tools to help local governments overcome the effects of the COVID-19 pandemic. The outcome of the event was prototypes of applications responding to the challenges defined by four medium-sized towns selected from among 30 applications sent:

- Chełm – waste sorting challenge,
- Stargard – a local business development platform,
- Świdnik – effective development of public infrastructure based on a town traffic analysis,
- Zduńska Wola – a tool to help residents select the most economical source of heat.

The implementation of these solutions in the local governments was completed at the end of May. The reception of the developed tools was positive both among public officials and local communities. The “Stop Smog” application, designed for Zduńska Wola, was used more than 1,600 times over the initial six months from its launch.

The “Resident Mobility Aggregator” was implemented in Świdnik. It is an internal software dedicated to the Town Hall staff, which measures the number of pedestrians, cyclists and cars in a given spot by analyzing town surveillance images. The application was distinguished at the 5th All-Poland Convention of IT Specialists.

In response to Stargard’s challenge, in turn, the znani-lokalnie.pl online platform was developed to provide space for the promotion of local business. It enables business entities to present their offerings and the town to manage the product and service base.

The second edition of the Academy of the Cities of the Future, the theme of which was green transition of towns and cities, began in March 2021. Nearly 80 local government officials from 41 towns and cities were able to expand their knowledge of creating innovative environment friendly solutions that meet energy standards by taking part in a series of professional workshops and meetings with experts.

Over the three months of the program, the participants came up with 21 concepts of urban innovations. They also learned the tenets of the strategic program of investments in renewable energy projects called the PFR Green Hub.

During the Wrap-Up Gala ending the program, the following six best solutions were presented:

- expansion of the fleet of and infrastructure for electric buses to improve the quality of air in Głogów,
- decarbonization of the heating sector and the public transport system in Tarnowskie Góry,

- establishment of a virtual hub with a bundle of services for micro-enterprises that decide to register their business online in Zduńska Wola.

The Program provided an opportunity to train 71 individuals in competences of the future and to form a communication platform bringing together public institutions involved in the shaping of urban policy with the city's decision-makers. Its extension was the online course "Expert in Cities of the Future" made available on the www.kursy.pfr.pl platform for local government officials willing to improve their professional knowledge in how to roll out innovative urban solutions.

In December 2021, the "Klimaton for Cities" was also held as the first hackathon responding to the climate challenge facing Polish cities, organized by PFR and the Ministry of Development Funds and Regional Policy. The event lasted 48 hours and was attended by nearly 130 programmers from across Poland. The jury selected four winning solutions addressing the challenges of four cities: Gniezno, Rybnik, Rzeszów and Wrocław. Each of the winning teams received a PLN 30,000 cash reward and the opportunity to test and deploy their solution in a selected local government. The developed applications will support cities and towns in the monitoring of water and disposed waste, analyzing mobility in public transportation, identification of threat related to, among others, smog and flooding and increasing the safety of the active mobility of schoolchildren.

The website pfrdlamiast.pl, which aims to disseminate information about projects executed under the "PFR for Cities and Towns" programs and to inspire the implementation of innovative solutions in cities, continued to grow in 2021. It was visited by 26 thousand unique users who viewed the website 65 thousand times. The site featured 24 city-specific media digests providing information on the highlights in city development from a variety of domestic and international sources.

An interactive technology map for cities was also published on pfrdlamiast.pl, presenting solutions offered by nearly 300 Polish enterprises in an innovative and transparent manner.

2. SUPPORT FOR THE PROCESS OF DIGITALIZATION OF THE POLISH ECONOMY

The goal of the National Cloud is to accelerate the digital transformation of Polish companies and public institutions. Digitalization increases the rate of development, reduces operating expenses and provides tools that enable businesses to introduce innovations in an agile manner by adapting their products and services to the quickly-evolving market expectations. In order for an organization to operate in this fashion, it needs to deploy a well-prepared and effectively conducted digital transformation process. Running a business in a computing cloud is a necessary element of this process, because a growing number of modern technologies develops exclusively in this environment. The cloud provides a close link between expenses and actually consumed resources, while ensuring scalability, boosting reliability and security of the IT system and supporting the use of agile methodologies and enabling the automation of recurring processes.

The nearly three years of OChK's operation on the Polish market have demonstrated that the application of cloud solutions and the unique competences of National Cloud experts generates value in each market segment. The company already serves over 150 customers, including technological start-ups, independent software developers, mature enterprises operating in the private sector, local government entities and large public institutions.

In the conditions of the prolonged pandemic and the resulting highly volatile market situation between January and December 2021, OChK's monthly recurring revenue increased by as much as 210% and the company acquired a solid foundation for continued growth, taking into consideration both the growing awareness of the benefits brought about by applying the cloud model and the still moderate, vis-à-vis the European average, degree of market saturation. According to Eurostat's most recent data, 29 percent of Polish enterprises use this technology, compared to the European Union average of 41% and the leading countries of Sweden and Finland at 75% already.

One of the key projects executed by the National Cloud in 2021 was the establishment (from scratch), development and maintenance of the e-registration system for vaccinations against COVID-19. The unlimited computing power available in the public cloud enabled the operation of a scalable, flexible and high-performance system available on a 24/7 basis which was successfully deployed to arrange and carry out tens of millions of vaccination appointments. During the periods of the system's peak popularity, over 880 thousand appointments were registered in it per day and over 120 thousand per hour. The solution was successfully integrated with a number of existing public IT systems, including the e-Zdrowie System (P1) and the Vaccine Distribution System (SDS), and was designed in a manner permitting straightforward integration with other health care systems in the future.

During the system's one year of operation, over 46 million vaccination appointments were arranged and carried out using it. The project demonstrated the potential scale of application of cloud computing solutions in the broadly construed digitalization of public services.

The popularity of cloud solutions in Poland grows also owing to the performance of strategic contracts entered into by OChK. In this context, another milestone was the launch of the Google Cloud Warsaw region in April 2021. It is the first computing infrastructure deployed by a global public cloud provider in Central and Eastern Europe. It was rolled out as a consequence of the strategic partnership established between Google Cloud and the National Cloud. By using it, every Polish enterprise and institution may take advantage of the latest global cloud solutions available in the Google Cloud region located in Poland. The Google Cloud Warsaw region is the 25th such center in the world and the only one opened by the company in Europe in 2021.

Value (PLN billion) and rate of growth (%) of the cloud computing market in Poland and share of the cloud in the value of the IT market (B2B), 2017-2021

	2017	2018	2019	2020	2021*	2022**
Market value	0.78	1.02	1.34	1.71	2.24	3.00
Market growth rate	28.0%	31.1%	31.5%	27.5%	30.7%	34.1%
Share in the IT market	2.8%	3.4%	4.1%	5.0%	6.1%	7.7%

Source: PMR, 2021; * – estimate; ** – forecast

According to the latest report of Statistics Poland entitled *Information Society in Poland in 2021*, 28.7% of companies in Poland used paid cloud computing services.² It is 4.3 percentage points more than in 2020 and over 17 percentage points more than in 2018, when the ratio was just 11%. Eurostat uses this indicator to assess the level of cloud adoption in Poland and other EU countries. According to its latest data, on average in the EU, 41% of companies used cloud services in 2021, compared to 24% in 2018. According to PMR data, the value of the cloud market in Poland in 2021 increased at a rate of over

2 Statistics Poland report entitled *Information society in Poland in 2021*.



30% year-over-year. Based on PMR forecasts, in 2022 the value of the cloud computing market will reach PLN 3 billion.³ In turn, it follows from data published by McKinsey that the deployment of cloud technologies on a large scale in Polish companies and public institutions may generate an additional EUR 27 billion (PLN 121 billion) annually by 2030, accounting for 4% of GDP in 2030.⁴

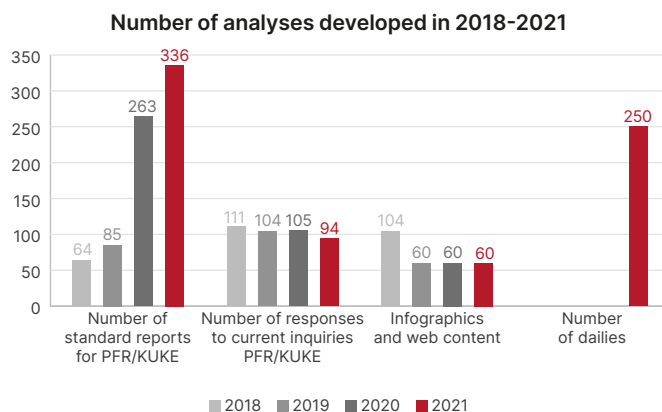
3. PROPRIETARY ECONOMIC ANALYSES

In 2021, the PFR's Analysis Department had a chief economist and two analysts in its team. It provided analytical support to the PFR management board, directors and various units as well as to KUKE and ZBH PAIH.

In 2021, the PFR's Analysis Department prepared 336 standard reports and provided 94 responses to inquiries sent to it on an ongoing basis.

The standard reports are prepared in three standardized formats, enabling the reader to quickly review the subject matter and then gradually expand the scope of the data being processed and the analysis of the issue at hand.

1. Chartbook:
 - Compilation of key data from public statistics
 - No significant analytical input
2. Summary of information
 - Compilation of most data from public statistics



- Limited analytical commentary
3. Compendium
 - Full compilation of data from public statistics
 - Data from other sources
 - Additional analytics
 4. Topic-specific reports, prepared when no other assignments are in progress

In 2021, the Analysis Department significantly increased the number of standard analytical reports and expanded their scope.

Summary and scope of analytical products prepared in 2021

MACRO

Macro Daily Daily review of macroeconomic data, about 150 slides	"GDP, Inflation, Deficit" Summary Quarterly, approx. 5 pages	"Parkiet" Forecast Chartbook Monthly, approx. 20 slides	"Savings" Summary Monthly, approx. 70 slides	"Innovation in Poland" chartbook Quarterly, about 40 slides
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FOREIGN TRADE AND FOREIGN MARKETS

"EU Economies" summary Monthly, approx. 140 slides	"German Economy" summary Monthly, approx. 140 slides	Exports Compendium (language versions: Polish, English and Spanish) Monthly, about 500 pages
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SECTOR-SPECIFIC

"Energy" summary Monthly, approx. 40 slides	"Transport" summary Monthly, approx. 40 slides	Furniture Compendium Quarterly, about 300 pages	Electromobility Compendium Quarterly, about 70 pages
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3 PMR report entitled *Cloud computing market in Poland 2021. Market analysis and growth forecasts for 2021-2026*

4 <https://www.mckinsey.com/pl/~media/mckinsey/locations/europe%20and%20middle%20east/polska/raporty/chmura%202030/chmura%202030%20raport%20mckinsey.pdf>

Activity of the PFR Foundation

1. DESCRIPTION OF THE FOUNDATION

The Polish Development Fund Foundation is a non-profit organization established by PFR in 2018. It was established to perform tasks related to the Company's corporate social responsibility. The Foundation's activity is based on two pillars: own educational undertakings and support for social initiatives of other entities. Another important role of the Foundation is to implement initiatives engaging employees of the PFR Capital Group in employee volunteerism projects.

The key goals of the projects carried out by the Foundation include:

- counteracting digital exclusion;
- ensuring equality of educational opportunities;
- ensuring equality of opportunities on the labor market for different social groups, including children raised in youth education centers and foster care as well as seniors.

The Foundation's activities also support culture, promote innovation and the entrepreneurial mindset, motivate people from various age groups to increase their competence, build pro-social attitudes and raise employment rates. The most important recipients of these activities include: children, youth and the elderly. The ambition of the Foundation is also to co-create the ecosystem of best practices and engaged institutions so that the projects have an even stronger impact on the life of their beneficiaries and the surroundings. The above tasks are performed mainly through educational programs based on new technologies.

The PFR Foundation operates on the basis of the Act of 6 April 1984 on Foundations (consolidated text in the Journal of Laws of 2020, Item 2167) and its articles of association. It is entered in the register of associations, other social and professional organizations, foundations and independent public health care establishments kept by the District Court for the Capital City of Warsaw. The oversight over the foundation is exercised by the minister in charge of the economy.

The Management Board of the Foundation consists of:

- Magdalena Grzankowska – President of the Management Board,
- Sebastian Zoła – Management Board Member.

2. CAMPAIGNS AND INITIATIVES OF THE FOUNDATION

2.1. Social and educational projects

The Foundation's social and educational projects were executed predominantly in the following areas: professional activation of adolescents, support for local communities and education of children and adolescents. All these projects were conceived and executed by the Foundation.

2nd edition of the "#SelfRELIANT" project

Its main goal was to equip adolescents in foster care entering the labor market (aged 17-19) with the key skills necessary to function in this market properly, such as: choosing and planning a career path, writing a CV, self-presentation during the recruitment process, negotiation of the terms of employment as well as orientation during the first days of professional work. The youth were also invited to participate in workshops on personal finance manage-



Wrap-up of the "#SelfRELIANT" project

ment, conduct of business, savings and loans. Most of the activities were conducted by PFR Corporate Group volunteers. Motivational workshops devoted to discovering talents and strengths of the participants and self-presentation workshops conducted by business trainers were an important element of the project.

Additionally, in order to provide real support to young people in achieving their plans and help them obtain first qualifications, each of them received a “development voucher” equivalent to the full financing of a selected professional course. In this second edition of the project, 26 individuals participated. In 2022, another edition is expected to be held. The project’s institutional patron was the Minister of Family and Social Policy. Samsung provided technical support in the form of tablets for all participants.

“Summer ActivACTION”

This grant-funded project responded to the challenges associated with the consequences of the pandemic and the constraints imposed on the physical and social activity of children and adolescents. Among its purposes was to support local communities, especially in eastern Poland and cities and towns of up to 60 thousand residents, in the pursuit of sports, recreational and educational endeavors involving school youth during the summer vacation period. The project turned out to be very popular: 1,200 applications were submitted, of which 53 initiatives obtained funding of up to PLN 5,000 (net of VAT).

The project ambassador was Jasiek Mela, a popular traveler and social activist. The activities of the organizations that obtained funding were constantly monitored, and some of them were recorded in the form of video footage.

“The World of Money”

The purpose of the project was to promote the knowledge of finance, saving and the value of money among children and youth aged 8-14. The participants were taught various skills related to talking about money, expenditure planning and budget management. 110 educational institutions from across Poland, including primary schools, children’s homes and community day-care centers, declared their willingness to participate in the project. The PFR Foundation provided each institution with gratuitous copies of the book “The World of Money” which were used in practice as economic educational material. In total, the Foundation donated 2,200 copies of the book. The project was wrapped up by a contest in which students submitted their videos or presentations on the topic of money saving. The Foundation awarded the authors of the best of these works.

Stanisław Lem Memorial Year

As part of the celebration of the Stanisław Lem Memorial Year, the Foundation and the team of the Central House of Technology a series of educational and expert events related to the writer’s work:

- expert debate entitled “Ethical dilemmas related to technological development” in which representatives of the worlds of science, business and technology discussed the opportunities and threats of technological progress;
- “Lem workshops” – more than 70 classes for approx. 1,300 students on the basics of programming and development of chatbots inspired by the writer’s works;
- online lectures – meetings with teachers devoted to the creation of students’ stories inspired by the works of Stanisław Lem;
- workshops for children and teachers during the “Megabit Bomb” festival in Kraków, offered by educators from the Central House of Technology;
- “Education of Tomorrow” contest for the best scenario of a class inspired by the works of Stanisław Lem. The contest was targeted at teachers and educators from across Poland;
- mural competition for artists aged 18-30 held under the slogan “Technology in Education”. The participants were allowed to prepare their competition work using any painting technique. The winning work was immortalized on a wall of the Central House of Technology;
- art contest the inspiration for which was a selected quote from the works of Stanisław Lem. 226 works were submitted for the contest;
- “Fan Fiction” literary contest whose participants were expected to submit short literary pieces (fanfic) inspired by the works of Stanisław Lem. Over 160 works were submitted for the contest.

“Education enthusiasts”

A scholarship program designed for future teachers and educators. Its purpose was to support gifted students from less well-off families who see their future in teaching children and adolescents. In 2021, two editions of the project were conducted. 36 students of public and private higher education institutions were awarded scholarships.



Graphics promoting the “Summer ActivACTION” program



Art competition related to the works by Stanisław Lem

2.2. Partnership projects

In 2021, the PFR Foundation participated in 37 partnership projects. For the most part, cooperation with external organizations was in the following areas: education, innovation, entrepreneurship, culture and arts. The Foundation also supported individuals going through a hardship period and institutions involved in socially beneficial activities.

The most significant of these were:

- “Talent Academy” of the Large Families Association – a scholarship program addressed to adult students from large families devoting particular effort to the pursuit of socially beneficial activities.
- “Stanisław Lem Recommends” of the Modern Poland Foundation – as part of this project, a collection of science fiction works was created in the Wolne Lektury public library (www.wolnelektury.pl). These works were important to the writer and recommended by him to young readers. Moreover, the Modern Poland Foundation translated and published a typescript of one book, published 18 e-books and audiobooks which were then made available to the public on the Wolne Lektury YouTube channel.
- “Tutoring Sessions with Legia” of the Legia Foundation – the project targeted students in their last year of high school with a series of on-line classes to help the students refresh and solidify their knowledge of the most important issues necessary for the successful passing of their final high school mathematics exam in an attractive manner. Among the persons running the sessions, recorded in Central House of Technology workshop rooms, was Krzysztof Chojecki, a promoter of mathematics, an enthusiast of new technologies and an educator.
- “On the Wolf’s Trail – the Cursed Soldiers Memorial Running Race” of the Freedom and Democracy Foundation – running races com-

memorating the Cursed Soldiers in over 300 cities in Poland and across the globe. In 2021, some 66 thousand people participated in the event.

- “Legislation College” of the Youth Initiatives Foundation – a project targeted at law students from all over Poland, of an educational nature, enabling 60 students selected in a competition procedure to participate in a series of lectures on legal and social issues. The lectures were delivered by lawyers, politicians and public servants.

2.3. Projects related to combating the COVID-19 pandemic

In 2021, the PFR Foundation once again supported hospitals and other institutions involved in fighting the consequences of the COVID-19 pandemic.

The Foundation donated funds to the Voivodship Teaching and Research Hospital in Lublin for the purchase of an ambulance for the transport, basic treatment and monitoring of patients. A facility in Wejherowo and the Polish Red Cross branch in Gdynia received defibrillators with a capnography function. The Foundation also made a donation to the SOS to the Protection of Unborn Life Foundation to fit out six bathrooms for single mothers. Financial support was also provided by the PFR Foundation to the Archangel Michael Social Welfare Home in Szyldak to fit out a psychologist’s office and purchase protection gear and materials against COVID-19.

The PFR Foundation also provided aid to a project executed by the national information and education campaign “Put an End to Barriers”. The third edition of the project, executed under the slogan “STOP COVID”, was carried out by the Neuron+ Foundation for the Consolidation of Family and Social Bonds. The main purpose of the campaign was to educate people who are the greatest risk of being infected with COVID-19, those who are at the risk of social exclusion in terms of the availability of medical services (vaccinations), and



PFR Volunteerism 2021



40

volunteers involved



8

volunteerism campaigns



5

organizations supported



127

active volunteers



PLN 50K

collected for charitable purposes

to build social assistance tools to improve the quality and comfort of life for people at risk of exclusion due to the pandemic.

In 2021, the PFR Foundation supported the activities of a total of over one hundred organizations.

2.4. Support for culture and arts, other charitable activities

In 2021, the PFR Foundation provided financial aid for the initiative to bringing the armor of the king Sigismund II Augustus to Poland. Previously, it was exhibited at the National Museum in Budapest, because it was incorrectly believed that it had belonged to the king of Hungary Ludwig II Jagiellonian. Owing to the PFR Foundation's efforts, this significant testimony to the golden age in the history of Poland is already in the collection of treasures of the Wawel Royal Castle in Kraków.

At the beginning of 2021, the PFR Foundation and the PKO Bank Polski Foundation funded the purchase of a vehicle for the parents of newborn quintuplets.

3. EMPLOYEE VOLUNTEERISM

In 2021, the PFR Foundation organized an employee volunteerism program for the PFR Corporate Group.

Within its framework, the "Get Ready, Volunteers" grant program was established, enabling employees to submit proposals for their own projects for the execution of which they may receive a grant of up to PLN 4,000. Among the supported volunteerism projects was the planting of trees near the primary school in Wyczółki and the organization of classes in schools entitled "Internet safety from an early age". The volunteerism project also enabled the pursuit of various socially beneficial initiatives, such as: educational and recreational workshops in a children's home in Gdańsk, arrangement of a green corner in a Praga community day-care center, and mentoring and workshops for children taken care of by the "BRAVE and Independent" project.

Already for the third time, the PFR Foundation carried out the "Active Volunteerism" campaign. It covered nearly 130 volunteers from all companies of the PFR Corporate Group, who spent 5 months running and cycling to collect money for hospice centers in Chełm and Kępie Zaleszański.

In the "Active Volunteerism" campaign, the Activa mobile app was used as a tool to record employees' sports activities. Throughout the campaign, the volunteers cycled and ran a total of 56 thousand kilometers, collected nearly PLN 50 thousand (each kilometer was

converted into PLN 1) and burned 3.5 million calories, at the same time having saved 14.2 tons of CO₂.

In 2021, a total of 170 employees were involved in eight employee volunteerism campaigns in the PFR Corporate Group. Through them, the PFR Foundation supported 5 social organizations.

Moreover, in 2021, 287 employees of the Corporate Group became involved in the national "Noble Gift" campaign under which six families received financial aid. The value of 70 boxes of aid was estimated at PLN 30,000.

The Foundation also organized a collection of soft toys for young patients of the Children's Memorial Health Institute in Warsaw. Under this initiative, 70 toys were collected with a view to supporting the recovery of the youngest patients, helping them cope with spending time in a hospital and supporting them mentally. The soft toys were donated to the post-surgery waking-up room.

Employee volunteerism has become one of the pillars of the PFR's organizational culture. It increased the degree of employee integration and enabled them to acquire new skills to engage in socially significant projects.

4. CENTRAL HOUSE OF TECHNOLOGY

Since 2019, the Foundation's largest project has been the Central House of Technology ("CDT"), through which PFR has conducted interdisciplinary, multi-generational education activity and has been building a community of innovative educators. In 2021, the activities of the Central House of Technology were sponsored by: the National



Car for quintuplets



Classes of the “Digital Rookies” project

Cloud Operator, Żabka Polska (partner of the “Ecology” educational path) and Allegro.pl (partner of the “Entrepreneurship” educational path). The Polish Press Agency PAP provided the media patronage to the Central House of Technology.

Educational activity

The Central House of Technology team develops and shares educational activities using the STEAM educational approach (Science, Technology, Engineering, Arts, Mathematics) and popularizes new technologies. Throughout 2021, the activities prepared by the CDT team were attended by more than 14 thousand people – children, youth, teachers and seniors.

The transition from on-site activity to remote education forced by the pandemic made it easier for the CDT educational offering to reach the broad public across Poland. All courses and workshops were free of charge and recordings of the classes made up a huge database of teaching materials that are published on CDT’s YouTube channel and the CDT website. The knowledge database was launched in 2021 and now contains nearly 240 items.

Children and adolescents

In 2021, educational activities included workshops for classes and groups in: programming, 3D design, robotics, digital entrepreneurship (in partnership with Allegro) and environmental protection (in partnership with Żabka). Workshops are held in the stationary, hybrid or online form.

Moreover, CDT organized a series of webinars for children and adolescents called “Lessons with CDT”, and for people of all ages interested in technology, entitled “Daily Dose of Technology”.

In 2021, family workshops were also held for caregivers and children to teach them various aspects of technology and design work.

The total number of students trained in 2021 was 9,740.

Seniors

- “Digital Rookies” – a project aimed at seniors, consisting of online and stationary classes and additional activities aimed at supporting the inclusion of mature individuals into the digital world.
- “Technological Consultations for Digital Rookies” – a project of one-on-one consultations open predominantly to seniors seeking support in solving specific issues associated with the use of a computer, tablet or a phone.

Activities targeted at teachers, educators and individuals dealing professionally with education

“Fridays for Teachers at CDT” – live workshops delivered by respected experts and award-winning teachers aimed at providing practical guidance on the tools needed for remote work, cooperation with students, creation of teams, effective motivation and evaluation of the work of students. The project was attended by over 3,000 teachers from all over Poland.

The educational and conference center at CDT is a place of growth for the community of innovative educators. They include: teachers, education buffs, businessmen, start-up creators, scientists, mentors, leaders and visionaries. The community exchanges knowledge and experience and is devoted to science, networking and activities of the PFR Foundation. In 2021, 50 live and on-line discussions were held in this group, which triggered the development of new educational initiatives.



Karolina Cicha's concert

Projects funded with grants

In 2021, the Foundation also obtained public funds for the execution of projects, making it possible to offer the workshops and classes free of charge to a broader range of recipients.

“Digital Rookies – We Tame Technology”

The project was launched to enable people over 60 to gain skills in using new technologies in everyday life. The participants acquired completely new skills and improved their familiarity with computer, smartphone and internet communication applications. Also, participation in the project enabled each participant to learn and understand the basics of safe internet use. The project was funded by the Active+ program of the Ministry of Family and Social Policy.

“Technological Summer Vacation at CDT”

The project was co-funded by the “Summer in the City” program sponsored by the Warsaw City Hall. Under it, the Foundation organized nearly 70 workshops for over 900 participants at CDT. During the workshops, children were taught to program robots, create computer games and chatbots, and make 3D designs.

“Digital Turn Signal”

These were gratuitous courses in programming, robotics and 3D modeling for students of Warsaw’s primary and secondary schools. The project was co-funded by the Warsaw City Hall. Moreover, the course helped shape skills such as: cooperation with others, emotional intelligence, creativity, complex problem solving, digital competences and critical thinking. The execution of the project began in 2021 and will be continued in 2022.

“STEAM Education in Schools”

This project, designed for teachers and educators, focuses on the active use of the STEAM method, independent creation and design of classes, and building cooperation between teachers and students. During its three-day workshops conducted by trainers from Poland and Norway, the participants learned various tools and created

an innovative lesson plan or educational project, which was then carried out in their school with the substantive and organizational support of CDT. The project was financed by the Norwegian EEA Fund.

Occasional social events

Urban Innovations at CDT was an initiative pursued in cooperation with Polish businesses operating in the smart city area, the purposes of which was to present selected smart city solutions in the CDT space.

In the CDT’s exhibition area, various solutions were put on display, including: solar benches, smart waste baskets, a battery charging cabinet, a portable photovoltaic panel and examples of modular construction (a prefabricated wall).

Business and conference activities

The Central House of Technology is also a modern event space fitted with advanced multimedia systems and featuring an elegant design combined with greenery. The Center is also the foundation for developing the ecosystem of innovation and Polish start-ups.

In 2021, some 150 commercial and social events were held at CDT. Throughout the year, the CDT hosted conferences, some with simultaneous interpretation, press conferences and debates with representatives of the government, local governments and non-governmental organizations, and workshops and training classes for businesses and social organizations.

CDT was also a partner of the “Immersion Festival”, during which its space turned into a VR cinema. In addition, CDT’s proposal includes a streaming service and comprehensive organization of multimedia hybrid events. Various concerts were also held, including by Karolina Cicha during the Irena Sendlerowa award ceremony, and multimedia performances, including “As long as I can walk...” – an adaptation of poems by C.K. Norwid recited by actor Jerzy Zelnik.



Most important events in subsidiaries and other subordinated entities

1. PFR TFI

Employee Capital Plans

In the Employee Capital Plan system, PFR TFI serves as a designated financial institution. In accordance with the Act of 4 October 2018 on Employee Capital Plans, a defined date fund managed by a designated financial institution has no right to refuse to enter into an ECP management agreement, which ensures the availability of ECPs to all employers. The management company established the PFR ECP Specialist Open-End Investment Fund with nine separated sub-funds, one for each age group of the participants. The sub-fund with a defined date of 2065 for the youngest ECP participants was established at the beginning of 2021. Each time a sub-fund is established, it is required to fulfill the detailed requirements specified in the Act on Employee Capital Plans. This complex process, covering, without limitation, the adoption of articles of association, the signing an agreement with a depository and the entry of the fund in the register of investment funds, will be a recurring process repeated regularly each year as new people enter the labor market and are entitled to sign ECP agreements.

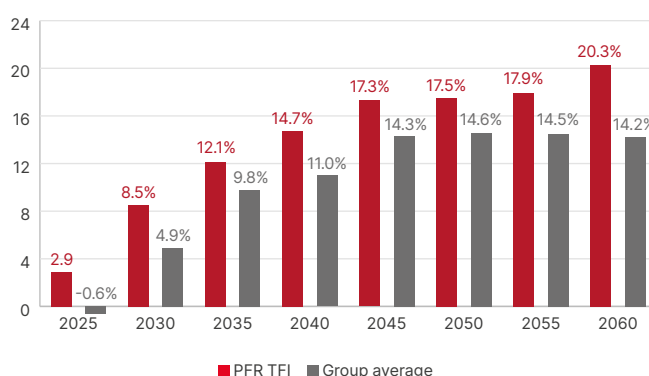
PFR TFI is aware of the responsibility it bears stemming from its role as a designated institution. Accordingly, ECPs are considered a priority area of activity. The management company focuses on ensuring the highest possible quality of service and efficient management of the entrusted funds. It provides employers with a set of complete solutions enabling the fully remote deployment and administration of ECPs, including a system for executing online agreements and a system that enables an efficient administration of the program, the fulfillment of obligations towards employees and the automation of processes. It provides program participants with a website offering access to the ECP account and the function of submitting instructions for participation in the ECP. Its modern tools and focus on customers' needs and high service quality enabled PFR TFI to establish cooperation with many employers who found its offer attractive and meeting the expectations of their employees.

A significant endeavor in the area of ECP management in 2021 was the preparation to process a large number of applications for the execution of management contracts in connection with the mailing process of reminders sent by PFR to employers who failed to establish the program within the time limit specified in the Act. The handling of communication with some 3800 employers over a short period required the full mobilization of the team. Also, technical preparation was necessary: PFR TFI conducted performance tests of the platform for executing online agreements and the process of wholesale acceptance of applications for the execution of agreements.

The management performance achieved by PFR TFI exceeded the market average. Six out of eight sub-funds were ranked first among competitors in their respective groups – the 2065 target date sub-funds were not included in the list, since the ECP management

institutions created them at different points in time in 2021, which prevents their comparison over a full twelve-month period. The PFR PPK SFIO fund has been ranked high since the beginning of its activ-

Rates of return for ECP sub-funds in 2021



ity. The target for the following years is to show management performance above the market average.

Performance from 30 December 2020 to 30 December 2021

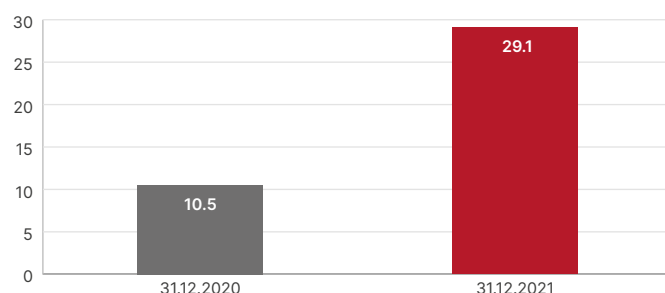
The net assets of PFR ECP SFIO as at 31 December 2021 totaled PLN 29.1 million. Net contributions from participants, that is purchases minus redemptions, stood at approximately PLN 16.6 million. Moreover, the value of assets was favorably affected by high positive rates of return on investment generated by 8 out of 9 sub-funds, despite a very difficult year on the treasury bond market.

As at the end of 2021, the Management Company cooperated with 5,100 employers and handled approx. 8,350 ECP accounts. The average participation rate among of PFR TFI customers was 37.2%, which was higher than the market average of 31.2%

Foreign Expansion Fund

The Fund invests together with Polish businesses in their foreign subsidiaries or provides debt financing on an arm's length basis, sharing project risk with them. The Fund always acts as a passive

Value of ECP assets managed by PFR TFI (PLN million)



minority investor and leaves operational management in the hands of the Polish partner.

In 2021, the Foreign Expansion Fund actively supported the foreign expansion of Polish enterprises. Despite the challenges related to the ongoing COVID-19 pandemic, the Fund conducted business negotiations and investment processes to launch new ventures. They resulted in the signing of two new investment agreements: with Victoria Dom Holding sp. z o.o. for debt financing of expansion in the multi-family housing sector in Germany (for a total amount of EUR 10 million) and with Laude Smart Intermodal S.A. for the development of intermodal transport business in Germany (for EUR 10 million). Moreover, the Fund cooperated with its existing partner Elemental Holding on the purchase of shares in two American companies: Maryland Core and Legend Smelting and Recycling. As a result of these transactions, the Elemental Group became one of the largest Polish investors in the United States.

As at yearend 2021, the Fund had 13 outstanding investments in its portfolio, while the value of the portfolio was in excess of EUR 75 million. In 2022, the Fund intends to sign 4 more investment agreements.

Operating activity

Operating activity is an important element of fund management. Many tasks are long-term processes that require compliance with stringent regulations and procedures. In 2021, PFR TFI executed a number of projects in this area.

One of the most demanding processes was the merger of Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN (acquiring fund) and PFR Inwestycje FIZ (acquired fund) and the commencement of work on the following merger (Fundusz Inwestycji Infrastrukt-

uralnych – Kapitałowy FIZAN and Fundusz Inwestycji Polskich Przedsiębiorstw FIZAN). The merger was primarily designed to increase the scale of operation of the resulting fund.

The merger of the closed-end investment funds was one of the first transactions of this kind in the Polish market. Given the complicated structures of the funds, the large number of portfolio investments and high expectations of the participants, the operation was a difficult venture, both in conceptual and operational terms. The success of this initiative was made possible owing to the involvement of PFR TFI's teams, investors, an auditor and other entities which provided substantive support for the conduct of the process.

The success of the first merger provided an incentive for embarking on the second stage, that is the merger of Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN with Fundusz Inwestycji Polskich Przedsiębiorstw FIZAN. The merger was effected on 14 April 2022. In the transaction, Fundusz Inwestycji Polskich Przedsiębiorstw FIZAN acted as the acquiring fund.

Another major development in 2021 was PFR's active participation in the change process of the ownership structure of three funds. As a result of the sale by Bank Gospodarstwa Krajowego of investment certificates issued by the Housing Sector Development Fund, the Rental Housing Fund and the Local Government Investment Fund, PFR became the only participant in these funds. The execution of these transactions was the outcome of several months of an implementation process, which had been conducted in cooperation between the parties, and of the Management Company's involvement in a long and demanding due diligence process.

Examples of investments by the Foreign Expansion Fund:



Acquisition of shares in Laude Assets

Country of investment: **Germany**
Fund's share: **EUR 10 million**
Sector: **logistics**
Date: **2021**



Debt financing for the development of foreign projects

Country of investment: **Germany**
Fund's share: **EUR 10 million**
Sector: **real estate development**
Date: **2021**



elemental

Acquisition of shares in Elemental USA

Country of investment: **USA**
Fund's share: **49%**
Sector: **recycling**
Date: **2019**



Acquisition of shares in FTO Fertigteilwerk Obermain

Country of investment: **Germany**
Fund's share: **EUR 2.94 million**
Sector: **construction**
Date: **2020**



Debt financing for the development of Samasz North America

Country of investment: **USA**
Fund's share: **USD 2 million**
Sector: **machine building**
Date: **2019**



Acquisition of shares in White Olive

Country of investment: **Greece**
Fund's share: **EUR 9 million**
Sector: **tourism**
Date: **2021**



Debt financing for the acquisition of Avalon

Country of investment: **Croatia**
Fund's share: **EUR 0.9 million**
Sector: **IT hosting**
Date: **2019**



Debt financing for the acquisition of three hosting companies

Country of investment: **Romania**
Fund's share: **EUR 2.1 million**
Sector: **IT hosting**
Date: **2018**

As part of its operational activities, PFR TFI effected 11 issues of investment certificates of its funds with a total value of approximately PLN 5.3 billion.

In 2021, PFR TFI completed the process of migration of the accounting records of five funds from an external company to PFR TFI – the purpose of this change was to improve the efficiency and speed of operation and to ensure a reliable reporting process to fund participants and the market. To this end, it was necessary to expand the record-keeping system and add new functionalities enabling, without limitation, valuations in various currencies. In order to streamline the cost verification processes, the Management Company introduced partial automation of the invoice records related to fund operations. PFR TFI implemented the principles of fund accounting in accordance with the amended Regulation of the Minister of Finance, Funds and Regional Policy on specific accounting principles for investment funds, including amendments to accounting policies for all managed funds.

Due to the fulfillment of the target planned for Fundusz Spółek ARP FIZAN, PFR TFI began preparations for the liquidation of this fund.

Organization of work

In 2021, significant changes occurred in the field of HR and payroll administration, which was transferred from an external entity to PFR – the process concerned chiefly data migration, transfer of personnel documentation and personal files and installation of an HR administration system, which enabled a partial digitalization of this area.

In 2021, in fulfillment of the recommendations contained in the Regulation of the Minister of Finance of 18 November 2020 on the manner, procedure and conditions for the conduct of business by investment fund companies, and in continuation of best practices in the development of competences and the expansion of knowledge in the management of financial institution, PFR TFI adopted the *Policy of maintaining and improving the knowledge and competences of members of the PFR TFI S.A.* Management Board and Supervisory Board and a training plan for members of the Management Board and Supervisory Board. Owing to the precise definition of requirements and targets, all members of the company's governing bodies have a level of knowledge and competences appropriate to the scope of their responsibilities.

Moreover, PFR TFI provides its staff with opportunities to develop their competences and tools to improve and modernize their work. In accordance with the Act on Investment Funds, in the context of maintaining and improving the knowledge and competences of fund managers, employees obtained new licenses and certificates from international institutions confirming their competence level.

As regards the counteracting of workplace harassment, PFR TFI adopted the *Anti-Mobbing and Anti-Discrimination Policy*. Moreover, all employees underwent training in this area.

The situation related to the coronavirus pandemic caused the need to apply the hybrid work model in the Management Company. The key task in this period was to ensure employee safety, information flow and maintenance of efficiency.

Team management during the long period of hybrid work required the adoption of a proper approach. For this reason, in 2021, an orga-

nizational culture focused on information safety, trust and knowledge sharing was developed, and processes were organized in a manner ensuring the efficiency of work in a dispersed team. The employees were provided with support in the form of online workshops focused on the development of soft skills, thereby assisting employees in their remote work, for instance in such fields as: building mental resilience, building and maintaining good relationships, maintaining motivation and efficiency, appreciation culture.

The Management Company adopted the *Regulations of the Company Social Benefits Fund* and introduced a cafeteria system of benefits for employees called MyBenefit. The system is a solution that provides employees with a greater degree of freedom in selecting their non-financial benefits.

In 2021, in order to ensure the efficiency and consistency of internal communication and a more effective use of tools enabling cooperation in the online environment, PFR TFI launched an intranet. This internal telecommunications network takes some load off employees' e-mail boxes, enables systematization of content and provides employees with constant access to necessary information.

Security and compliance

Since Q4 2021, IT and security services have been provided to PFR TFI by PFR Operacje, a member of the Corporate Group. Accordingly, on 1 September 2021, some employees of the IT Department were transferred to PFR Operacje, and then, on 1 October, the company began to provide full Service Desk support.

The issue of data security is of key significance for PFR TFI, especially in the period of intense remote and hybrid work. PFR TFI's representatives actively participate in the work of three committees established within the PFR Corporate Group: security, architecture and projects. As part of the joint efforts with PFR Operacje in 2021 and in accordance with the adopted recommendations of the PFR Corporate Group' Security Committee and IT Committee, PFR TFI launched the process of deployment of improved technologies that will perk up the security level of the Management Company's ICT and information protection infrastructure, e.g. in the area of public key infrastructure (PKI), a new e-mail protection system, a new information protection system (DLP) and centralization of access to the internet. In connection with entrusting PFR Operacje with the administration of IT and information security services, PFR TFI started work on redefining its IT strategy for 2022-2025.

Moreover, PFR TFI implemented solutions that improve the flow of documents and information in the Management Company, for instance by: creating new registers using Power Automate and Power Apps, rolling out a robot for the automation of the invoice handling process, launching an intranet based on the SharePoint Online service.

In the area of compliance, the Supervisory Department constantly analyzes legislative amendments at the national and European levels that may affect the Management Company's business and supervises the process of their implementation within the Management Company. In 2021, key areas of focus included new regulations on counteracting tax avoidance (GAAR clause), protecting whistleblowers and counteracting money laundering and terrorist financing. All documents and processes in the Management Company were adapted to the new requirements.



2. PFR VENTURES

2021

in the worlds of private equity
and venture capital

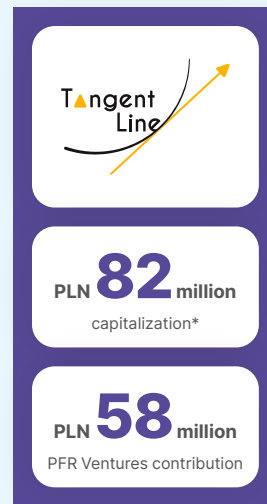


February

PFR Ventures invested PLN 340 million in four private equity funds

PFR Ventures invested in four more private equity funds: Apax Partners, H.I.G, PAI Partners and Avallon MBO. Recent investments in Apax Partners, H.I.G and PAI Partners provided exposure to managers that may be described as the best in their categories. Avallon MBO is a local Polish team specializing in management buyouts (MBOs), already launching its third fund. Its previous investments included: Velvet Care, GoodFood (leader in the rice bread market) and Organic Farma Zdrowia.

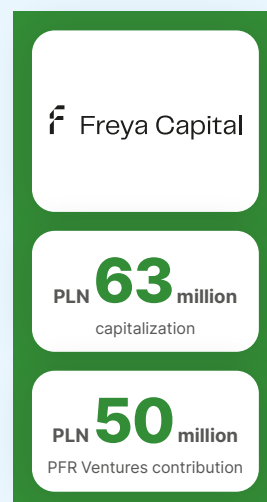
April



** including the contribution by co-investors under the deal-by-deal model*

PFR Ventures invests in two new venture capital funds

PFR Ventures signed contracts with two new teams: Freya Capital and Tangent Line. They obtained a total of PLN 110 million from a public investor. Their total capitalization is over PLN 145 million. Negotiations were conducted remotely due to restrictions and the sanitary regime. Despite the difficulties, the process lasted shorter than the average period from the submission of the proposal to the signing of documents.

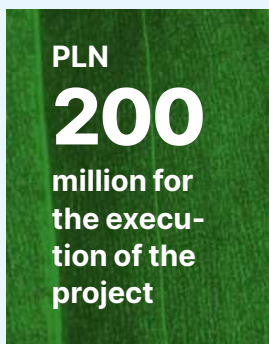




May

Launch of the PFR Green Hub FoF

The PFR Green Hub Fund of Funds is a new program managed by PFR Ventures. Its objective is to stimulate VC funds investment in the sector of green (pro-environmental) innovations. PLN 200 million will be earmarked for this initiative. The project is being executed under the broad PFR Green Hub strategy coordinated by the Polish Development Fund.



September

Three new international VC funds

PFR Ventures signed agreements with three international venture capital funds planning to invest in Polish innovative businesses: DN Capital, Finch Capital and White Star Capital. The public investor allocated a total of PLN 115 million to three teams. They will invest double that amount in Poland.

Increased budget of the PFR Private Equity program

PFR Ventures expands the PFR Private Equity program. The amount of already invested approximately PLN 600 million was augmented with another PLN 500 million. In total, PFR Ventures will allocate over PLN 1.1 billion to investments in local and international teams managing private equity funds. The first investment, in the Polish team Syntaxis, has already been made from the new pool of funds.

November

New tax relief – up to 50% deduction for investors in VC funds and business angels

Investors in venture capital funds and business angels will be able to deduct up to 50% of the investment amount from their tax base. The new tax relief for people supporting innovative Polish companies presented in the “Polish Deal” was prepared by the Ministry of Finance in cooperation with PFR Ventures.



NCBR, PFR and PFR Ventures letter of intent

The National Center for Research and Development, the Polish Development Fund and PFR Ventures sign an agreement in respect of cooperation in the area of pro-ecological and environmental technology development, in support of the Polish economy's transition towards climate neutrality. It is a major step towards building a platform for cooperation between institutions that offer knowledge and capital at various stages of the development of innovative projects.

3. PFR NIERUCHOMOŚCI

In 2021, PFR Nieruchomości started the application selection process for apartments in 10 facilities throughout Poland. The level of interest in the proposal was enormous: more than 12,000 people applied for 2,200 apartments. Record-breaking numbers of applications were received in medium-sized cities, where there are no entities offering housing under the institutional rental model.

In 2021, PFR Nieruchomości launched new construction projects for 1.4 thousand apartments. 221 apartments are being built at ul. Lubańska in Zgorzelec. The project is being executed in close cooperation with the local government, which has selected the construction site and will look for tenants. The construction of Nowa Kolejowa – the first housing estate in Wrocław being built under the arm's length part of the governmental residential housing program. On the plot, which used to be in possession of Poczta Polska, 8 buildings with 469 apartments are being constructed. The attractiveness of this construction project results not only from its modern architecture and excellent location (approx. 1.5 kilometers from Wrocław's Old Town), but also from its historical value. The construction site includes, among others, a historic hall and boiler room, which will be revitalized and adapted to provide various modern functions: services, catering and retail.

In 2021, another construction project was launched in Katowice. In the fall, the construction of 523 apartments at ul. Korczaka began. The design of the housing estate – consisting of low-rise, relatively small buildings entrenched in greenery – was selected in a contest for an exemplary multi-family house. These will be additional apartments to be offered by PFR Nieruchomości in the capital of the Upper Silesian region. The company's first residential estate to which tenants were able to move in was Nowy Nikiszowiec in August 2021. The project gained publicity not only owing to its scale, but also its architectural and urban-planning solutions. The best proof of recognition for this estate was its nomination for the prestigious Mies van der Rohe award, often referred to as the "architectural Oscars". Nowy Nikiszowiec also received an award from the Rzeczpospolita daily in the category "Vision changing the face of the city".

Nowy Nikiszowiec is the first construction project utilizing elements of art. In January 2021, an 11-meter-high relief was installed on the facade of one of the buildings surrounding the estate's central square. The relief consists of 33 one-by-one-meter plates and constitutes a form of geometric abstraction with motifs inspired by the history and tradition of the region. It also contains direct references to the mining industry, such as the mining emblem, coal, mine shafts, as well as associations with urban planning and city development.

In 2021, the proposal of the Rental Housing Fund was also expanded. Łódź was added to the list of cities where the Fund offers its apart-

ments – Warsaw, Kraków, Poznań, Katowice and the Tri-City – with a new construction project with 80 apartments. The new property is located at the intersection of Zgierska and Wspólna streets in Bałuty, one of Łódź's most popular districts.

Also last year, the first construction project was launched on a plot contributed by PKP S.A. In Wrocław at ul. Białowieska, on the bank of the Odra River, some 400 apartments for rent will be built 3.5 kilometers from the city center. In 2021, a procedure was launched to select an architectural studio to design the estate.

PFR Nieruchomości S.A. intends to expand its proposal of both Funds. In the case of the Housing Development Fund, already in the fall of 2022, another large project will be launched in Wrocław – its first stage will involve the construction of 414 apartments in Zakrzów. The first project will also be launched in Lublin for nearly 400 apartments. At the end of 2021, it obtained a construction permit.

The Housing Development Fund will also appear in new locations. It will be another project in Łódź – the company's second construction project in this city, but the first one of a higher fit-out standard. According to the assumptions, a boutique project will be built in the New Center of Łódź, in the vicinity of the revitalized Łódź Fabryczna railway station. The building will resemble a nineteenth-century tenement house that once stood on the same spot. Another project in the pipeline is the fourth property in Poznań – a city where the Fund's proposal is very popular. It will consist of over 300 apartments at ul. Śniadeckich in the very center of the city.

On 9 December 2021, the sale of investment certificates of both funds by the current participant of BGK S.A. to PFR was effected. As a result of the transaction, PFR became the only participant in the Rental Housing Fund and the Housing Development Fund.

4. PFR PORTAL PPK

In 2021, the company continued its activities launched in 2020 with a view to preventing the adverse consequences of the COVID-19 pandemic on the Polish economy. Within the framework of these activities, PFR Portal PPK conducted free on-line training courses on the governmental Anti-Crisis Shield and gratuitous training on the Financial Shield for SMEs, supporting businesses interested in obtaining aid during the lockdown of the economy. In 2021, over 60 thousand people from some 21 thousand businesses were trained by the company.

5. PFR OPERACJE

PFRO runs its business in accordance with the corporate governance model adopted by the PFR Corporate Group. It has been translated into the company's organizational structure and into the risk factor control mechanisms it has adopted.

The process is carried out in compliance with the guidelines provided by the PN-ISO/IEC 27005:2018 standard and by the Polish Financial Supervision Authority, and forms a component of the Information Security Management System (ISMS) in place at PFRO.

The company's risk management is carried out in accordance with the principles laid down in the "Cybersecurity Risk Management Policy" – a document that defines PFRO's approach to risk management in the area of its own cybersecurity, the cybersecurity of third parties and that of entities cooperating with PFRO.

In the first full year of its operation, PFR Operacje focused on:

- integration of IT and security teams acquired from other members of the PFR Corporate Group;

Breakdown of cities by the number of collected applications		Breakdown of cities by the number of persons interested per unit	
City	Number of applications	City	Number of persons interested
1. Kraków	2,576	1. Świdnik	9.5
2. Katowice	2,116	2. Radom	9.0
3. Toruń	2,046	3. Nowy Targ	7.5
4. Radom	1,139	4. Września	6.7
5. Świdnik	1,035	5. Toruń	6.4



- deployment of new operating models in the IT/Sec areas in accordance with the security and IT strategies adopted at the PFR Corporate Group level;
- support for business projects executed by PFR Corporate Group companies;
- expansion of the list of services provided to PFR Corporate Group companies.

As a result of these activities, the maturity of organization in these areas, as measured in accordance with the NCF methodology (National Institute of Standards and Technology Cybersecurity Framework), surpassed the average for European organizations in the public and financial sectors.

Calendar of key events:

1. Launch of the Security Operations Center (SOC) responsible for 24/7 monitoring of cybersecurity events and incidents in PFR Corporate Group's infrastructure. The SOC's responsibility is to ensure the security of the PFR Corporate Group through ongoing monitoring of systems and infrastructure in cooperation with governmental CSIRT units.
2. Transformation from the model of own infrastructure to the model based on hybrid cloud solutions.
3. Deployment of a uniform end-user help-desk model for all PFR Corporate Group companies. The deployed model improved the response time to user requests and significantly reduced the number of requests the handling of which required more time than resulting from the SLA.
4. Implementation of a uniform security model covering, without limitation:
 - end-device security methods;
 - new model of rights and access management;
 - MFA, VPN – always-on;
 - e-mail gateway & sandbox – e-mail protection;
 - aggregations, correlations and event analysis on a 24/7 basis;
 - response to incidents on a 24/7 basis;
 - raising awareness, training and exercises based on real (controlled) attack scenarios.
5. Implementation of the Risk Management Policy pertaining to cybersecurity and establishment of an Integrated Risk Management System based on the PN-ISO/IEC 27005:2018 standard and guidelines issued by the Polish Financial Supervision Authority for the organization of information technology and ICT environment security areas.

7. OPERATOR CHMURY KRAJOWEJ

JANUARY

e-Registration – the National Cloud put into use the e-Registration system, built from scratch for the e-Health Center; the system is used

for electronic handling of patients within the National Vaccination Program. The system is used by tens of thousands of employees in vaccination centers and hotline centers as well as millions of citizens entitled to vaccinations.

APRIL

Launch of the Google Cloud Warsaw region – on 14 April, the Google Cloud Warsaw region was opened. It is the first computing infrastructure deployed by a global public cloud provider in Central and Eastern Europe. It was rolled out as a consequence of the strategic partnership established between Google Cloud and the National Cloud.

Signing a letter of intent with PKP IC – the National Cloud signed a letter of intent with PKP Intercity. Its purpose is to develop and implement an IT tool in the public cloud to create technical schedules for handling the rolling stock and visualizing future availability of the rolling stock.

MAY

Signing of a letter of intent with the Social Insurance Institution – the National Cloud signed a letter of intent with the Social Insurance Institution regarding the transfer of knowledge on how to use the capabilities of a hybrid cloud and the structure, operation and development of IT systems based on cloud services.

JUNE

Signing of an agreement with PGNiG S.A. – the National Cloud signed an agreement with PGNiG S.A. in order to implement the “Smart Field” project. It assumes that cloud computing will be used along with technologies such as artificial intelligence and machine learning in order to model hydrocarbon deposits.

JULY

Cloud from A to Z. Industry 4.0 in Augmented Reality – a business meeting for customers from the manufacturing and industrial sectors, held jointly with Google Cloud, TKM Projekt and nsFlow. The purpose of the event was to introduce the subject matter of augmented reality and raise awareness of the broad range of applications this technology offers to manufacturers.

AUGUST

Cooperation with Bank Ochrony Środowiska – Bank Ochrony Środowiska developed, in cooperation with the National Cloud, a concept for transferring its IT solutions to the cloud model.

SEPTEMBER – DECEMBER

“Cloud from A to Z” roadshow – a series of meetings with current and potential business customers in large Polish cities (Katowice, Kraków, Poznań, Tri-City, Łódź, Wrocław) as a continuation of activities related to the opening of the Google Cloud Warsaw region.

OCTOBER

Google Cloud Customer Award – the National Cloud won the global Google Cloud Customer Award competition in the healthcare and life sciences category for the e-Registration system for COVID-19 vaccinations developed for the e-Health Center.

DECEMBER

MojePPK – the National Cloud designed (architecture, UX) and developed a web application running in the public cloud and enabling users enrolled in Employee Capital Plans to check the balance of their savings.

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2021

Chapter 4: Material Events Affecting PFR and the PFR Corporate Group in 2021 and after the Balance Sheet Date

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Material events in 2021

PFR performs a bond issue program of the total value up to PLN 100 billion in connection with having been entrusted by an agreement to perform the government programs: "The Polish Development Fund's financial shield for small and medium enterprises", adopted with Resolution No. 50/2020 by the Council of Ministers on 27 April 2020, "The Polish Development Fund's financial shield for large companies", adopted with Resolution no. 51/2020 by the Council of Ministers on 27 April 2020, "Support program for Polskie Linie Lotnicze LOT S.A.", adopted with Resolution no. 189/2020 by the Council of Ministers on 21 December 2020 as well as "The Polish Development Fund's financial shield 2.0 for micro-, small and medium-sized enterprises" pursuant to Resolution no. 2/2021 of 5 January 2021.

In order to finance the Programs, in 2020 PFR issued bonds for the total amount of PLN 65.4 billion. In addition, the Company had issued bonds for the total amount of PLN 8.5 billion in 2021. More details about the issued bond series are presented in Section "Financing of aid programs" of this report. Detailed terms and conditions of the individual issues are included in the letters of issue published by PFR and available on www.pfr.pl.

On 5 January 2021, the Council of Ministers adopted Resolution No. 2/2021 on the government program "The Polish Development Fund's financial shield 2.0 for micro, small and medium-sized enterprises". PFR was entrusted with the task of implementing the Program. The total amount of program financing under the Program could have reached PLN 13 billion, where PFR was permitted to obtain external financing in the above amount. The Program provides for two types of aid measures:

- Financial Shield for micro-companies 2.0, for the amount not exceeding, as at the Program's date, PLN 6.5 billion; and
- Financial Shield for SMEs 2.0, for the amount not exceeding, as at the Program's date, PLN 6.5 billion.

The Program is part of support for entrepreneurs under the PFR Financial Shield and under public aid notified to date up to the amount of PLN 100 billion.

PFR was informed about possible litigation to be initiated against it with regard to PFR's decisions to disburse loans and subsidies from the PFR Financial Shield government programs. In the event of unfavorable court decisions, such cases do not pose for PFR the risk of outflow of its own funds.

On 22 February 2021, the Ministry of Finance credited the fiduciary account of PFR with bonds marked as OF0423 (later assimilated with OK0423) with the nominal value of PLN 6.6 billion. PFR commissioned valuation of the received securities from an independent expert, Deloitte Advisory Sp. z o.o. sp. k., which valued the bonds as at 1 March 2021 to their market value, which was PLN 6.58 billion. The valuation was then verified by an independent statutory auditor appointed by the registry court. The statutory auditor issued an opinion confirming that the valuation was correct and the Management Board Report on the valuation was formally correct.

On 27 May 2021, the PFR Extraordinary Shareholder Meeting adopted Resolution in the matter of increasing it by issuing as a private subscription new ordinary registered shares (Series F), excluding entirely

the pre-emptive right of the PFR shareholders to date, and in the matter of amending the PFR Articles of Association in connection with increasing the share capital. On 27 September 2021, the PFR's share capital was increased from the amount of PLN 4,953,252,553 to the amount of PLN 11,475,907,779, i.e. by the amount of PLN 6,522,655,226, by the way of an issue of 6,522,655,226 new series F ordinary registered shares with a par value of PLN 1 each, and the issuance value of PLN 1.01. The offer to subscribe for the Series F Shares was directed solely to the State Treasury, represented by the Prime Minister. The difference between the nominal and the issue price, in the amount of PLN 65,226,552.26, was partly earmarked to cover the costs of the issue, in the form of the civil law transaction tax.

PFR exercised the right provided for in the loan agreement of 30 May 2017 entered into with PKO Bank Polski S.A. to extend the term of the agreement for another year. On 10 March 2021, PFR received information from PKO Bank Polski S.A. that the Bank gave consent to extension of the loan term. A relevant annex with PKO Bank Polski S.A. was signed by the PFR Management Board on 11 May 2021.

On 30 March 2021, the PFR Management Board adopted Resolution No. 260/2021 in the following matters: (i) to make an investment decision to purchase shares in the share capital of Międzynarodowe Targi Gdańskie S.A., with its registered office in Gdańsk ("MTG") from FIS, represented by PFR TFI S.A. (ii) to approve the signing of transaction documents by PFR including in particular: the purchase agreement and the agreement on joining the investment agreement of 8 December 2015 (iii) to give consent to taking any other actual or legal actions necessary or required to purchase shares of MTG.

On 30 October 2020, a company with the business name PFR Operacje was registered in the National Court Register, with PFR being the company's sole partner. PFR subscribed for 100% shares in the share capital of PFR Operacje, i.e. 2,500 shares with the total value of PLN 2,500,000.00. The establishment of PFR Operacje is an element of the performance of the PFR Corporate Group's Strategy and implementation of the Security Strategy and IT Strategy documents adopted by the PFR Management Board. At present, PFR Operacje provides security and IT services for the PFR Corporate Group companies. On 26 February 2021, the Company's Extraordinary Shareholder Meeting increased the share capital by PLN 14,500,000.00, i.e. up to the amount of PLN 17 million. The capital was paid up in full. On 30 March 2021, an agreement on the sale of asset was signed between the PFR Corporate Group companies and PFR Operacje, which transferred necessary licenses and other assets to PFR Operacje for the company to conduct operating activity.

On 9 March 2021, PFR S.A. subscribed for 181,818 Mabion S.A. shares at PLN 55 per share. The total investment amount was PLN 9,999,990. As at 31 December 2021, the Company held 90,909 shares.

In April 2021, PFR subscribed for 21,401 investment certificates of PFR Koffi FIZ for PLN 22,000 thousand, becoming one of the fund's investors. In October, PFR subscribed for the issue of further 56,815 investment certificates of the fund for PLN 53,599 thousand.

On 5 May 2021, PFR was entered by BM PKO BP to the register of shareholders instead of FIS. On the same date, PFR paid the pur-



chase price of PLN 56,238,954.29, i.e. PLN 281.194771 per share, based on the value resulting from the measurement of the shares as at 15 March 2021.

PFR extended a surety for good performance bonds and guarantees of advance payment refund issued at the request of a portfolio company of a fund managed by PFR in connection with contracts performed by that entity. The surety amount does not exceed PLN 200 million. The surety was extended partially on 23 April and partially on 10 May 2021.

On 11 June 2021, PFR made a capital injection to Operator Chmury Krajowej for the amount of PLN 17.5 million. The capital was paid up in full.

On 23 June 2021, S&P Global Ratings rated Polski Fundusz Rozwoju S.A. at A in local currency and A- in foreign currency, with a stable outlook. It is the highest possible rating, equal to the sovereign rating of Poland. In its rating, the S&P agency draws attention to PFR as a key institution in the implementation of strategic economic projects of the Polish government, such as the implementation of a private pension pillar in the form of Employee Capital Plans or the implementation of the PFR Financial Shield aid program for Polish enterprises affected by the COVID-19 pandemic.

On 26 July 2021, the Company's Extraordinary Shareholder Meeting of Portal PPK increased the share capital by PLN 7,000,000.00,

i.e. up to the amount of PLN 27 million by creating 7,000 shares with a par value of PLN 1 thousand. The capital was paid up in full.

In July 2021, PFR subscribed for new issues of investment certificates of PFR Fundusz Funduszy FIZ (37,978 certificates altogether), for the amount of PLN 39,999 thousand.

In October 2021, the PFR Inwestycje FIZ fund was taken over by FIJK FIZAN fund. The proportion of share was determined based on a valuation of 15 September 2021. After the merger, PFR holds 69.09% certificates of the FIJK FIZAN fund.

In November, PFR paid tranche 1 of the loan based on the agreement with MDR Inwestycje 5 Sp. z o.o. for the amount of PLN 30 million.

In December 2021, PFR purchased from BGK all the investment certificates of the FSMdR FIZAN and FSMnW FIZAN funds owned by BGK for the total amount of PLN 2,195,870 thousand. In December, PFR subscribed for another issue of the FSMdR FIZAN fund for PLN 175,000 thousand. As at 31 December 2021, PFR remains the sole investor of these funds.

In December 2021, 197,500 investment certificates of the FIS FIZAN fund were acquired from BGK for PLN 196,582 thousand. The remaining BGK certificates in the number of 112,500 pieces were redeemed. As at 31 December 2021, PFR remains the sole investor of the fund.



Material events after the balance sheet date

In February 2022, Russia started military invasion of Ukraine, which has had a major impact on the global prices of financial assets and raw materials, as well as increased the overall uncertainty in the world's economy. The PFR Management Board monitors on the on-going basis the consequences of the political and economic situation in Ukraine on the Company's operations in 2022. As regards the potential risks, the Management Board has identified adverse impact of the changes in financial markets on the value of the Company's portfolio of financial instruments, and in particular on: shares of companies listed in the Warsaw Stock Exchange, treasury bonds, and investment certificates.

As at the approval date of these financial statements, it is impossible to predict how the situation in Ukraine will develop, and it is still not possible to reliably assess its impact on the Company's future financial statements.

It is the opinion of the Company's Management Board, as at the date of signing these financial statements, that the aforementioned situation does not influence the quantitative data presented in the PFR financial statements for the year ended 31 December 2021.

On 10 January 2022, MDR Inwestycje 5 Sp. z o.o. repaid the loan granted in the amount of PLN 30,000,000.00 million, including the accrued interests.

On 4 February 2022, PFR Nieruchomości S.A. made an early repayment of bonds, of the nominal value of PLN 10,000,000.00 million.

On 10 February 2022, PFR extended a surety in the form of a guarantee of financing for a portfolio company of the FIPP FIZAN fund, i.e. Pojazdy Szynowe PESA Bydgoszcz S.A., in connection with performance of contracts (including, among others, guarantees of advance payment refund and guarantees for good performance bond), for the amount of PLN 65,914,754.40.

On 14 April 2022, the FIKK FIZAN fund was taken over by FIPP FIZAN fund. The proportions of share was determined based on a valuation of 15 March 2022. After the merger, PFR holds about 61.69% certificates of the FIPP FIZAN fund. In May 22, the fund was renamed to PFR Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

On 25 April 2022, PFR made a capital injection to PFR Operacje for the amount of PLN 4 million. The capital was paid up in full.

On 29 April 2022, PFR subscribed and paid for a new issue of investment certificates of FSMdR FIZAN (541,785 certificates), for the amount of PLN 119,999,959.65.

On 29 April 2022, PFR subscribed and paid for a new issue of investment certificates of PFR Fundusz Funduszy FIZ (53,169 certificates), for the amount of PLN 54,999,076.98.

On 17 May 2022, PFR extended a surety in the form of a guarantee of financing for a portfolio company of the PFR Fundusz Inwestycyjny FIZAN fund, i.e. Pojazdy Szynowe PESA Bydgoszcz S.A., in connection with performance of contracts (including, among others, guarantees of advance payment refund and guarantees for good performance bond), for the amount of PLN 67,013,333.64.

The loan granted to by PKO Bank Polski for the purchase of the shares of Bank Pekao is planned to be extended. The current maturity date of the loan is 30 May 2022. The loan will be extended by 2 years, with the new maturity date set for 30 May 2024. At present, the work on the Annex to the loan agreement is being finalized.

In June 2022, the Group plans to sell the shares of PPP Venture Sp. z o.o and shareholder loans attributable to PFR S.A., provided that corporate consents are obtained.

Pursuant to the Act of 28 April 2022 on the principles of the performance of tasks financed from EU funds in the 2021-2027 financial perspective, PFR has been designated to perform pay-outs under the development plan referred to in Article 5 par. 7aa of the Act of 6 December 2006 on the principles of development policy, including by providing development plan financing as regards non-reimbursable payments. To this end, PFR may receive payments from EU budget funds and may obtain and use funds in compliance with the principles stipulated in Article 16a of the Act of 4 July 2019 on the System of Development Institutions, up to the amount specified in the financial plan of the National Reconstruction Plan.

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2021

Chapter 5: Anticipated Development Directions for PFR and the PFR Corporate Group

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Strategic directions of the PFR Group's activity





1. STATUS OF THE EXECUTION OF THE PFR GROUP'S STRATEGY FOR 2020-2025

In 2019, PFR performs its activity by being the foundation of the Polish Development Fund Group (**PFR Group**). The legal grounds for the joint activity of the PFR Group were created by the Act on the System of Development Institutions adopted in July 2019. According to it, the PFR Group is made up of:

- Polski Fundusz Rozwoju S.A.,
- Agencja Rozwoju Przemysłu S.A. (Industrial Development Agency),
- Bank Gospodarstwa Krajowego,
- Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (Export Credits Insurance Corporation),
- Polska Agencja Inwestycji i Handlu (Polish Investment and Trade Agency),
- Polska Agencja Rozwoju Przedsiębiorczości (Polish Agency for Enterprise Development),

and their subsidiaries. The President of PFR is the Chairman of the PFR Group Board, which is composed of the presidents of all the above companies.

Development institutions in Poland perform a joint strategy adopted by the PFR Group Board in May 2020. The PFR Group's Strategy for 2020-2025 (**PFR Group Strategy**) identifies ten fundamental strategic directions of the activity and one special direction, which is a response to the economic crisis caused by the COVID-19 pandemic. Within each direction, the document identifies strategic initiatives performed jointly or individually by specific development institutions.

Mission and vision of the PFR Corporate Group



Mission





PFR Corporate Group. Investments for Poland. Together, we develop practical solutions for joint successes and a safe future.



Vision

The PFR Group is a system of development institutions providing financial and consulting support for businesses, local governments and individual clients making investments for Poland's sustainable economic development.

Composition of the PFR Group

	INVESTMENTS	BANKING	INDUSTRIAL DEVELOPMENT
Development Institution	 Polski Fundusz Rozwoju	 BANK GOSPODARSTWA KRAJOWEGO	 ARPA
Areas of operation	<ul style="list-style-type: none"> ▪ Non-public assets ▪ Public assets ▪ Funds' Fund Formula ▪ Residential investments 	<ul style="list-style-type: none"> ▪ Financing development of companies and local government units ▪ Guarantees and sureties ▪ Public finance / Flows of European funds ▪ Financing transport infrastructure 	<ul style="list-style-type: none"> ▪ Special Economic Zones Polish Investment Zone ▪ Debt and equity financing ▪ Development restructuring and corporate governance ▪ Innovations
	EXPORT INSURANCE	EXPORTS, INVESTMENTS, PROMOTION	ENTREPRENEURIAL DEVELOPMENT
Development Institution	 Grupa PFR	 Grupa PFR	 Grupa PFR
Areas of operation	<ul style="list-style-type: none"> ▪ Insurance of receivables ▪ Investment insurance ▪ Contractual guarantees ▪ Bank loan security 	<ul style="list-style-type: none"> ▪ Export ▪ Investments ▪ Promotion ▪ Partnership ▪ Polish Investment Zone 	<ul style="list-style-type: none"> ▪ Innovations ▪ Startups ▪ Internationalization ▪ Competence development ▪ Infrastructure

2. STRATEGY OF THE PFR CORPORATE GROUP

In 2021, the performance of the present Strategy of the PFR Corporate Group for 2019-2021 was completed (**Strategy of the PFR Corporate Group 2019**). The mission of the PFR Corporate Group as an institution supporting sustainable social and economic development of Poland has acquired special significance since 2020. The PFR Corporate Group effectively fills a market gap, taking non-cyclic activities activating sectors affected by stagnation. In the period of the pandemic, the Polish Development Fund supported the economy and Polish businesses by implementing the PFR Financial Shield. These measures supplemented the activity of the PFR Corporate Group within strategic competence centers such as: investment activity, pro-development activity and corporate social responsibility.

The directions of activity defined in the present strategy will be continued and strengthened in the Strategy of the PFR Corporate Group for 2022-2025 (**Strategy of the PFR Corporate Group 2022**). Work on the document was done in the second half of 2021. It was preceded by, among others, a social and economic diagnosis of selected economic areas and analysis of activities of development institutions in the world. The Strategy of the PFR Corporate Group 2022 emphasizes the significance of sustainable development and cutting-edge technologies as well as energy transition and competitive economy. The Strategy of the PFR Corporate Group 2022 was adopted by the Supervisory Board on 22 December 2021.

2.1. Summary of performance of the previous strategy

For last two years, the objectives defined in the Strategy of the PFR Corporate Group 2019 was under a strong pressure of the pandemic and changes in the economic and regulatory environment as well as new duties undertaken by the Company.

Committees operating in the PFR Corporate Group

Within the performance of initiatives included in the Strategy of the PFR Corporate Group, the PFR Management Board set up the following Committees in 2021: Security, IT Architecture and Project Committees. The Committees are teams of experts where each of the PFR Corporate Group companies is represented by its representative with equal rights.

On 2 September 2021, the PFR Management Board adopted a resolution to set up PFR Corporate Group's Security Committee. The aim of its activity is to ensure, at the Corporate Group level, coordination and integration of strategies, initiatives, projects and actions in the area of information security and business continuity, initiated and performed by particular companies, and also to ensure standardization, synergy and optimization of security solutions in terms of functionality and cost-effectiveness. The Committee conducts its activity in accordance with the principles defined in the "Rules and Regulations of the Security Committee of the PFR Corporate Group". Meetings of the Committee are held once a month.

On 26 October 2021, the PFR Management Board adopted a resolution to set up IT Architecture Committee of the PFR Corporate Group. The aim of its activity is to work out unified standards and define priorities and directions of IT development in the PFR Corporate Group and to issue recommendations for implementing these standards in the PFR Corporate Group companies. The Committee conducts its activity in accordance with the principles defined in the "Rules and Regulations of the IT Architecture Committee of the PFR Corporate Group".

On 4 November 2021, the PFR Management Board adopted a resolution to set up Project Committee of the PFR Corporate Group. Its aim is to create a platform for mutual discussion among the PFR Corpo-

Investment activity



PLN 28 billion

the value of more than 30 investment projects executed with the participation of PFR in the areas of infrastructure, power industry, local governments and Polish businesses



400+

companies that received financing from the funds of PFR Ventures



6.7 thousand

apartments in or after the process of designing



19

investments exceeding EUR 90 million within the Foreign Expansion Fund

Pro-development activity



500 thousand

innovators on the startup.pfr.pl platform



15 thousand

participants of digitalization training courses



50+

urban innovations in the PFR database for Cities and Towns



2.5 million

active participants of Employee Capital Plans



250 thousand +

participants of training on Employee Capital Plans

Corporate social responsibility



90+

projects implemented by the PFR Foundation



165 thousand

participants of educational activities offered by the Central House of Technology



213 thousand

views of educational materials on the Central House of Technology YT channel



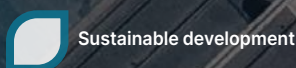
Involvement of the PFR Group in strategic initiatives indicated in the PFR Corporate Group Strategy

The PFR Corporate Group is involved in the implementation of 26 out of 53 strategic initiatives.

 <p>Digitalization of the Polish economy</p> <p>Operator Chmury Krajowej Polish 5G Smart City Hub Financial instruments to develop digitalization</p>	 <p>Dynamic development of innovativeness</p> <p>“Start in Poland” Financing innovations Sector of video games Transfer of technologies</p>	 <p>Modern infrastructure</p> <p>Transport infrastructure Energy infrastructure Housing Business centers</p>		
 <p>Foreign expansion of Polish companies</p> <p>Support in foreign markets International Desk Product of Poland Financing foreign expansion Polish Small and Medium-sized Enterprises in foreign markets</p>	 <p>Investments and the industry</p> <p>Polish Investment Zone Strategic industrial parks Acquiring high quality investments Promotion of the Polish economy</p>	 <p>Self-learning labor market</p> <p>Central House of Technology Young leaders HR for the industry Ecosystem of lifelong learning Loans for students and supporting education</p>		
 <p>Healthy and active society</p> <p>Financing health care in Poland Pension security of Poles</p>	 <p>Sustainable economy</p> <p>PFR Green Hub Circular economy</p>	 <p>Modern local governments and PPP</p> <p>Development of the PPP formula Programs for local government units Education for local governments</p>		
 <p>Competitive SMEs</p> <p>SME Development Center Innovative SMEs SME Financing: De minimis Guarantees SME Financing: European Programs SME Development</p>	 <p>Response to the global pandemic</p> <table border="0"> <tr> <td data-bbox="611 1615 1019 1899"> <p>PFR Financial Shield for SMEs PFR Financial Shield for large companies Insurance coverage Extension of trade turnover insurance Financing leasing of transport companies Overdraft facility Loan for salary payment Extended system of guarantees for SMEs</p> </td> <td data-bbox="1042 1615 1474 1899"> <p>Liquidity Guarantee Fund Financial EU for SMEs Fund for combating COVID-19 System of contributions to loan interest Subsidies for working capital Business support in the period of pandemic Information and educational campaign for entrepreneurs</p> </td> </tr> </table>		<p>PFR Financial Shield for SMEs PFR Financial Shield for large companies Insurance coverage Extension of trade turnover insurance Financing leasing of transport companies Overdraft facility Loan for salary payment Extended system of guarantees for SMEs</p>	<p>Liquidity Guarantee Fund Financial EU for SMEs Fund for combating COVID-19 System of contributions to loan interest Subsidies for working capital Business support in the period of pandemic Information and educational campaign for entrepreneurs</p>
<p>PFR Financial Shield for SMEs PFR Financial Shield for large companies Insurance coverage Extension of trade turnover insurance Financing leasing of transport companies Overdraft facility Loan for salary payment Extended system of guarantees for SMEs</p>	<p>Liquidity Guarantee Fund Financial EU for SMEs Fund for combating COVID-19 System of contributions to loan interest Subsidies for working capital Business support in the period of pandemic Information and educational campaign for entrepreneurs</p>			



Digital transformation and cutting technologies



Sustainable development



Energy transition and competitiveness



Polski Fundusz Rozwoju

PFR. Investments for Poland

PFR. Investments for... sustainable development

To ensure necessary security level for the performance of basic services and to increase productivity of the economy

PFR. Investments for... digital transformation and cutting-edge technologies

To develop potential for creating and absorbing innovations and increase research potential

PFR. Investments for... energy transition and competitiveness

Capital, consulting and organizational support to build a modern, competitive and climate-neutral economy

PFR. Investments for... profitable growth

To maintain a high credit rating and to use capital effectively



Investment activity



Pro-development activity



Corporate social responsibility

Corporate activity

Human resources

IT

Risk

Security

Communication

Customer support

Finance and controlling

Law

Compliance

Audit

Support of the Management Board

Administration

Strategy and knowledge management

Accounting

Supporting the performance of sustainable development objectives and pro-development policies of the state



rate Group companies on performed projects, to communicate best practices for performing projects, to share project deliverables and identify potential interdisciplinary projects within the PFR Corporate Group. The Committee conducts its activity in accordance with the principles defined in the “Rules and Regulations of the Project Committee of the PFR Corporate Group”.

2.2. Development directions and business priorities

The Company’s activity is invariably based on the functioning of the System of Development Institutions established in 2019, in which the PFR Corporate Group is responsible for the area of investments. The PFR Corporate Group and the PFR Group have mutually consistent missions, visions, operating rules and values.

The strategy indicates areas of organizational activity which are strictly connected with strategic directions for the entire PFR Group referred to in the previous sub-section.

Strategic activities defined in the document will meet objectives in the following areas: sustainable development, digital transformation and cutting-edge technologies as well as energy transition and competitiveness, namely:

- to ensure necessary security level for the performance of basic services and to increase productivity of the economy;
- to develop potential for creating and absorbing innovations and increase research potential;

- capital, consulting and organizational support to build a modern, competitive and climate-neutral economy.

The competence centers developed while performing the previous strategy did not change. These are: investment activity, pro-development activity, corporate social responsibility and corporate activity. The strategy also meets objectives for sustainable development both in the environmental and social dimensions, and for corporate governance.

An important element of the Strategy is also an internal development of the organization. The document provides for a gradual growth of competences of PFR Operacje, which will have a positive influence on the corporate activity of the whole Corporate Group. In 2022-2025, it is actually possible that additional competences will be transferred to the center of common services, depending on the needs and capabilities of the Corporate Group. The objective in the area of internal growth is to maintain a high credit rating and to use capital effectively.

The overriding principle followed by PFR is the slogan “Compliance is the foundation of any development”. For this reason, the PFR Compliance strategy was approved, which defines the framework of compliance of the Polish Development Fund with the requirements of the generally applicable law, internal regulations and market standards.

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2021

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We support sustainable development of the economy

[GRI 2-22]

In 2021, the Polski Fundusz Rozwoju S.A. Corporate Group ("PFR Corporate Group") continued key initiatives to develop the innovation ecosystem in Poland and developed investments integrating sustainable development goals that include Environmental, Social and Governance and anti-corruption (ESG) issues. The European Green Deal set new challenges before Polish economy with regard to climate and environmental transition aimed at achieving sustainability. The implementation of the assumptions of the Green Deal and the terms of the Paris Agreement requires modern and innovative solutions and technologies, which will enable the economy to attain climate goals and other environmental goals as well as social goals.

A new goal was added to the programs implemented within the PFR Corporate Group: to prepare a new generation of innovators to the challenges that corporations face in the era of energy transition and development of green technologies. In 2021, the PFR Corporate Group launched the PFR Green Hub FoF, which should energize investments supporting energy transition in Poland and provide financing to businesses that exert positive influence on the planet. The program is eligible for VC funds that want to invest in green projects with a positive impact on the planet. The value of the program is PLN 200 million, which will be allocated to 4-5 investment projects. Sustainable social and economic development requires investments in infrastructure, technologies, IT and the areas that enable social inclusion, protection and well-being of regions. In 2021, the PFR Corporate Group continued or made investments within closed-end investment funds and through PFR's direct investments totaling over PLN 3.9 billion, which contribute to the achievement of climate, environmental or social goals. These investments reduce adverse environmental impacts and accelerate changes in businesses that might directly contribute to the mitigation of climate change or support climate or other environmental goals, including by supporting energy transition. The overall pool of investments that pursue or support environmental and social goals represents 35.20% of the PFR Corporate Group's total investments.

1. PFR CORPORATE GROUP IN NUMBERS

Activity of Polski Fundusz Rozwoju in 2021

- over **PLN 3.9 billion** of investments contributing to the achievement of sustainable development goals
- **45** proprietary, partnership and volunteerism projects implemented by the PFR Foundation
- **more than 13,000** participants of educational activities

2. BUSINESS STRATEGY

In 2021, the PFR Corporate Group adopted the strategy for 2022-2025. The following basic principles were defined within the strategy:

- **To supplement the commercial and non-governmental sectors** and cooperate in preparing and distributing programs in the

areas in which there are gaps in the market manifested by the lack of access to financial services,

- **To perform development programs adjusted to the needs of recipients:** companies, local government units, the public sector, the non-governmental sector and natural persons,
- **To create value for shareholders** by investing capital to ensure returns,
- **To pursue self-financing** achieving a positive financial result on the performed activity and the possibility of external financing.

The mission of the PFR Corporate Group is to develop practical solutions for common success and a safe future, based on four values:

Partnership and cooperation

In our work, we treat others as we would like to be treated ourselves. We respect and appreciate the work of others and we listen to their needs. While working together, we share our experience and information, making trust the foundation for the development of Polish society and economy.

Responsibility

We analyze and understand the reality that surrounds us, we are able to combine our own assignments with the objectives of the team and the company in order to achieve the intended results, and in all our activities we seek to achieve benefits for Poland. We learn from our successes and failures and take the necessary risks. We pursue what we have declared in a consistent manner.

Professionalism

We consistently strive to achieve our objectives by providing our customers with the highest quality products and services. We are always prepared and we always complete our assignments.

Development

We create new ideas, services and solutions, thus supporting the development of the Polish economy and society. We follow the latest trends while thinking and acting outside the box. We cross borders, achieving remarkable and new results.

The PFR Corporate Group is a group of financial and advisory companies that works for businesses, local governments and private individuals and invests in the country's social and economic development. The Group consists of the following entities:

- Polski Fundusz Rozwoju S.A.,
- PFR Towarzystwo Funduszy Inwestycyjnych S.A.,
- PFR Ventures sp. z o.o.,
- PFR Nieruchomości S.A.,



- PFR Portal PPK sp. z o.o.,
- PFR Operacje sp. z o.o.,
- PPP Venture sp. z o.o.

The priorities of the PFR Corporate Group's are: infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, support for local governments, implementation of the Employee Capital Plan program and management of foreign investments.

The PFR Corporate Group performs its activities primarily based on the provisions of the Commercial Company Code and the Act of 4 July 2019 on the System of Development Institutions. Pursuant to Article 11 of the Act, Polski Fundusz Rozwoju conducts business activity (based on the principles of commercial best practices while endeavoring to generate a market return on invested capital in the long-term). It also performs other tasks, including tasks assigned by government administration authorities.

In its activities, the PFR Corporate Group pursues 10 out of 17 Sustainable Development Goals (SDGs) of the United Nations, including in particular: **goal 9: Promote inclusive and sustainable industrialization and foster innovation, and goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities.**

The list of all SDGs pursued by the PFR Corporate Group is as follows:



The PFR Corporate Group contributes to the fulfillment of sustainable development goals mainly through its investments, its educational and consulting activities, cooperation with business partners and local governments, which is focused on stimulating innovation and equalization of opportunities in access to financing. The key areas of activity include ones related to infrastructure investments, digital transformation and energy transition.

3. INVESTMENTS EXECUTED BY THE PFR CORPORATE GROUP

[GRI 203-1]

The PFR Corporate Group incorporates sustainability factors into its investment activities insofar as such factors are relevant to the

investments. Care for the planet and the society is embedded in many investments pursued by the PFR Corporate Group that, through integrated ESG factors, have a positive impact on the climate, environment and communities. In line with the strategy, the PFR Corporate Group's investments, both direct and indirect, are aimed at increasing competitiveness, innovativeness, and social equality by providing access to financing, educating and supporting the development of the public and private sectors. Indirect investments are carried out, among others, with participation of PFR TFI S.A., which creates and manages investment funds, which have a very broad spectrum of investments and diverse profiles of activity. Accordingly, the manner in which risks to sustainable development are handled differs depending on the particular investment fund managed by the investment fund company (TFI). In accordance with the Strategy for taking risks to sustainable development in PFR TFI S.A.'s investment decision-making process, the company strives to take sustainability principles into account in the investment decision-making process, guided by the interest of fund participants. In the process of monitoring of its investments, it evaluates financial and non-financial risks, including risks to sustainable development and their impact on the standing of the specific investment of the investment fund. In performance of its policy of exposure to shares of companies admitted to trading on the regulated market and outside the regulated market, the TFI constantly monitors companies in terms of their social and environmental impact and the applied principles of corporate governance.

4. IMPACT OF INVESTMENTS ON SOCIAL, CLIMATE AND ENVIRONMENTAL TRANSITION

[GRI 203-2]

In its activities, the PFR Corporate Group pursues a number of investments (including investments carried out via investment funds managed by companies in the PFR Corporate Group) with a significant impact on the society and the environment. The investments, whose importance for the ESG area has been deemed particularly important, are presented below. Key investments are detailed on page 59 of this report. The presented investments were selected based on their scale (value) and the goals to which they contribute.

Others investments that contribute to the fulfillment of environmental or social goals are described in aggregate, while highlighting specific environmental and social goals.

Sustainable social and economic development requires investments in infrastructure, technologies, IT and the areas that enable social inclusion, protection and well-being of regions. There are numerous investments mitigating adverse environmental impacts and accelerating change in companies that may directly contribute to the mitigation of climate change or support the fulfillment of climate or other environmental goals.

Below, you can find a presentation of selected investments that contribute to the fulfillment of climate goals by introducing zero or low-emission solutions or ones mitigating greenhouse gas emissions to the atmosphere. The list also includes environmental goals related to resource efficiency, efforts to create a circular economy, as well as other environmental goals to which individual investments may contribute. The climate or environmental goal, to which the investment contributes, is specified for each individual investment project.



Investment Project

PESA – support for PESA Bydgoszcz S.A. in the operating activity optimization process. Support for the production of hydrogen-fueled vehicles (including the first hydrogen locomotive in Poland) and the development of the production of rail vehicles, including ones powered by electricity.

DCT container terminal in Gdańsk – expansion of handling capacity within the new T3 terminal being built in the Baltic Sea, which will increase the capacity of DCT by 1.5 million standard containers per year, extension of the railroad siding from four to seven tracks, extension of the tracks from 618 to 750 meters, purchase of five electric yard cranes.

Rail Capital Partners – support for a company making locomotives available to rail carriers. Development of green rail transport: the rolling stock of Rail Capital Partners comprises mainly electric, modern zero- or low-emission locomotives. In 2021 completion of acceptance of 12 locomotives co-financed by the Infrastructure and Environment Operational Programme.

Elemental – cooperation with the Elemental Holding group as part of the investment in Maryland Core and Legend Smelting and Recycling, which operate in the strategic metal recycling sector and have strong positions in the US market.

Energy efficiency improvement program for residential buildings - refurbishment with a guarantee of savings EPC (Energy Performance Contract) Plus implemented in cooperation with NFOŚiGW – an instrument launched in 2021 to support projects improving energy efficiency of buildings executed under the EPC formula. PFR will enable ESCO to raise financing in the form of a debt purchase or in another, alternative form.

Green Hub – PFR's investment program, which supports the financing of energy transition projects, with a particular focus on the development of RES and new technologies as well as circular economy, on market terms and without pushing out private capital. Implementation of programs supporting the development of green technological solutions and connecting technologies with the needs of local governments (PFR School of Pioneers and Klimaton for Cities). Supporting the development of Polish *local content*, supporting the development of technological companies through a program for *private equity/venture capital* funds that want to invest in companies from clean technology areas supporting energy transition and having a positive environmental impact.

Environmental and climate goals to which the investment contributes

- Hydrogen locomotive, which is a breakthrough solution for transport, contributing to the development of low-emission cargo and passenger transport. Support for new families of railway vehicles will contribute to the reduced intensity of the use of road transport and exhaust emissions, e.g. through the concept of introducing cargo space on HSPREMIUM250 vehicles, implementation of the Regio platform/family and locomotives with alternative propulsion systems, implementation of projects of combustion vehicles meeting the Euro Stage V standard (and related reduction of NO_x and CO₂ emissions).
- Continuing implementation of assumptions and activities under the slogan of "Green PESA 2030+" – the company is working on a long-term strategy aimed at minimizing the carbon footprint in all areas of activity.

- Reducing the intensity of road transport use and indirectly supporting climate goals by reducing carbon dioxide emissions from road freight transport.
- Increasing the importance of more environmentally friendly transport by sea and rail (handling ~5,500 trains per year).

- Zero-emission locomotives contribute directly to the mitigation of climate change. Moreover, the model of offering locomotives, which offers the opportunity to use them depending on the needs of customers without the need to own them, supports a circular economy by reducing the number of vehicles and therefore reducing the consumption of raw materials. Most of the RCP locomotives are equipped with commuter engines, which reduces the need to use old shunting locomotives on sidings.

- Activity in the strategic metals recycling area increases the efficiency of use of limited natural resources and in this way enables the achievement of environmental goals associated with a circular economy.
- Materials produced from recycled materials have a lower rate of energy consumption per product unit, which leads to reduced greenhouse gas emissions into the atmosphere.
- This activity contributes to the reduction of the production of metals from natural resources, which reduces the adverse environmental impact of metal production. These metals are used in the fuel cells of hybrid vehicles, as well as in the electrolysis of water, which produces green hydrogen. As a result, they are becoming critical raw materials on the road to a clean, zero-emission economy.

- Curtailing greenhouse gas emissions by providing solutions that reduce electricity consumption.
- Reducing the final energy consumption of the building required for heating, ventilation and hot water.

- Development of renewable energy production and low-emission energy production. Contributing to the mitigation of climate change by reducing greenhouse gas emissions to the atmosphere.
- Building awareness among local communities, clients and consumers, conducting activities to provide climate education.
- Indirect financing for companies contributing to mitigation of climate changes with activities such as e.g. development of solutions preventing the production of toxic materials.

Polish Biogas Group – an investment entailing the development of a portfolio of 30 biogas plants operating as part of the Polish Biogas Group.

The Polish Biogas Group is a leader in electricity production from biogas in Poland. The main area of activity is the production of electricity and heat from agricultural biogas and provision of services related to the renewable energy source sector. Biogas is created through anaerobic methane fermentation of organic matter. The raw material used for its production is biomass (biodegradable waste), coming mainly from food processing and livestock farming. Biogas is a gaseous fuel used for production of electricity and heat. Biogas plants offer safe and professional utilization of agricultural and food waste, thus contributing to the implementation of the circular economy model.

Good Energy for Olsztyn, Heat from Waste – a project to build and operate a waste thermal treatment plant.

Trasa Łagiewnicka – the Krakow ring road – the construction project of a road with a rail section in Krakow, approx. 3.5 km in length, which is an important part of Krakow's internal ring road. The investment is carried out in the special-purpose vehicle formula.

- Development of low-emission energy production and significant reduction of greenhouse gas emissions to the atmosphere.
- In 2021, it managed to generate more than 80 GWh of green electricity, which can satisfy the needs of approx. 40 thousand households in Poland. Electricity production in the investment projects funded by PFR prevented the emission of more than 72 thousand tons of carbon dioxide.

- Disposal of municipal waste from the warmińsko-mazurskie voivodships with energy recovery.
- Reduction of the negative environmental impact of waste.
- Securing the source of municipal heating and creating an efficient heating system.

- Reducing the intensity of traffic in the very center of Krakow and connection between Southern districts of the city.
- Out of the 3.5 km road length, as many as 2.1 km is in tunnels, which significantly reduces the nuisance it causes to Krakow residents.
- In addition to the road itself, the project envisages the construction of 5.3 km of pedestrian sidewalks, 3.2 km of bicycle paths and 3.1 km of pedestrian/bicycle lanes, which supports personal mobility and bicycle commuting, which mitigates climate change.
- Above the tunnels between the Sanctuary of Divine Mercy and the John Paul II Center, a recreational area will be created and numerous new trees will be planted. There will also be walking alleys and pedestrian and bicycle paths. Above the tunnel section, which will be built in the vicinity of Falowa, Zbrojarzy and Ludwisarzy streets, recreational and sports areas will be built, with sports pitches, playgrounds for children and a skate park. Creating space for residents through development of sports and recreational areas with new trees, numerous walking alleys and pedestrian and bicycle paths.



PESA hydrogen locomotive

Social inclusion, equalization of inequalities, ensuring good quality of life and well-being of regions that are less industrialized and have higher unemployment rates are the social goals, to which the following investments may contribute. Some of the key investments include:



Investment Project

Investments carried out through the Rental Housing Fund and Housing Sector Development Fund – planning, construction and management of apartments in large agglomerations and smaller towns where tenants may ultimately purchase the apartments.

Polskie Koleje Linowe and the cable car line project in Bieszczady – construction of a scenic gondola line.

Operator Chmury Krajowej

A technology company established in 2018 at the initiative of PKO Bank Polski S.A. and Polski Fundusz Rozwoju S.A. to ensure availability of advanced cloud computing services for Polish companies and public institutions.

In 2021, Operator Chmury Krajowej carried out a production launch of the e-Rejestracja system for the e-Health Center; the system is used for electronic handling of patients within the National Vaccination Program.

Signing of a letter of intent with PKP Intercity S.A. - The National Cloud signed a letter of intent with PKP Intercity S.A. Its purpose is to develop and implement an IT tool in the public cloud to create technical schedules for handling the rolling stock and visualizing future availability of the rolling stock.

Signing of a contract with PGNiG S.A. – The National Cloud signed an agreement with PGNiG S.A. in order to implement the “Smart Field” project. It assumes that cloud computing will be used along with technologies such as artificial intelligence and machine learning in order to model hydro-carbon deposits.

Investment in PFR Life Science – through which other investments were made, among others in Selvita S.A., Mabion S.A. and Proteon Pharmaceuticals S.A.

Car park in Warsaw – an underground multi-storey car park at Plac Powstańców Warszawy with 420 parking spaces.

Car parks in Lodz – investments comprising four underground, multi-storey car parks in the city center. The parking project is aligned with the existing city center revitalization strategy.

Miejski Zakład Gospodarki Komunalnej i Mieszkaniowej Sp. z o.o. in Limanowa – acquisition of a 40% stake in Miejski Zakład Gospodarki Komunalnej i Mieszkaniowej Sp. z o.o. from the Town of Limanowa and granting a loan to co-finance the Town's own contribution to, among others, investments in water supply and sewage systems and facilities and construction of a multi-family building.

Wodociągi i Kanalizacji w Opolu Sp. z o.o. – Acquisition of a minority stake (25%) in the company Wodociągi i Kanalizacji w Opolu Sp. z o.o. in order to implement investments important for the development of the city and the quality of life of its inhabitants.

Social goals to which the investment contributes

- Satisfying the residential needs and improving the living conditions of the residents of Poland.
- Supporting Polish families and younger people.
- Equalization of opportunities – cooperating also with smaller centers and local municipalities.
- Development of tourist and recreation infrastructure meeting the needs of Polish families.
- Job creation in regions with low industrialization levels and higher unemployment rates.
- Enabling efficient and effective handling of millions of patients, in particular ones registering for COVID-19 vaccination, by several dozen thousand employees of vaccination points and call centers.
- Increasing the pace of development of Polish businesses and public institutions by providing tools that allow businesses to introduce innovations efficiently, adapting their products and services to the quickly-evolving market expectations.
- Increasing access to modern drugs and therapies and consequently improving the health of people and animals.
- Reducing consumption of antibiotics in the food production chain, thus ensuring access to healthier food.
- Improving the availability of parking space in an important location in Warsaw offering better traffic conditions for residents and contributing to lower emissions of CO₂ and other pollutants, while improving the quality of life for residents of the Śródmieście district.
- The area freed up on the surface can be used for amenities for residents.
- Improving accessibility of parking in important parts of the Łódź city center, contributing to better traffic conditions and quality of life for residents.
- Optimizing vehicle traffic in the city, reducing the time cur to find parking spaces and therefore also combustion and emission of CO₂ and other pollutants into the atmosphere.
- FIS FIZAN's investment contributed to the development of the water supply and sewage system in the town of Limanowa, reducing water losses in the network and increasing housing security for the town's residents.
- Funds from the transaction were provided by the city of Opole for the construction of a transit center and the construction of a municipal sports stadium in order to improve social conditions for residents.

Other initiatives in 2021 were mainly related to educational activities, including the Central House of Technology, an interdisciplinary training center for children, young people and adults, serving as a link between the worlds of science and business. Other initiatives support mainly social goals related to access to quality education, including vocational education, which supports training of a new generation of scientists and business people, working for innovative economic and social development.

The investments described above represent overall 35.20% of the value of all investments.

In 2021, the PFR Corporate Group also invested in companies conducting business activity related to the production of coal and construction of coal-fired power units. This industry ensures energy safety and uninterrupted supply of power, thus enabling efficient operation of the Polish economy. PFR is aware of the challenges standing before the sector and the necessary transformation of its activity. We are aware of the adverse impact on climate, however it must be emphasized that the PFR Corporate Group focuses its efforts on investment activities that take climate and environmental goals into account and investments in the sectors, which have a significantly adverse climate impact, represented only 8% of all



Innovation

PFR worked with PKO Bank Polski to establish **Operator Chmury Krajowej sp. z o.o.** – a supplier of cloud solutions on the Polish market. It offers its own products and services within the framework of the proprietary National Cloud Platform, as well as solutions of its strategic partners – global public cloud suppliers Google and Microsoft. It creates digital solutions, which offer their users a freedom of choice between the available cloud solution adoption scenarios.

Activities for the development of innovation in local governments – supporting digital transformation through the “City Coders Hackathon” project.

2nd edition of the Academy of the Cities of the Future – this is a strategic support project addressed to representatives of mid-sized towns and cities (with population ranging from 20,000 to 100,000) preparing local government officials to create a city that is attentive, crisis-proof and ready to face new challenges. The topic of the second edition was the green transformation of cities.

investments of the PFR Corporate Group (PFR exited such investments entirely after the balance sheet date, i.e. in March 2022).

5. INNOVATIVE ACTIVITIES OF THE PFR CORPORATE GROUP

The PFR Corporate Group conducts activities to support innovation in the Polish economy. The Group focuses on the area of modern digital and technological solutions and on entrepreneurship development. The implemented solutions strengthen the infrastructure, the human capital, and protection of the environment. In 2021, the Group implemented projects dedicated to local governments, state administration and businesses. The solutions dedicated to administration authorities expand their technological potential, boosting efficiency of their operations. The programs for local governments build solutions that meet the needs of local communities, while benefiting the environment. The development of modern business and technology competences is particularly important for individuals starting their own businesses or introducing changes to the existing operations. For the latter group, there are dedicated programs and manuals offering support in the creation of start-ups, technological transformation or energy transition and development driven by innovation.

Innovative achievements

- Assisting businesses and public institutions in digital transformation processes, ensuring scalability, boosting reliability and security of the IT environment.
- Optimization of IT processes and costs in enterprises and public institutions through shortening the project implementation period and increasing the effectiveness of operations
- Support for the use of effective methodologies for conducting projects in enterprises and enabling automation of repetitive processes.
- Chełm – the “Waste Management System (SZO)” solution was designed, i.e. an integrated system integrating, at a single location, details originating from the Sanitary Inspection, from the Town Hall and from waste collection companies.
- Stargard – znani-lokalnie.pl, an on-line platform, which is a site for promoting local business, allowing businesses to present their offering and the city to manage the database of products and services for local business development purposes.
- Świdnik – implementation of the “Resident Mobility Aggregator” software for the Town Hall staff, which measures the number of pedestrians, cyclists and cars in a given spot by analyzing city surveillance footage. The software contributes to the efficient development of public infrastructure based on traffic analysis.
- Zduńska Wola – “Stop Smog”, an application tool, which helps residents pick the most economical source of heat. Over the initial six months from its launch, the app was used more than 1,600 times.
- Support for mid-sized towns and cities in the implementation of innovations related to their development.
- Development of skills of local government unit employees, among others through on-line courses.

"Klimaton for Cities" – the first hackathon responding to the climate challenge facing Polish cities, organized by PFR and the Ministry of Development Funds and Regional Policy. Four solutions addressing the challenges of four cities: Gniezno, Rybnik, Rzeszów and Wrocław, were selected.

4th edition of the "PFR School of Pioneers" – the flagship educational program carried out in cooperation with Allegro. As part of the so-called green edition, which was oriented towards creating solutions for the broadly defined EcoTech sector, 3 challenge paths were distinguished: sustainable logistics, effective energy generation and conscious consumption.

Publication of an e-book entitled *How we build start-ups?* – a manual prepared by the organizers of the "PFR School of Pioneers" in cooperation with its graduates and Allegro as the program partner. The publication contains quotes from significant figures of the world of science and business.

Companies of Tomorrow Program – organized jointly by PFR, Google and Operator Chmury Krajowej. The program delivered effective training to a large group of micro, small and medium enterprises interested in online marketing, business and cloud solutions. There were 1898 individual cloud consultations provided to businesses. 78% of the respondents confirmed that their awareness of the capabilities provided by cloud computing was raised and 67% of them declared that they were going to use cloud in their businesses.

3rd edition of the PFR Innovation Designers project – a cycle of Design Thinking workshops carried out in cooperation with Google, based on the CSI Lab method used for the creation of innovative products. 71 elementary and 48 advanced workshops were carried out. They attracted a total of 2073 participants instructed by 22 trainers. The overall number of applications to the three editions of the program was 5,499.

Activity of startup.pfr.pl portal – a website presenting the most interesting areas and enterprises of the Polish ecosystem, which explain the crucial business and technological terms.

Activity of the kursy.pfr.pl portal – a free knowledge base for businesses and local governments containing courses responding to current needs and challenges of organizations, such as: digitization, energy transition and innovation development. All courses available on the portal may be completed with a certificate issued by PFR. The theoretical knowledge from the courses may be enhanced during practical workshops offered by PFR.

Innovation Maturity Study Project – The project encouraged traditional Polish entrepreneurs to transform their businesses in the direction of innovation, digitalization and climate neutrality. During this project, the innovativeness level of 93 companies was examined (66% of the companies that took advantage of the Financial Shield for Large Companies) and a cycle of webinars promoting PFR's products was launched. Individual reports were prepared for the surveyed companies and advisory meetings were held to put PFR recommendations into practice.

- The developed applications will support cities and towns in the monitoring of water and disposed waste, analyzing mobility in public transportation, identification of threat related to, among others, smog and flooding and increasing the safety of the active mobility of schoolchildren.

- During the workshops covering almost 90 hours, organized in a three-week cycle, the participants developed modern business and technological skills, while using mentors and industry experts' support.

- A publicly available textbook, which explains how to take your first steps on the startup stage and what areas deserve particular attention.

- Training nearly 16,000 companies on e-commerce and cloud solutions.
- Enabling the participating enterprises to increase their revenues, orders, number of customers or to commence new digital projects.

- Recipients were familiarized with the Design Thinking methodology, which supports the creation of innovations through a systematic process featuring successive stages of development of an idea: from the initial idea to preparation and testing of a prototype.

- An offer of four free online courses on the topics of running a business, starting a business and moving the activity to the digital sphere.
- Publication of a free e-book *Start-ups and environment. What are the green solutions created by Polish technology companies?* analysing the Polish innovation ecosystem in the ecotech zone.

- Expanding knowledge of businesses and local governments regarding the most current topics, provision of materials and tools to introduce change in a business/local government.

- Through analytical, educational and advisory activities, the main challenges faced by businesses were identified and development paths for them were set, which took the form of an Innovation Maturity Survey report and advisory meetings.

- Support for businesses using the Financial Shield for Large Companies, in adapting their strategies to the post-Covid reality. The companies taking part in the program received: a tool for self-analysis of their operations (an Innovation Maturity Survey report containing recommendations for improvements); individual consulting during meetings concluding the survey; the list of start-ups with technology solutions; networking with PFR Group institutions; regular information about the offer of the PFR Group (Infoweek and Newsletter); free access to the Enterprise Prepared for the Future training tool (an online course).

6. PARTICIPATION IN INTERNATIONAL ASSOCIATIONS

[GRI 2-28]

PFR is engaged in the activities of international organizations and associations. In this manner, the Company exchanges experiences and best practices with other entities operating in similar areas. This

type of cooperation is also applied to gain knowledge and launch joint initiatives that enable the whole community to speak with one voice on matters of significance for its operations.



D20-LTIC / D20 Long-Term Investors Club

The D20-LTIC is an association of leading global development institutions, predominantly from the G20 countries. Its purpose is to encourage cooperation and establish conditions conducive to long-term investments that support sustainable economic growth. The Club was established in 2009 at the initiative of the French CDC, Italian CDP, German KfW and the European Investment Bank. Currently, the D20-LTIC consists of 21 members with a total balance sheet value of more than USD 5.4 trillion. PFR joined the organization in June 2018.



UNGC / United Nations Global Compact

The UNGC is the world's largest business initiative for sustainable development, involving 13,000 companies and stakeholders from 170 countries. The pact requires companies to align their strategies and activities with ten principles in the areas of human rights, labor standards, natural environment and counteracting corruption, and to take initiatives in support of the UN Sustainable Development Goals. PFR joined the UNGC in December 2020.



Invest Europe

Invest Europe (formerly known as EVCA) is the world's largest association representing European private equity, venture capital and infrastructure funds and their investors, including some of Europe's largest pension funds and insurers. Invest Europe is involved in the drafting and issuing of opinions on regulations and laws pertaining to investment, provides analyses of the role of its members in the economy and conducts research on trends and changes in the sector. The association also publishes the Professional Standards Handbook containing standards and guidelines for the PE industry. PFR became a member of the organization in January 2018.



ILPA / Institutional Limited Partners Association

ILPA is an industry association based in Washington, DC and Toronto, bringing together institutional limited partners (LPs) in the PE asset class. The organization owns over 500 institutions with a total of USD 2 trillion of assets under management, accounting for approx. 50% of all PE assets across the world. The association is the only global organization dedicated solely to protecting the interests of LPs and their beneficiaries through education, representation and organization of events. The Polish Development Fund has been an ILPA member since May 2018.



Management and oversight over ESG areas in the PFR Corporate Group

1. MANAGEMENT OF THE SUSTAINABLE DEVELOPMENT AREA

[GRI 2-9] [GRI 2-10] [GRI 2-11] [GRI 2-12] [GRI 2-13] [GRI 2-17] [GRI 2-18]

The **Management Board of PFR** is responsible for the ongoing management of the company and setting directions for the PFR Corporate Group, which includes the attainment of long-term goals in accordance with the accepted strategy. The Management Board also makes sure that the Corporate Group conducts its activity in a responsible and sustainable manner, by monitoring the changing legal requirements and standards relating to sustainable development and by incorporating ESG factors in its decisions in line with the best industry practices, expectations of stakeholders and current and pursued knowledge. Management Board Members delegate their obligations relating to sustainability aspects to individual division directors and department managers. In running the operations of the Corporate Group, the PFR Management Board is supported by the Security Committee, the IT Architecture Committee and the Project Committee.

PFR Management Board Members are diverse in terms of their experience and qualifications. Due to the long years of professional activity and continuous development of their competences, they guarantee effective management of the Corporate Group in all aspects of its activities.

Details regarding the composition, organization and procedures of the Management Board are provided on page 30 of this report and in the Regulations of the Management Board of Polski Fundusz Rozwoju S.A.

The **Supervisory Board of PFR** exercises continuous oversight over the Corporate Group's activity. Among other things, it evalu-

ates the consolidated financial statements, approves the Corporate Group's strategy and reviews the Management Board, on an annual basis, for the fulfillment of all strategic assumptions and objectives, also in the area of sustainability. The Supervisory Board's oversight is exercised with the support of two Committees: the Audit Committee and the Strategy Committee, which are governed by regulations introduced by resolutions of the Supervisory Board.

Details regarding the composition, organization and procedures of the Supervisory Board are provided on page 30 of this report and in the Regulations of the Supervisory Board of Polski Fundusz Rozwoju S.A.

The manner, in which members of the Management Board and Supervisory Board are elected, is set forth by the PFR Articles of Association.

2. KEY STAKEHOLDERS OF THE PFR CORPORATE GROUP

[GRI 2-29]

The activity of the PFR Corporate Group has an immense impact on a number of entities from its internal and external surroundings, while the PFR Corporate Group itself is also affected by them. Without these interactions, not only would it not be possible to pursue the Corporate Group's strategy, but also to carry out any sustainable activities. In order to work in harmony with its environment and build long-term, sustainable relationships, Polski Fundusz Rozwoju identifies its key stakeholders and takes steps to involve them in the process of dialogue and cooperation.

Key stakeholders of the PFR Corporate Group in 2021:

Stakeholders	Channels of dialogue
PFR Shareholders	The Shareholder Meeting and other meetings and other results presentations (conference calls, personal meetings).
Subsidiaries and associates	Regulations and policies, surveys/questionnaires of needs, reports, meetings and exchange of experiences and documents, e-mail and phone communication.
Investment funds (managed by PFR, managed by PFR TFI and the funds, whose management is sub-contracted by PFR TFI to other entities)	Reports, meetings and exchange of experiences and documents, e-mail and phone communication.
Employees	Formal meetings with the management (annual employee evaluation), employee satisfaction surveys, regular team meetings, town halls, employee training, announcements for employees, workshops for new employees, e-mail and phone contacts, meetings and personal discussions, newsletter.
PFR Foundation	Meetings, initiatives and events, reports, e-mail and phone communication.
Businesses (large, small and medium-sized)	Surveys, needs and satisfaction surveys, meetings and personal discussions, contact by telephone, e-mail, leaflets and brochures, websites, social media, hotline, newsletter.
Local government units	Surveys, needs and satisfaction surveys, meetings and personal discussions, contact by telephone, e-mail, leaflets and brochures, websites, social media, hotline, newsletter.
Regulators and supervisory authorities (including the EU)	Reports and audits, formal correspondence (including e-mail), ongoing cooperation during inspections.



Parties in Employee Capital Plans (employers and employees)	Surveys, meetings and personal discussions, e-mail and telephone communication, leaflets and brochures, websites and dedicated portals (PPK portal), social media, helpline, newsletter.
Individuals (individual customers using among others online courses, podcasts)	Websites and dedicated portals, hotline, newsletter.
Government administration bodies	Formal meetings, e-mail and phone communication, presentations.
Portfolio companies of the funds and PFR (investment beneficiaries)	Meetings and personal discussions, e-mail and telephone communication, leaflets and brochures, websites and dedicated portals, social media, helpline, newsletter.

Stakeholders of the PFR Corporate Group participating in a dialogue through various communication channels also include: entities co-investing in PFR direct investments, other investors in the Funds, bondholders, business partners (e.g. service providers, etc.), international organizations and associations (UNGC, D20, Invest Europe, ILPA), the media and news agencies, financial institutions (including banks), rating agencies.

3. MATERIAL ENVIRONMENTAL, SOCIAL AND MANAGEMENT AREAS OF THE PFR CORPORATE GROUP

[GRI 2-29] [GRI 3-1] [GRI 3-2]

Communication with stakeholders is conducted through dedicated internal and external communication channels and in the form of actions required by law, including publication of information in current and periodic reports. Continuous contact with internal and external entities from the organization’s environment, as well as transparency in the presentation of key information enable the proper recognition of stakeholder needs and expectations, also with regard to material topics and disclosures.

The analysis of materiality of topics to be disclosed was carried out as part of the workshop with representatives of the PFR Corporate Group, during which, among other things, individual areas were assessed using five-degree scale (very low, medium, high and

very high importance) in terms of the importance of a given area for external and internal stakeholders.

The following were classified as areas of high importance:

- **Investments** – given the significant direct and indirect effect that the activities of PFR Corporate Group companies and the investments made have on environmental and social issues,
- **Innovation** – in respect to activities conducted in the area of modern digital solutions for businesses and local governments,
- **Corporate governance** – in respect to topics relating to risk, corruption, conflict of interest and breaches of external regulations applicable to the activity of the PFR Corporate Group, including regulations governing personal data management,
- **Employees** – in respect to the elementary diversity indicators, development programs implemented, salaries, benefits, employee turnover and discrimination issues,
- **Local partnerships** – in respect to activities pursued in favor of local communities,
- **Environment** – in respect to the basic indicators concerning electricity consumption.

Matrix of material topics

Importance for PFR stakeholders

very high	<ul style="list-style-type: none"> • Activities for the benefit of local communities 	<ul style="list-style-type: none"> • Direct and indirect impact of the investments on the fulfillment of environmental objectives • Direct and indirect impact of the investments on the fulfillment of social and economic objectives • Anticorruption, conflict of interests • Management of compliance risk pertaining to external regulations applicable to the activity of the PFR Corporate Group, including regulations governing personal data management
	<ul style="list-style-type: none"> • Activities conducted in the area of modern digital solutions for the economy, businesses and local governments, 	<ul style="list-style-type: none"> • Risk management, internal control and internal audit • Salaries • Employee turnover
very low	<ul style="list-style-type: none"> • Strategy and approach of PFR to diversity issues • Development programs for employees • Additional employee benefits • Discrimination issues 	
	<ul style="list-style-type: none"> • Electricity consumption 	
	very low	very high
		Importance for PFR

• Corporate governance topics • Social topics • Environmental topics

Transparent organization

1. MANAGEMENT OF CORPORATE RISK AND BUSINESS CONTINUITY

1.1. Risk management

Awareness of the risks associated with the business and their impact on the continuity of the organisation's activities is extremely important, not only in the context of achieving strategic objectives, but also in the context of information provided to internal and external stakeholders and in building mutual trust.

The PFR Corporate Group identifies, assesses and monitors risks to the attainment of its goals at the process and strategic levels and

takes action to eliminate or mitigate them. The Internal Audit Department plays a supporting role in risk management. PFR's Internal Audit provides adequate support to the Supervisory Board Audit Committee through rational assurance that the PFR's internal control system is effective and the identified risks are mitigated.

Details of the risk management process and a description of strategic risks identified in 2021 are provided on page 35 of this document.

Below you will find the identified material non-financial risks and a description of mitigating measures.

Material non-financial risks

Risk	Description of the risk and its mitigation
Investment risk	<p>Risk related to own investments, mainly related to a failure to achieve the expected rate of return but also related to a negative impact of the investment on the natural environment.</p> <p><i>PFR makes efforts to appoint the fund's representatives to corporate bodies of portfolio companies and monitors its own investments and their performance, also in terms of their impact on the environment.</i></p>
Compliance risk	<p>Risk of suffering legal sanctions or losing reputation or credibility as a result of failure to comply with the applicable laws, internal regulations, accepted standards of conduct (including ethical principles) and/or codes of best market practices.</p> <p><i>The PFR Corporate Group has implemented the Compliance Management System and appointed individuals responsible for the fulfillment of individual tasks related to the compliance management process, including the monitoring of changes in regulations and development and application of appropriate internal policies and procedures. More in item "2.1. Compliance management strategy" and "2.2. Compliance management system".</i></p>
Legal risk	<p>Risk of unfavorable decisions by courts or public administration authorities settling the PFR Corporate Group's disputes with other entities.</p> <p><i>PFR has implemented processes for issuing opinions on contracts, regulations, internal procedures and other documents. The internal Legal Department provides appropriate legal assistance, and in cases where complex transactions or projects are involved, it is supported by external legal advisers.</i></p>
Political risk	<p>Risk of unpredictable political changes or political instability in the respective country.</p> <p><i>PFR is continuously monitoring the government's economic development plans, changes in the government strategy, participates in public consultations and provides its opinions within the framework of the government's legislative process, in particular with respect to amendments that might potentially affect PFR's operations.</i></p>
Project risk	<p>Unexpected delays in the execution of projects or unforeseen events preventing the execution of projects in whole or in part, which may result in additional expenditures or losses.</p> <p><i>PFR monitors the execution of projects, in particular by reviewing spending vis-à-vis the adopted budget and the timeliness of actions taken. It also takes account of environmental, social and management factors associated with a given project.</i></p>
Strategic risk	<p>Risk associated with improper decisions regarding the development strategy of the PFR Corporate Group, inadequate or incomplete implementation of the adopted strategy or the inaction or an inappropriate reaction to changes in the environment.</p> <p><i>PFR reviews its market and economic environment and regularly verifies the implementation of its plans while monitoring the validity of the adopted objectives and actions called for in the strategy, also with regard to the ESG area.</i></p>
Reputation risk	<p>Unfavorable perception of PFR's image by customers, counterparties, investors, regulators, supervisory authorities and/or the public.</p> <p><i>PFR develops a specific external communication strategy and appoints individuals responsible for its implementation.</i></p>

1.2. Strategy and approach to tax risk

[GRI 207-1] [GRI-207-2] [GRI-207-3]

Among procedural risks, the PFR Corporate Group also identifies tax risks. According to the tax strategy adopted by a PFR Management Board resolution, the objective of PFR is to eliminate tax risks in its operations among others by:

- monitoring changes in tax regulations, in-house and using support of external advisors,
- analyzing individual interpretations and administrative court rulings relevant for the activity performed by PFR,
- subscribing to legal services, tax portals and magazines,
- organizing tax-related training for employees.

In order to ensure the accuracy of its settlements, the PFR Corporate Group has implemented a number of internal procedures governing, among others, fulfillment of the obligation to provide information on tax schemes, circulation of accounting documents, verification of business partners and procurement. Additionally, in order to strengthen internal control in the tax area, in 2022 PFR plans to implement detailed regulations on the settlement of VAT, corporate income tax, civil transactions tax, withholding tax and on due diligence.

The PFR Corporate Group performs ongoing analyses of all business transactions and other events in order to correctly identify tax obligations and minimize risks. In the case of complicated tax issues, especially those, in which tax authorities or administrative courts apply different practical approaches, PFR uses support from external tax advisors or requests an appropriate individual tax interpretation. PFR cooperates with the tax authorities openly and acting in good faith, providing all necessary information and explanations as required.

Due to its social responsibility and high ethical values, PFR does not employ tax optimisation techniques to increase its profits.

The tax area is within the purview of the Accounting Department and the Vice-President of the Management Board in charge of Finance and Development. The tax strategy is revised once a year and information on its implementation is published as required by applicable law.

1.3. Business continuity and crisis management

[GRI 2-16]

The PFR Corporate Group has implemented the business continuity management process set out in the Business Continuity Management Principles. The document describes the Corporate Group's approach to anticipation and response to events that may cause disruption in PFR's activities. Based on this document, a Business Impact Analysis (BIA) was performed to identify processes and resources critical to the operations of the Corporate Group, whose unavailability may significantly interfere with the achievement of its objectives. For each of the critical processes, detailed business continuity plans were developed based on three different possible threat scenarios. Business continuity plans undergo regular testing for effectiveness.

The PFR Corporate Group has also implemented a crisis management process, which ensures that each critical event will be duly communicated to the governing bodies and appropriate measures will be undertaken by the established dedicated crisis management team. In 2021, there was no event that would require a crisis management team to be established.

1.4. Assessment of climate risks

Because of the nature of its business, the PFR Corporate Group has not identified any material climate risks that could endanger the achievement of its strategic objectives. Still, it is monitoring regulatory changes affecting the scope of its environmental disclosures in order to adapt to any requirements in this regard already at the initial stage of legislative work.

2. COMPLIANCE RISK MANAGEMENT

2.1. Compliance management strategy

[GRI 2-27] [GRI 206-1]

PFR as an institution operating within the framework and on the basis of the Commercial Company Code and the Act on the System of Development Institutions endeavors to comply with all best practices, standards and solutions applicable to market participants in line with pertinent adequacy and proportionality principles. In this pursuit, it observes the overriding principle: compliance with the law is the foundation of any development.

As at 31 December 2021, no court litigation was pending with the participation of PFR that might significantly affect PFR's activity by generating a significant potential risk of a material adverse effect on its financial situation, prospects, operating performance or ability to fulfill obligations.

Noteworthy, there are claims raised against PFR in respect of the execution of the government programs: "The Polish Development Fund's Financial Shield for Small and Medium-Sized Enterprises", "The Polish Development Fund's Financial Shield 2.0 for Micro, Small and Medium-Sized Enterprises" and "The Polish Development Fund's Financial Shield for Large Companies", whereby as at 31 December 2021 the value of pecuniary claims pursued in court is approximately PLN 2 million and none of them individually has any impact on PFR's operation and its financial standing.

In April 2021, PFR developed and implemented the Compliance Management Strategy which established the Compliance Management System (CMS), which should ensure an even more effective management of compliance risk and a higher level of PFR's security and stability due to the nature of its operations, applicable legal regulations and the most recent market standards. The CMS ensures compliance with the law, market standards, ethical business principles and continuous improvement in this area. Full information on the compliance management strategy is published on [PFR's official website](#).

2.2. Compliance management system

[GRI 2-23] [GRI 2-24]

The Compliance Department (DZZ), headed by the Compliance Director, is responsible for the compliance management function at PFR.

PFR's Compliance Management System is based on the so-called PFR Compliance Pillars, which consist of:

- generally applicable laws,
- best practices and market standards,
- standards and values set forth in the PFR Corporate Group's Code of Conduct,
- hierarchical system of internal regulations.



The process of identifying changes in legal regulations is carried out by the Legal Department, which prepares and distributes within the Company a newsletter presenting the regulatory changes that affect the functioning and operations of PFR and the Corporate Group. Also, every manager of an organizational unit must monitor changes in the legislative environment associated with the area he/she oversees.

The PFR Compliance Management System is also based on the principles set forth in, among others: Best Practice of GPW Listed Companies, Corporate Governance Principles for Supervised Institutions, Recommendations of the Polish Financial Supervision Authority and CBA guidelines.

Within the framework of its Compliance Management System, PFR also takes action to build an organization based on a specific system of values defined in the Code of Conduct. Among them, special importance is given to values building the organizational culture, such as respect for human rights, mutual assistance, equal treatment of others, as well as responsibility in relations with external stakeholders. Building the perception of compliance, i.e. the responsibility for acting in accordance with generally applicable laws, market standards and above all ethical norms, was based on a program of training and meetings with employees (see section "2.3. Counteracting corruption").

The Code of Conduct has been implemented at the level of the PFR Corporate Group.

With regard to internal regulations, PFR has implemented the principles setting out the process of developing, consulting and adopting policies and detailed procedures. Each organizational unit, within the scope of its activity, is responsible for identifying the areas that need to be regulated. The Compliance Department and the Legal Department support them by providing information on changes in the regulations that impact the activity of PFR. The Compliance Department is responsible for managing the legislative process, coordinating the process of issuing opinions on internal regulations and for monitoring the reviews of regulation updates. Details of internal regulations issued and cancelled, as well as their revision status are reported to the PFR Management Board on a quarterly basis.

At the end of 2021, there were 139 internal regulations in force.

2.3. Counteracting corruption

[GRI 205-2] [GRI 205-3]

The PFR Corporate Group does not tolerate corruption in any form and actively counteracts it. The key principle is zero tolerance for corruption. For this purpose, internal regulations have been adopted and

must be observed by all PFR employees, defining the rules of cooperation with the pertinent state authorities.

Prevention of all acts bearing the hallmark of corruption is one of the elements of the PFR Compliance Management Strategy and of the PFR Corporate Group's Code of Conduct. With this in mind, PFR has implemented the *Gifts and Anti-Corruption Policy*, which sets out the principles and procedures to be followed in this area. In 2021, the regulations were revised by adding the rules governing the giving or receiving of gifts in electronic form and the obligation to attach a #ZgodnyPFR (#CompliantPFR) ticket (with a QR code linking to a website presenting the Policy and the Compliance Strategy) when gifts worth up to PLN 200 are given. In 2021, there were 11 submissions to the register of gifts, which were processed in accordance with the applicable internal regulations.

In 2021, the Compliance Department conducted 25 mandatory training sessions for 83 new employees (on the MS Teams platform). Each trainee received an onboarding bundle containing the presentation entitled "Compliance – managing compliance risk". Also, in October 2021 a mandatory e-learning course for all employees was launched under the title "#CompliantPFR - legal compliance as a foundation for development of our company". By the end of December 2021, approximately 80% of employees, including members of governing bodies, had taken part in the training. The training included elements of anti-corruption education.

In 2021, PFR recorded no corruption incidents, understood as promises, proposals or gifting, as well as demanding or accepting of any undue benefits.

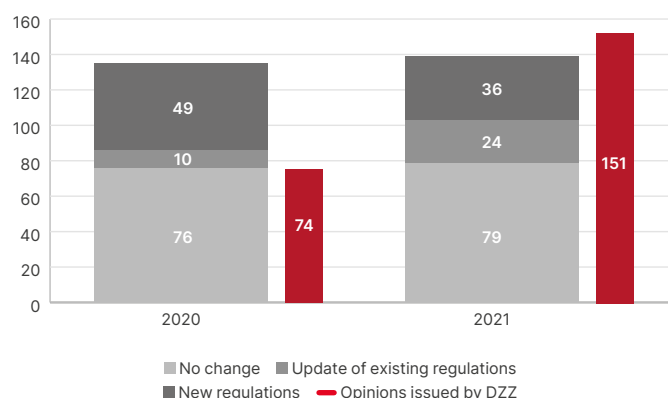
2.4. Conflict of interest

[GRI 2-15]

PFR manages part of the investment portfolio of closed-end investment funds, which is why so much importance is given to appropriate controls and management mechanisms regarding possible conflicts of interest, including conflicts between PFR's interests and the decision-maker's interests. PFR has implemented internal regulations such as the Conflict of Interest Prevention and Management Policy, revised in 2021, and the Code of Conduct. PFR employees are obliged to report any possibility of occurrence of a potential or actual conflict of interest, in particular where personal interests prevent or might preclude the due and proper performance of official duties. PFR has additionally implemented the Know Your Customer (KYC) Policy as one of mechanisms to prevent and manage conflicts of interest in the procurement and vendor selection process. Due to the nature of the business, the KYC Policy is also applicable to the investments area. In 2021, PFR additionally strengthened the conflict of interest management area by linking the Contractor Verification Procedure to the Procurement Regulations, while adding the obligation to submit declarations of absence of personal or other relationships indicating a potential conflict of interest between the PFR employee and the contractor each time a procurement request is submitted in the e-Zakupy system.

Provisions on conflict of interest were also included in the Regulations of the Supervisory Board and in the Regulations of the Management Board of Polski Fundusz Rozwoju S.A. Their members are obliged to avoid any situations, in which a conflict of interest might occur; where interest is defined as a source of any type of benefits: professional, financial, material, personal or other non-material benefits. Where a conflict of interest arises between PFR's interest and the personal interest of a member of a corporate body, his/her spouse, relatives and second degree next of kin and any individuals, with whom he/she has personal connections, or there is a risk that

Legislative process - years 2020 and 2021 (internal regulations)





such a conflict may arise, the member of the corporate body must promptly notify appropriate persons of this fact and refrain from participating in voting or discussion regarding such sensitive issue.

In 2021, the following were registered pursuant to the requirements of the "Conflict of Interest Prevention and Management Policy":

- 29 reports of potential conflict of interest (reports duly managed and closed),
- 47 reports on transactions made by own employees (the reports have been cross-referenced against restriction lists and managed),
- 91 statements of absence of conflict of interest within investment projects conducted by transaction teams.

Regarding the tasks supporting the implementation of the Polish Development Fund's Financial Shield Program for Large Companies (DP Shield), the Compliance Department participated in meetings of DP Shield Investment Committees, during which it was responsible for:

- supervising over the course of the committee meetings in where it focused on the management of potential conflicts of interest concerning committee members and transaction team members in the context of the companies, whose applications were examined (14 submissions),
- issuing opinions on transaction team members (6 recommendations),
- preparing the "checklists" containing information on the companies examined during the meeting, assessment of KYC risk, composition of the ZT and confirmation that the declaration of absence of conflict of interest has been submitted, appearance on the LO/LR, etc. (63 lists).

The Compliance Department has estimated the overall level of compliance risk – in terms of implementation of the conflict of interest management process – to be low.

2.5. Whistleblowing

[GRI 2-25] [GRI 2-26]

PFR has in place a whistleblowing system with the overriding principle of protecting the whistleblowers. It enables anonymous report-

ing of irregularities either in the form of an electronic message sent to dedicated e-mail addresses: sygnalista@pfr.pl and compliance@pfr.pl, or in the form of a traditional paper message put in dedicated mailboxes located at the PFR headquarters. In 2021, as part of the implemented #CompliantPFR Strategy, another external whistleblowing channel for reporting irregularities was launched through a [form available on PFR's official website](#).

The rules for reporting violations and other irregularities, as well as the principles governing the handling and management of reports, including those on conducting clarification proceedings, are described in the PFR Breach Notification Policy. All notifications are confidential, carefully analyzed and handled with due care, independence and objectivity. Three anonymous notifications were registered in 2021. They were internal notifications, which did not satisfy the definition of a breach.

At the end of 2021, the PFR Corporate Group launched the project of revising the previous whistleblowing model in companies, in order to adjust it to the draft Act on the protection of persons who report breaches of law published on 18 October 2021 implementing Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.

2.6. Management of personal data

[GRI 418-1]

PFR has created a Personal Data Protection Office, which is responsible for assessing with personal data regulations and the level of security of personal data processing activities, and for reporting to the Management Board on the level of risk associated with the processing operations. In particular, the Personal Data Protection Office ensures PFR's compliance with personal data protection regulations and performance of duties of a Data Protection Inspector by a person appointed by the Management Board.

According to the Instructions for the Exercise of Data Subjects' Rights, which is an appendix to the Personal Data Protection Policy adopted by the Management Board, any breach occurring in PFR may be reported to the e-mail address: iod@PFR.pl or by traditional mail. No reports of personal data protection breaches were registered in 2021.

Sustainable work environment

The commitment to sustainability includes activities that support the work environment. Employees are one key stakeholder groups at PFR. The company implements strategic objectives of the PFR Corporate Group through its employment policy, by applying the principle of equal employment opportunities. According to the Labor Regulations in place in PFR, employees are treated equally with regard to establishment or termination of the employment relationship, terms and conditions of employment, promotion and access to training to improve their professional qualifications.

1. PFR EMPLOYEES – NUMBERS AND STRUCTURE

PFR Employees in 2021

250 employees (14.2% increase vs. 2020)

90 new employees

58 employees whose employment ended (27.4% transferred to PFR CG companies)

18.95% turnover ratio¹

PFR Corporate Group Employees in 2021

667 employees (11.4% increase vs. 2020)

214 new employees

144 employees whose employment ended

17.91% turnover ratio

[GRI 2-7] [GRI 2-8]

In 2021, 47.2% of PFR's employees were women and 52.8% men.

PFR follows a specific set of values and selects both employees and benefits on their basis, which ensures the proper organizational culture and engagement of the professionals working for the organization. One of the expectations expressed by candidates is to be employed under a contract for an indefinite term; therefore most employment contracts after the trial period are concluded for an indefinite term.

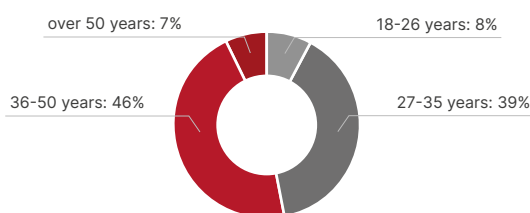
In 2021, PFR employees working under employment contracts represented **95.42%** of the total number of individuals with employment and mandate contracts. Persons working under mandate contracts represented **4.58%**² and provided advisory and analytical services.

The presented data about the number of employees was calculated as the number of employees as at 31 December 2021.

Employment structure in PFR by gender (as at 31 December 2021)



Employment structure in PFR by age (as at 31 December 2021)



Total PFR employees by gender and employment type (full-time, part-time)

PFR	2021	2020
Full-time employees	241	204
Women	115	90
Men	126	114
Part-time employees	9	15
Women	3	4
Men	6	11
Employees without guaranteed hours of work	0	0
Women	0	0
Men	0	0
Total employees	250	219

[GRI 405-1] [GRI 406-1]

In the employee recruitment process, PFR observes the rules preventing discrimination in employment. The rules are set forth in the PFR Labor Regulations, which described equal treatment of employees with respect to sex, age, disability, race, religion, nationality, political convictions, union membership, ethnic origin, denomination, sexual orientation, employment for a definite or indefinite term or on a full-time or part-time basis.

No reports of employee discrimination were received in 2021.

¹ Without the persons transferred to PFR Corporate Group companies, the turnover ratio is 13.73%.

² This group does not include Members of the PFR Management and Supervisory Boards.

[GRI 405-1]

Diversity in governing bodies and among employees at PFR

Diversity categories	2021	2020
Managers reporting directly to the Management Board	9.64%	8.64%
Under 30	0.40%	0.00%
Women	0.00%	0.00%
Men	0.40%	0.00%
30 to 50	6.83%	6.82%
Women	3.22%	3.64%
Men	3.61%	3.18%
Over 50	2.41%	1.82%
Women	0.40%	0.45%
Men	2.01%	1.35%
Managers not reporting directly to the Management Board	9.24%	4.55%
Under 30	0.00%	0.00%
Women	0.00%	0.00%
Men	0.00%	0.00%
30 to 50	8.84%	4.55%
Women	3.22%	2.73%
Men	5.62%	1.82%
Over 50	0.40%	0.00%
Women	0.40%	0.00%
Men	0.00%	0.00%
Other employees	81.12%	86.82%
Under 30	23.29%	26.36%
Women	12.45%	11.36%
Men	10.84%	15.00%
30 to 50	54.22%	59.09%
Women	26.10%	24.09%
Men	28.11%	35.00%
Over 50	3.61%	1.36%
Women	1.60%	0.45%
Men	2.01%	0.91%

Methodology: % share of employees in each group, divided into employee category, gender and age.

[GRI 401-1]

In 2021, 90 new employees were hired and 58 employees departed, which translates into a 29.41% share of new employees and an 18.95% employee turnover rate. The employee turnover rate was calculated based on the total number of employee departures divided by the total number of employees in the reporting year. The data includes the persons who transferred between the companies of the PFR Corporate Group. The increase in workforce numbers and changes in its structure are, among other things, due to the increase in the scale of PFR's operations, adjustment of employees' qualifications to the new tasks assigned to the PFR Corporate Group and changes introduced in the structure of the Corporate Group in order to optimize its operations as a whole.

New employees hired and employee turnover in PFR

	2021	2020
Total number of new* employees, by gender and age	90	114
Hiring ratio**	29.41%	46.34%
Under 30	27	42
Women	15	22
Men	12	20
30 to 50	55	69
Women	32	28
Men	23	41
Over 50	8	3
Women	3	1
Men	5	2
Total number of employee departures*, by gender and age	90	114
Departure ratio**	18.95%	12.30%
Under 30	18	8
Women	6	5
Men	12	3
30 to 50	38	20
Women	18	11
Men	20	9
Over 50	2	2
Women	0	0
Men	2	2

* New employees, which means those hired from 1 January to 31 December of the reporting period (also applies to departures)

** Methodology: the turnover ratio is calculated as % of employee departures in the reported period, broken down into gender and age groups (e.g. <30; 30-50; >50) including movements between the companies of the PFR Corporate Group; the employment ratio is calculated as % of new employees in the reporting period, broken down into gender and age groups (e.g. <30; 30-50; >50) including new employees coming from other companies of the PFR Corporate Group.

[GRI 2-30]

The Company cares for compliance with the law and well-being of its employees. Company employees elect an Employee Representative for a 2-year term of office.

2. SALARIES

[GRI 2-19] [GRI 2-20]

The principles and amounts of compensation of Supervisory Board and Management Board members are set by the Shareholder Meeting and, in the case of the Management Board, also by the Supervisory Board. Detailed information on the total compensation of Management Board and Supervisory Board members has been published in the PFR Financial Report on Compensation of Management Board and Supervisory Board members in 2021.

PFR pursues an employee remuneration policy harmonized with the strategy and values of the PFR Corporate Group. The key internal regulations in this respect include the Remuneration Policy for PFR Employees and the Rules and Regulations for Awarding Bonuses to PFR Employees, which define the terms and conditions of remunerating employees and awarding other work-related benefits.



The remuneration regulations describe in detail the rules governing all remuneration components, which consist of the following parts:

1. basic remuneration – monthly monetary remuneration set at a monthly rate, reflects the skills required for a given job, the complexity of work, the scope of responsibility and professional experience, as well as practices applied in the relevant reference markets,
2. annual or monthly bonus – depending on the extent to which goals set for a given employee have been fulfilled and/or the extent to which common goals are fulfilled in a given financial year, paid out on the basis of audited financial statements,
3. non-monetary benefits – such as allowances for the cost of commuting, medical care,
4. Company Social Benefit Fund.

[GRI 405-2]

Ratio of salaries earned by women to salaries earned by men in PFR

	2021	2020
Organizational unit managers reporting directly to the Management Board	87.86%	67.35%
Organizational unit managers not reporting directly to the Management Board	98.84%	144.42%
Other employees	73.01%	66.35%

Methodology: this ratio has been calculated as the ratio of salaries of women to salaries of men, by employee category.

[GRI 401-2]

The benefits that are awarded to full-time employees are awarded to the same extent to part-time employees.

3. EMPLOYEE DEVELOPMENT

3.1. HR activities and processes

In the Strategy of the PFR Corporate Group for 2022-2025 adopted in December 2021, development of human capital is written as one of the elements of sustainable development of the Corporate Group in the personnel management area. The PFR Corporate Group, including PFR itself, is taking steps to acquire and retain key talents within the organization. These activities include, among others, organization of a cycle of training sessions based on the value of the PFR Corporate Group and strengthening future competences.

3.2. Training policy and development programs

[GRI 404-1] [GRI 404-2]

Development of competences of the future is the Polish Development Fund's key priority in the personnel management area. Training programs dedicated to the management and employees carried out in 2021 were intended to equalize the differentiated level of knowledge and skills among employees caused by the significant increase in employment during the pandemic after new tasks were commissioned to the Company.

[GRI 404-2]

In 2021, in addition to individual training courses improving the employee skills needed for their specific jobs, PFR organized group training courses dedicated to the individual job groups:

- **“Employee of the Future”** – attended by 98.21% of all PFR employees,

- **“Leader of the Future”** – a training for managers, attended by 95.12% of PFR's management team,
- **“Effective Customer Support”** – a training for the employees of the Advisory Center, attended by 97% of the center's advisors;
- **“Effective Recruitment”** – a training for managers, attended by 80% of PFR's management team.

45.25 – average number of training hours per employee

3.3. Regular employee reviews

[GRI 404-3]

Regular performance and work quality reviews offers critical support for employees in the context of their development and efficiency of their work. The feedback helps to bridge competence gaps and discover employees with the highest potential for growth. PFR carries out regular reviews of its employees when annual or monthly objectives are examined (depending on the bonus system used). The degree of performance of the objectives is closely linked to the rules for awarding bonuses, which are set forth in the Regulations for Awarding Bonuses.

4. SUPPORT FOR LOCAL COMMUNITIES

[GRI 413-1]

PFR and its subsidiaries coordinate activities that support sustainable social and economic development of Poland. The priorities of the PFR Corporate Group's are: infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, support for local governments, implementation of the Employee Capital Plan program and management of foreign investments. The PFR Foundation established by PFR in 2018 is used to carry out activities to both support and initiate positive changes in the social environment of the PFR Corporate Group.

Corporate social responsibility is well aligned with the system of values defined at the PFR Corporate Group level, where one of the basic pillars is the understanding of the reality and taking responsibility for actions with a primary focus on the best interest of Poland, and therefore also Polish society.

Summary of activities implementing the strategy in 2019-2021 in the corporate social responsibility area:

90+ – projects implemented by the PFR Foundation

more than 165 thousand – participants of educational activities offered by the Central House of Technology

213 thousand – views of educational materials on the Central House of Technology YT channel

The strategy for the coming years (2022-2025) will continue and strengthen the current directions of PFR's activity, in particular given the importance of sustainable development and cutting-edge technologies as well as energy transition and competitive economy.

The Company's corporate social responsibility tasks are performed via the PFR Foundation. The Foundation's activity is based on two pillars: own educational undertakings and support for social initiatives of other entities. A detailed description of the Foundation and its activities is provided in section “Activity of the PFR Foundation” of the report.

Ensure quality education and promote lifelong learning, reduce inequalities and ensure equal access to education – those are the key sustainable development goals pursued by the PFR Foundation. Below you will find selected activities supporting the fulfillment of social goals.

Project	Social objectives pursued	SDGs
1. Social and educational projects supporting local communities, education of children and youth, as well as vocational activation of young people:		
a. "#SelfRELIANT" [#SamodZIELNI] (2nd edition), addressed to young people from foster families, supporting them in obtaining their first professional skills. 26 people aged 17-19 took part in the project.	<ul style="list-style-type: none"> Supporting Polish families and younger people in the acquisition of professional skills Equalization of opportunities – cooperating also with smaller centers and local municipalities 	
b. "Summer ActivACTION" [Wakacyjna AktywAKCJA] carried out to increase physical and social activity of children and youth and to support local sports, recreational and educational activities that engage school children during the summer vacation. 53 projects with a total value of PLN 265,000 were financed.	<ul style="list-style-type: none"> Promoting a healthy lifestyle and increasing life expectancy among children Improving public health and mitigating the negative effects of the pandemic 	
c. "The World of Money" , which promotes knowledge of finance, saving and the value of money among children and youth aged 8-14. As part of this campaign, 2,200 books were donated to children's homes, schools and daycare centers; the books were then used as the basis for economic education lessons.	<ul style="list-style-type: none"> Increasing the number of the youth who have appropriate skills, including technical and vocational ones, that are necessary for employment, finding a job and developing entrepreneurial mindset 	
d. "Passionate about Education" , a scholarship program targeting disadvantaged future teachers and educators. 36 students benefited from the program in 2021.	<ul style="list-style-type: none"> Reducing poverty-related barriers to education Increasing access to university education 	
2. Partnership projects in supporting education, innovation, entrepreneurship, and arts and culture. In 2021, the PFR Foundation participated in 37 partnership projects:		
a. "Talent Academy" , a scholarship program addressed to students from large families who engage in social activity.	<ul style="list-style-type: none"> Equalizing access to education for youth and adults 	
b. "Stanisław Lem Recommends" – as part of this project, a collection of works was created in the Wolne Lektury public library.	<ul style="list-style-type: none"> Increasing access to education at all levels, promoting lifelong education 	
c. "Tutoring Sessions with Legia" [Korki z Legią] – a series of on-line classes for high schoolers preparing for final exams, aimed at consolidating mathematics skills in an attractive manner.	<ul style="list-style-type: none"> Increasing the number of youth and adults having the key skills needed for further educational development 	
d. "On the Wolf's Trail" [Tropem Wilczym] – the Cursed Soldiers Memorial Running Race – organization of a run commemorating the Cursed Soldiers. Approximately 66,000 people in more than 300 cities participated in the run.	<ul style="list-style-type: none"> Strengthening efforts to protect and preserve cultural heritage 	
e. "Legislation College" – A project organized in partnership with the Youth Initiatives Forum, in which a series of lectures and workshops on the topic legal and social issues addressed to law students from across Poland, selected through a competition, were organized.	<ul style="list-style-type: none"> Increasing the number of the youth and adults who have appropriate skills, including technical and vocational ones, that are necessary for employment 	



- 3. **Projects related to combating the COVID-19 pandemic**, including financial support for hospitals and other institutions fighting the pandemic. The project involved, among others, donation of funds for the purchase of an ambulance, defibrillators with the capnography function and protective equipment against COVID-19. The PFR Foundation also provided aid to a project executed by the national information and education campaign "STOP COVID"; designed to educate and build social support tools for people at risk of exclusion due to the pandemic. In 2021, the Foundation supported the activities of more than 100 organizations fighting the effects of the COVID-19 pandemic.
- 4. **Central House of Technology**, which conducts educational activities and promotes new technologies among children, youth, teachers, and seniors. In 2021, 14,299 people participated in its educational workshops.

- Improving public health and mitigating the negative effects of the pandemic
- Reducing the number of deaths due to natural disasters, and reducing the number of people affected by them
- Increasing the number of young people, adults and seniors having adequate technical skills through improvement of their digital competences



PFR has also undertaken various campaigns to engage its employees in charitable activities. Pursuant to the Employee Volunteering Regulations, on the Volunteer Day, each employee may participate in volunteering activities with the right to receive compensation for that day. The PFR Foundation plays an extremely important role in initiating employee volunteering activities. In 2021, the Foundation executed eight employee volunteering campaigns within the PFR Corporate Group, with 170 employees participating. They included the following activities:

- **"Get Ready, Volunteers"**, enabling them to create their own project and receive financial support in the amount of PLN 4 thousand. The considerable engagement of PFR employees enabled the execution of various sustainable activities, such as: planting trees at the elementary school in Wyczółki, arrangement of a green corner in a Praga community day-care center, educational and recreational workshops in a children's home in Gdańsk, and organizing lessons in schools entitled "Internet safety from an early age";
- **"Active Volunteerism"**, in which sports activities by employees were recorded using the Activy application and funds were raised for the hospice in Chełm and Kępie Zaleszańskie. There were

127 active participants (volunteers), who cycled and ran a total of 56,000 km over 5 months, burned 3.5 million kcal, while saving 14.2 t of CO₂, raising nearly PLN 50,000 for the charitable cause.

- **"Noble Gift"**, a nationwide charitable campaign supporting families in a difficult financial situation due to reasons beyond their control, as well as seniors in a difficult situation and people with disabilities. Six families received support in the form of 70 parcels worth about PLN 30 thousand.

In 2021, the Foundation also carried out other charitable activities, taking advantage of the high engagement of employees in employee volunteering campaign, i.e. a collection of plush toys for young patients of the Children's Memorial Health Institute in Warsaw.

The Company promotes volunteering activities using tools such as the @Employee app, which is used, among others, as part of the procedure of granting the Employee Volunteer Day and to notify employees of volunteering activities organized by the Foundation.

A detailed description of employee volunteering activities is provided on page 81 of the report.



Employee volunteerism at PFR

Climate and environment

The PFR Corporate Group contributes to environmental protection mainly through its investments. The purpose of the projects is to support the Polish economy in its transition towards climate neutrality and to reduce its environmental footprint, among others by developing renewable energy or transportation projects (for more information on the individual projects, see page 104). Direct operational activities of the PFR Corporate Group, which entail mainly office work, do not constitute a significant source of emissions. Despite this, the PFR Corporate Group aims to minimize its negative impact on the climate and environment. Its priority is to reduce emissions related to energy production, for example by increasing the percentage of electricity from renewable sources in total consumption.

1. ENERGY CONSUMPTION

[GRI 302-1]

Total energy consumption by the PFR Corporate Group consists of fuels from non-renewable sources and purchased electricity. In 2021, total energy consumption was 1827 GJ. Consumption of heat has been excluded because complete data are not available.

1.1. Fuel consumption

In its activities, the PFR Corporate Group consumes fuels (gasoline and diesel) for transportation by vehicles. In 2021, total consumption of fuel amounted to 1424 GJ.

Fuel type	2021		2020		Change in 2021 vs. 2020
	L	GJ	L	GJ	
Gasoline	24,357	837	7424	253	+231%
Diesel fuel	15,370	587	18949	722	-19%
Total fuel consumption	39,727	1424	26,373	975	+46%

The conversion factor and the calorific value applied based on the DEFRA database (2021 and 2020).

1.2. Consumption of electricity

In 2021, the PFR Corporate Group consumed in total 403 GJ of electricity purchased from third parties. Pursuant to an agreement signed in 2021, 100% of the electricity consumed in 2022 will come from renewable sources.

Type of energy	2021		2020		Change in 2021 vs. 2020
	kWh	GJ	kWh	GJ	
Electricity purchased	111,918	403	70,738	255	+58%

2. INFORMATION OF CLASSIFICATION OF BUSINESS ACCORDING TO THE TAXONOMY

2.1. Legal requirements regarding the disclosure of key performance indicators

Pursuant to Article 8 of *Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088* (hereinafter "Regulation 2020/852"³), the PFR Corporate Group has been obligated to disclose information on activities qualifying for the Taxonomy. In light of Article 1 of *Com-*

mission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (hereinafter "Regulation 2021/2178"), PFR does not carry out financial activities based on the approval of a competent authority and is therefore a non-financial company. Therefore, pursuant to Article 10 of Regulation 2021/2178, PFR as a parent company is required to disclose, in its consolidated statement of non-financial information, information on the extent to which turnover (revenue), capital expenditures (CapEx) and operating expenditures (OpEx) (key performance indicators, indicators) pertain to activities that qualify for the Taxonomy. The description of business activities qualifying for the Taxonomy system is provided in *Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives* (hereinafter "Technical Screening Criteria").

The PFR Corporate Group includes PFR Towarzystwo Funduszy Inwestycyjnych, which operates under an authorization of the Polish Financial Supervision Authority, however in light of Regulation 2021/2178 the fact that the subsidiary carries out financial activities, namely asset management (as defined in Regulation 2021/2178) does not lead to PFR being qualified as a financial entity. According to Annex I to Regulation 2021/2178, non-financial companies present indicators regarding turnover, CapEx and OpEx for activities that qualify for the Taxonomy. In contrast, financial entities managing assets present the percentage of investments eligible for the Taxonomy, based on the percentage of the Taxonomy-eligible business activities of the companies, in which the investments were made. PFR, as a non-financial company, is required to apply Annex I of Regulation 2021/2178, which determines the nature of the disclosures in the form of the key indicators regarding turnover, CapEx and OpEx. For the turnover indicator, the revenue generated by the activity qualifying for the Taxonomy must be reported, taking into account the revenue recognized in accordance with the accounting standards applied. CapEx are determined on the basis of capital expenditures, which include additions to property, plant and equipment, intangible assets and right-of-use asset, which are accounted for in accordance with the applicable accounting standards. OpEx are determined on the basis of direct, non-capitalized expenses related to research and development, building renovation activities, short-term leases, maintenance and repairs and any other direct expenses related to the day-to-day operation of property, plant and equipment.

2.2. Review of PFR Corporate Group's activities in terms of eligibility for the Taxonomy

The activities eligible for the Taxonomy are those defined by the Technical Screening Criteria. In order to determine whether the activities of the PFR Corporate Group qualify for the Taxonomy, the

³ Regulation 2020/852, Technical Screening Criteria and Regulation 2021/2178 hereinafter referred to as the "Taxonomy".



activities carried out by the PFR Corporate Group were reviewed by reference to the description provided in the Technical Screening Criteria and additionally to NACE codes. Since the Taxonomy regulations do not provide any solutions applicable to a corporate group where the parent company does not carry out financial activities based on an approval of a competent body, but its subsidiary does not carry out activities of a financial nature (based on an appropriate permit), PFR as a reporting entity according to the principles concerning non-financial entities could not include investment activities performed through TFI in the review. It should be added that, in order to qualify activities of financial entities, the approach profiled for such activities in Annex III of Regulation 2021/2178 should be used, while the PFR Corporate Group is required to apply the approach in Annex I. After reviewing its business activities in accordance with the rules applicable to non-financial companies, the PFR Corporate Group identified activities that qualify for the Taxonomy according to Annex I of the Technical Screening Criteria, however because of the low value of the expenditures and/or expenses incurred (less than 0.01% of all revenues reported in the consolidated financial statements), they do not constitute activities that PFR believes can be qualified as making a significant contribution to mitigation of climate change. This applies, for example, to the operation of hybrid cars, educational activities relating to the mitigation of climate change, or organization of activities that are experimental or developmental in nature in order to develop instruments to reduce greenhouse gas emissions in cooperation with external partners. Due to the above, **100% of the**

PFR Corporate Group's operations must be classified as activities that do not qualify for the Taxonomy.

This does not mean that the Group does not conduct any activities that have a positive impact on the environment and contribute to the mitigation of climate change. However since investment activities cannot be considered using indicators dedicated to non-financial companies, the required disclosures for activities qualifying for the Taxonomy cannot reflect the environmental performance of the entities, in which investments have been made via investment funds.

Due to ongoing legislative work on expanding the list of qualifying activities, particularly in the area of other environmental objectives, other activities undertaken by the PFR Corporate Group may qualify for the Taxonomy in the future. Moreover, the scope of the disclosures may also be affected by changes in applicable legal acts or by interpretations issued by the European Commission.

In future reporting periods, PFR will consider making voluntary disclosures, in particular regarding its investments made through investment funds and joint ventures, to the extent that it is permitted by professional secrecy regulations under the Act on Investment Funds. The disclosures made for 2021 only specify whether or not the business activities qualify for the Taxonomy and not whether they are conducted in a sustainable manner. Therefore voluntary disclosures would be of little value for the evaluation of the Statement of Non-Financial Information for 2021.

About the non-financial part of this report

[GRI 2-1] [GRI 2-2] [GRI 2-3] [GRI 2-4] [GRI 2-5] [GRI 2-14]

This report contains non-financial information covering environmental, labor, social and corporate governance issues for PFR and subsidiaries of the PFR Corporate Group. The non-financial information of PFR and the PFR Corporate Group is published on an annual basis and covers the period of activity from 1 January to 31 December 2021.

For the first time, PFR Corporate Group has decided to disclose non-financial information in the consolidated report in accordance with the international non-financial reporting standard Global Reporting Initiative (GRI) 2021. Therefore, 2021 is the base year. The non-financial information has also been aligned with the United Nations (UN) Sustainable Development Goals (SDGs).

The non-financial data disclosed in the report address the material topics that the PFR Corporate Group has selected based on materi-

ality analysis taking into account the requirements of the Accounting Act. The report also includes disclosures required by the European Taxonomy regarding revenues, capital expenditures and operating expenditures for the activities covered by the Taxonomy. Details of the companies included in the individual non-financial indicators are presented in the GRI index table on page 124.

The content of this report has been reviewed and approved by the Management Board and the Supervisory Board. The report has not been subject verified by any external entities.

The non-financial report was published on 31 May 2022. If you have any questions regarding the non-financial part of the PFR Corporate Group's report and information it contains, please contact: Łukasz Błaszczuk, lukasz.blaszczuk@PFR.pl.

Indicators

1. GRI INDEX TABLE

The non-financial part has been drawn up using the GRI 1: Foundation 2021 guidelines.

	Indicator	Page number	Commentary		Indicator	Page number	Commentary
GRI 2: General Disclosures 2021							
GRI 2-1	Organizational details	7 123		GRI 2-21	Annual total compensation ratio	n/a	The ratio has not been disclosed due to data confidentiality
GRI 2-2	Entities included in the organization's sustainability reporting	123		GRI 2-22	Statement on sustainable development strategy	103	
GRI 2-3	Reporting period, frequency and contact point	123		GRI 2-23	Policy commitments	114	
GRI 2-4	Restatements of information	123	The year 2021 is the first year of non-financial reporting in the PFR Corporate Group	GRI 2-24	Embedding policy commitments	114	
GRI 2-5	External assurance	123	The report has not been subject to external assurance.	GRI 2-25	Processes to remediate negative impacts	116	
GRI 2-6	Activities, value chain and other business relationships	7		GRI 2-26	Mechanisms for seeking advice and raising concerns	116	
GRI 2-7	Employees	117		GRI 2-27	Compliance with laws and regulations	114	
GRI 2-8	Workers who are not employees	117		GRI 2-28	Membership associations	110	
GRI 2-9	Governance structure and composition	111		GRI 2-29	Approach to stakeholder engagement	111 112	
GRI 2-10	Nomination and selection of the highest governance body	111		GRI 2-30	Collective bargaining agreements	118	There are no collective bargaining agreements in PFR.
GRI 2-11	Chair of the highest governance body	111		GRI 3: Material topics 2021			
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	111		GRI 3-1	Process to determine material topics	112	
GRI 2-13	Delegation of responsibility for managing impacts	111		GRI 3-2	List of material topics	112	
GRI 2-14	Role of the highest governance body in sustainability reporting	123		Topic: Investments			
GRI 2-15	Conflicts of interest	115		GRI 203-1	Infrastructure investments and services supported	104	
GRI 2-16	Communication of critical concerns	114		GRI 203-2	Significant indirect economic impacts	104	
GRI 2-17	Collective knowledge of the highest governance body	111		Topic: Corporate governance			
GRI 2-18	Evaluation of the performance of the highest governance body	111		GRI 205-2	Communication and training about anti-corruption policies and procedures	115	
GRI 2-19	Remuneration policies	118		GRI 205-3	Confirmed incidents of corruption and actions taken	115	
GRI 2-20	Process to determine remuneration	118		GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	114	
				GRI 207-1	Approach to tax	114	
				GRI 207-2	Tax governance, control and risk management	114	
				GRI 207-3	Stakeholder engagement and management concerns related to tax	114	



	Indicator	Page number	Commentary
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	116	
Topic: Employees			
GRI 401-1	New employee hires and employee turnover	118 119	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	119	
GRI 404-1	Average hours of training per year per employee	119	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	119	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	119	

	Indicator	Page number	Commentary
GRI 405-1	Diversity of governance bodies and employees	117 118	
GRI 405-2	Ratio of basic salary and remuneration of women to men	119	
GRI 406-1	Incidents of discrimination and corrective actions taken	117	
Topic: Local partnership			
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	119	
Topic: Environment			
GRI 302-1	Energy consumption within the organization	122	

Warsaw, 26 May 2022



Paweł Borys
President of the Management Board



Bartłomiej Pawlak
Vice President of the Management Board

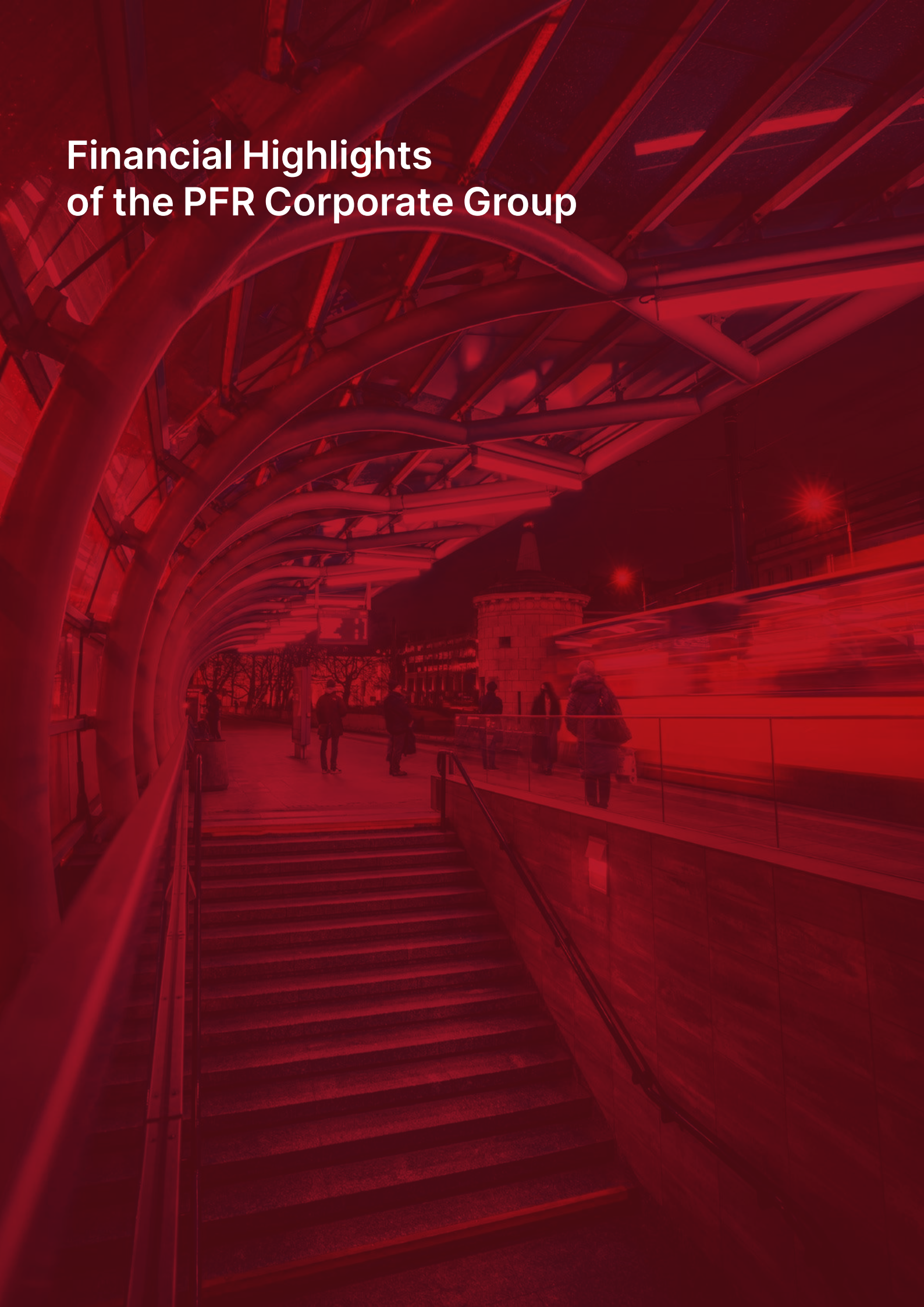


Tomasz Fill
Vice President of the Management Board



Bartosz Marczuk
Vice President of the Management Board

Financial Highlights of the PFR Corporate Group



Financial highlights as at 31 December 2021 and 31 December 2020

Profit and loss account	01.01-31.12.2021	01.01-31.12.2021	01.01-31.12.2020	01.01-31.12.2020
Financial highlights	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net revenues from sales	429,410	93,362	324,955	70,416
Net sales profit (loss)	139,156	30,255	74,471	16,138
Profit (loss) before tax	203,971	44,347	37,110	8,042
net profit (loss)	169,210	36,790	12,873	2,789

Balance sheet	01.01-31.12.2021	01.01-31.12.2021	01.01-31.12.2020	01.01-31.12.2020
Financial highlights	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets	24,619,463	5,352,755	54,697,123	11,852,545
Current assets	64,708,984	14,069,006	17,589,477	3,811,536
Equity	12,872,994	2,798,842	4,458,904	966,218
Provisions for liabilities	115,132	25,032	78,460	17,002
Non-current liabilities	73,371,738	15,952,459	64,835,459	14,049,462
Current liabilities	2,928,932	636,807	2,901,594	628,758
Accruals and deferred income	38,881	8,453	11,353	2,460

Cash flow statement	01.01-31.12.2021	01.01-31.12.2021	01.01-31.12.2020	01.01-31.12.2020
Financial highlights	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Cash flow on operating activity	(133,009)	(28,919)	(112,504)	(24,379)
Cash flow on investing activity	(4,737,940)	(1,030,121)	(61,149,879)	(13,250,819)
Cash flow on financing activity	8,322,792	1,809,539	63,485,344	13,756,900
Total net cash flows	3,451,843	750,499	2,222,961	481,703

EUR exchange rate **4.5994** **4.6148**

Warsaw, 26 May 2022



Paweł Borys
President of the Management Board



Bartłomiej Pawlak
Vice President of the Management Board



Tomasz Fill
Vice President of the Management Board



Bartosz Marczuk
Vice President of the Management Board



Ewa Maciąg
Person responsible for keeping the accounting ledgers

Consolidated Financial Statements for the Financial Year Ended 31 December 2021

Introduction to the consolidated financial statements	131
Consolidated balance sheet: assets	139
Consolidated balance sheet: equity and liabilities	142
Consolidated statement of profit and loss	144
Consolidated Statement of Changes in Equity	146
Consolidated cash flow statement	148
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Introduction to the consolidated financial statements

1. INFORMATION ON THE PARENT COMPANY

1.1. Name of the Parent company

Polski Fundusz Rozwoju Spółka Akcyjna, hereinafter referred to as the "Parent company" or "PFR".

1.2. Registered office of the Parent company

Krucza 50
00-025 Warsaw

1.3. Registration in the National Court Register (KRS)

Seat of the court: District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register
Date: 19 June 2013
Registration no.: 0000466256

1.4. Information on changes in the composition of the Parent company's Management Board

In 2021, there were no changes in the composition of the Parent company's Management Board.

1.5. Core business and duration of activity of the Parent company

As at the date of preparing the financial statements for 2021, the Company's core business was "Activities of head offices and holding companies, with the exception of financial holdings" (code in the Polish Classification of Businesses: PKD 70.10.Z).

The Parent company has been established for an indefinite term.

1.6. Going concern assumption

These consolidated financial statements have been drawn up under the assumption that the Company remains a going concern in the foreseeable future.

There are no circumstances that would indicate any threats to the continuity of the operations of the Parent company.

2. INFORMATION ON SUBORDINATED ENTITIES

2.1. Subordinated companies included in the consolidated financial statements

Company name	Registered office	Consolidation method	% of shares held
Subsidiaries:			
PPP Venture Sp. z o.o.	Poland	full consolidation method	90.00%
PFR Ventures Sp. z o.o.	Poland	full consolidation method	100.00%
PFR Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	full consolidation method	100.00%
PFR Nieruchomości S.A.	Poland	full consolidation method	100.00%
PFR Portal PPK Sp. z o.o.	Poland	full consolidation method	100.00%
PFR Operacje Sp. z o.o.	Poland	full consolidation method	100.00%
Co-subsidiaries and associate entities:			
SKB DRIVE TECH S.A.	Poland	equity method	23.10%
Polska Agencja Ratingowa S.A.	Poland	equity method	35.86%
Operator Chmury Krajowej Sp. z o.o.	Poland	equity method	50.00%

2.2. Duration of subordinated entities

According to the articles of association of the related parties, their duration is indefinite.

The assumption for PPP Venture Sp. z o.o is that the company will operate for the term of the Public-Private Partnership Agreement ("PPP Agreement"), i.e. until January 2039.

2.3. Going concern assumption

The financial statements used to prepare the consolidated financial statements have been drawn up under the assumption that the related parties will continue as a going concern in the foreseeable future and that there are no circumstances that would indicate any threats to the continuity of these companies' operations.

3. CONSOLIDATED FINANCIAL STATEMENTS

3.1. Basis of preparation of the financial statements

The consolidated financial statements have been drawn up pursuant to the accounting principles in force in the territory of the Republic of Poland, as laid down in the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351, as amended) and in the executive regulations thereto, the Finance Minister's Regulation of 25 September 2009 on the detailed principles of preparation of consolidated financial statements of groups by entities other than banks, insurance and reinsurance undertakings (Journal of Laws of 2017, item 676) and the Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and manner of presentation of financial instruments (Journal of Laws of 2017, item 277).

The standalone financial statements have been drawn up pursuant to the accounting principles in force in the territory of the Republic of Poland, as laid down in the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2019, Item 351, as amended) and the executive regulations thereto.

The principles of measurement of assets and equity and liabilities of subsidiaries are the same as those adopted for the Corporate Group.

The financial statements have been drawn up for the period from 1 January 2021 to 31 December 2021.

The statement of profit and loss has been prepared in a comparative version.

The cash flow statement has been prepared using the indirect method.

3.2. Period covered by the financial statements

The consolidated financial statements have been drawn up for the period from 1 January 2021 to 31 December 2021, while the comparative data cover the period from 1 January 2020 to 31 December 2020.

4. SIGNIFICANT ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared using the accounting principles described below:

4.1. Consolidation methods

The data of a subsidiary is consolidated using the full consolidation method in the period from when the Parent company assumes control over it until the Parent company loses the control.

Full consolidation method

When consolidating by the full method, individual items of the respective financial statements of the Parent company and its subsidiaries are aggregated, in full value. After aggregation, exclusions and other adjustments are made in accordance with the Act.

The following items are excluded:

- the value, expressed at cost, of shares held by the Parent company and other consolidated entities in subsidiaries with that portion of the net assets of the subsidiaries, measured at fair value, which corresponds to the interests of the Parent Company and other consolidated Corporate Group companies in the subsidiaries as at the date on which control over them commences;
- effects of mutual transactions between consolidated companies.

Shares in the equity of subsidiaries held by persons or non-consolidated companies are shown in a separate item of equity and liabilities in the consolidated balance sheet, after equity, as Minority Interest.

Equity method

When the equity method is applied, the item "Shares in subordinated entities measured by the equity method" is distinguished in the non-current assets of the consolidated balance sheet, presenting shares in the companies' purchase prices plus or less the increases or decreases in the subordinated entity's equity attributable to the Parent company, a partner in a joint venture or a significant investor, which occurred from the date of obtaining control, joint control or significant influence, to the balance sheet date, including decreases resulting from settlements with the owners. The share in the net profit (loss) of a subordinated entity is adjusted by a write-down of goodwill or negative goodwill and a write-down of the difference in the measurement of net assets at their fair values and carrying amounts attributable to the given reporting period.

4.2. Goodwill and negative goodwill

Goodwill represents an excess of the purchase price of shares over the corresponding portion of the net assets measured at their fair values. Goodwill is presented in the assets of the consolidated balance sheet, under a separate item of non-current assets as "Goodwill of subordinated entities".

Goodwill is amortized over its useful life, which is set at 5 years. The amortization charges are made with the straight-line method.

Negative goodwill represents the excess of the relevant portion of net assets measured at their fair values over the cost of the shares. Negative goodwill is shown in the equity and liabilities of the consolidated balance sheet under a separate heading as "Negative goodwill of subordinated entities", for a period that is the weighted average of the useful lives of the acquired and amortized assets. Negative goodwill in excess of the fair value of non-current assets, excluding non-current financial assets listed on regulated markets, is included in revenues as at the date of the merger.

4.3. Revenues and expenses

Revenue and expenses are recognized on an accrual basis, i.e. in the financial year to which they relate, regardless of when the payment is received or made.

The statement of profit and loss is prepared in a comparative version.

4.4. Interest income

Interest income is recognized using the effective interest rate.

4.5. Dividend revenue

Dividend income is recognized as financial income as at the date of adoption of the resolution by the Shareholder Meeting of an entity in which the entity has invested, to distribute the profit, unless the resolution specifies a different record date.

4.6. Cash flow statement

The cash flow statement has been prepared using the indirect method.

4.7. Intangible assets

Intangible assets are recognized in the ledgers at purchase prices or at the costs incurred to manufacture them, less amortization charges and impairment losses.

Intangible assets are amortized using a straight-line method using the following amortization rates:

Concessions, patents, licenses and trademarks – 20%

The entity should periodically verify that the amortization periods and rates applied to intangible assets are correct, adjusting amortization charges made in subsequent years accordingly.

4.8. Fixed assets

Fixed assets are measured in the ledgers at purchase price or production cost (initial value) less depreciation charges and less impairment losses.

The purchase price and production cost of fixed assets and fixed assets under construction include all of the costs incurred by the entity during the period of construction, assembly, adaptation and improvement until the date of its acceptance for use, also including the cost of servicing debt incurred to finance such assets and the related foreign exchange differences less the corresponding revenue.

The initial value of a fixed asset is increased by the costs of its improvement which involves rebuilding, expansion, modernization or reconstruction, meaning that the utility value of this fixed asset after completing improvement exceeds the utility value held at the time of commissioning it for usage.

Fixed assets are depreciated using the straight-line method. Depreciation commences in the month after a fixed asset is commissioned for use.

Sample depreciation rates are as follows:

Office equipment	20%
Plant and machinery	30%

The entity should periodically verify that the depreciation periods and rates applied to fixed assets are correct, appropriately adjusting depreciation charges made in subsequent years.

4.9. Investments

Investments include assets held to achieve economic benefits resulting from their value growth, obtain income from them in the form of interest, dividends (profit sharing) or other benefits, including gains from commercial transactions, and particularly financial assets and such real property and intangible assets which are not used by the entity, but are held to obtain such benefits.

Investments in associates are measured using the equity method (as described in item 4.1).

4.9.1. Finance leases

When the PFR Group is party to lease agreements pursuant to which it uses third party fixed assets or intangible assets and which in substance transfer the entire risk and benefits of holding such assets provided for in the agreements, the leased asset is recognized in the balance sheet. The leased asset is initially recognized at the lower of the two amounts: fair value or the present value of the minimum lease payments.

4.9.2. Non-current investments

Non-current investments are non-current assets whose realization time is longer than 12 months. They have been acquired by the Company with a view to economic benefits resulting from incremental value growth. At present, the Group's investments include investments in financial assets – in particular shares of Bank Pekao S.A., investment certificates and bonds.

Detailed principles of non-current investments classification are described in note 4.17.

Investment certificates:

The Parent company invests through Closed-end Non-Public Investment Funds, subscribing and paying for investment certificates.

The value of an investment certificate is determined based on a valuation of assets of the given fund performed by a specialized external entity, by determining the net asset value and net asset value per investment certificate. Then fair value of each investment certificate held by the Company is determined, taking into consideration the principle that investment certificates paid for at the initial price of 0.10 PLN do not give the right to increase net assets, as a result of which their fair value is 0.10 PLN, while the remaining investment certificates participate in the growth of net assets in proportion to the level of payment for them.



The acquired investment certificates, regardless of whether they are fully-paid or not, are classified as available-for-sale financial assets. The effects of revaluation to fair value, or revaluation gains or losses, are charged to the revaluation reserve until the certificate is redeemed (profit or loss is realized) or until impairment is recognized.

Investment certificates paid up for at the initial price of PLN 0.10 are recognized at the amount of the portion paid up, or PLN 0.10. Not fully-paid up investment certificates, apart from the certificates paid up at the initial price of PLN 10, are recognized at the amount of the portion paid up, adjusted in subsequent periods by the effect of net asset valuation per investment certificate.

4.9.3. Impairment of non-current investments

An impairment charge is made when it is highly probable that an asset of the PFR Group will not generate in the future – in a considerable part or completely – the expected economic benefits. This justifies an impairment charge which adjusts the value of the asset as carried in the accounting ledgers to the net sale price, and if no such price is available – to the fair value determined otherwise.

Not less frequently than at the end of a financial year, it is found whether there is a need to carry out the procedure to recognize an impairment charge for assets as a result of their revaluation. Where, in the course of a balance sheet year, information is obtained about significant events that may affect the value of the non-current investments being measured, a procedure is carried out to determine the asset impairment charge amount, no later than at the end of the quarter in which such information is obtained.

4.9.4. Current investments

Current investments include:

- cash and cash equivalents, made up of national currency, foreign currency and securities and other financial assets (including accrued interest on financial assets), provided they are due or payable within three months of the date on which they are received, issued or deposited,
- other current financial assets, which comprise other financial assets with a maturity of more than three months from the date on which they are received, issued or deposited.

4.10. Receivables, claims and liabilities not classified as financial assets and liabilities

Non-financial receivables are recognized at the required payment amount in keeping with the conservative valuation principle. Receivables are remeasured while taking into account the likelihood of their payment, by recognizing an impairment charge allocated accordingly to other operating expenses or financial costs - depending on the type of receivables to which the impairment charge is applied.

Liabilities are recognized in the accounting ledgers at the required payment amount.

Receivables and liabilities denominated in foreign currencies are recognized on the date they arise at the average foreign exchange rate announced by the National Bank of Poland for that currency on the preceding day.

As at the balance sheet date, receivables and liabilities denominated in foreign currencies are measured at the average exchange rate announced for such date and such currency by the National Bank of Poland.

4.11. Non-current investments created and acquired in connection with the execution of the Financial Shield government programs

PFR, in connection with the execution of the Financial Shield government program referred to in Article 21a sec. 1 of the Act on the System of Development Institutions and on the terms and conditions defined in the Program Documents, may:

- a. grant interest-free financial subsidies which are classified in the category of loans granted and own receivables and measured at the amount of funds granted reduced by the repayments of the nominal amount. The Company has applied measurement at the nominal amount because it does not have data making it possible to estimate in a reliable way the amount and dates of receipt of funds from the State Treasury in connection with remissions of subsidies and loans. Nevertheless, considering the absence of interest (for financial subsidies) and commission, the measurement at the nominal amount is deemed close to the measurement at adjusted purchase price.
- b. grant loans classified in the category of loans granted and own receivables and measured at adjusted purchase price calculated using the effective interest rate method,
- c. subscribe for or purchase bonds issued by other entities which are classified in the category of loans granted and own receivables, and measured at adjusted purchase price calculated using the effective interest rate method,
- d. purchase shares or ownership interests of other entities which are classified in the category of financial assets available for sale if they do not satisfy the definition of subordinated entities. Financial assets available for sale are mea-

sured at fair value, i.e. the total amount which PFR will receive on account of sales of these assets from both a possible buyer and the State Treasury.

4.12. Impairment of debt securities created and acquired in connection with the execution of the Financial Shield government programs

For financial subsidies, loans granted, bonds subscribed for/purchased, purchased receivables, created or acquired in connection with financing granted under the Financial Shield government programs, no impairment allowances are recognized, since the Company is not exposed to credit risk in the economic sense in connection with these debt instruments. In the assessment, PFR takes into consideration the probability that the asset will not generate, fully or substantially, expected economic benefits in the future, effects of the mechanism of tranches from the State Treasury, which involves supplementation of cash by the State Treasury to service external financing and other costs, which are first covered from repayments of granted financing, in accordance with the principles specific for the guarantee which constitutes an integral part of the agreements.

4.13. Prepayments and accruals

The Group recognizes prepaid expenses if they refer to future reporting periods. Accrued expenses are recognized in amounts of probable liabilities for the current reporting period.

On the other hand, equivalent amounts of (mainly financial) resources received from customers or due for benefits to be delivered in subsequent reporting periods is recorded by the Group as deferred income.

4.14. Provisions for liabilities

Provisions are liabilities with an uncertain due date or amount.

Provisions reflect the duty of the Group – arising from past events – to make payments in the future, whose amount can be reliably estimated, even though neither the amount, nor the time of payment are certain. Provisions are added for non-incurred costs allocated to a given period, in a reliably estimated amount.

4.15. Income tax

Income tax shown in the statement of profit and loss includes current part and the deferred part.

Current income tax liability is calculated in compliance with the fiscal regulations. The deferred part presented in the statement of profit and loss is the difference between the balance of deferred tax liabilities and assets as at the end and as at the beginning of the reporting period.

Deferred tax liabilities and assets pertaining to operations recorded against equity are recognized in equity.

Deferred tax assets are recognized in the amount that is expected to be deducted from income tax in the future in connection with deductible temporary differences, and deductible taxable loss determined in keeping with the prudential principle.

Deferred tax liability is recognized in the income tax amount that will have to be paid in the future due to the occurrence of positive taxable temporary differences, i.e., differences that will increase the tax base in the future.

The amount of deferred tax liabilities and assets is calculated while taking into account the income tax rates in effect in the year when the tax liability comes into existence, taking into account the tax regulations in effect on the balance sheet date.

Deferred tax liabilities and assets are not set off for presentation purposes in the financial statements.

4.16. Foreign exchange differences

Foreign exchange differences resulting from the measurement, as at the balance sheet date, of assets and equity and liabilities denominated in foreign currencies, except for non-current investments, and ones arising in connection with the payment of receivables and liabilities in foreign currencies, as well as on the sale of foreign currencies, are recognized accordingly as financial income or costs and in justified cases – as the production cost of products or the purchase price of goods, as well as the purchase price or production cost of fixed assets, fixed assets under construction or intangible assets.

4.17. Financial instruments

4.17.1. Classification of financial instruments

Financial instruments are recognized and measured in accordance with the Finance Minister's Regulation of 12 December 2001 on detailed rules for the recognition, valuation methods, scope of disclosure and presentation of financial instruments (Journal of Laws 2001 no. 149 item 1674). The principles of measurement and recognition of financial assets described in the note below do not apply to the following that are excluded from the Regulation, in particular: shares in subordinated entities, rights and obligations arising out of lease and insurance agreements, trade receivables and liabilities and financial instruments issued by the Company and constituting its equity instruments.

Financial assets are divided into:

- financial assets held for trading,
- loans granted and own receivables,
- financial assets held to maturity,
- financial assets available for sale.

Financial liabilities are divided into:

- financial liabilities held for trading,
- other financial liabilities.

4.17.2. Principles for recognition and measurement of financial instruments

Financial assets are entered in the accounting ledgers as at the date of the contract, at the purchase price, i.e. at the fair value of expenditures incurred or made in exchange for other assets, while financial liabilities – at the fair value of the amount received or value of other assets received. In determining the fair value as at that date, the transaction costs incurred by the Group are taken into account.

4.17.3. Financial assets held to maturity

Financial assets held to maturity include financial assets that are not classified as loans granted and own receivables, for which contracts specify the due repayment date of the nominal value and define the right to receive economic benefits in fixed or determinable amounts, for example interest, within the agreed dates, provided that the Company intends and is able to hold these assets until they become due and payable.

Financial assets held to maturity are measured at amortized cost using the effective interest rate method.

4.17.4. Financial assets available for sale

Financial assets not qualified in the foregoing categories are included in the financial assets available for sale.

Financial assets available for sale are measured at fair value, while gains and losses from periodic remeasurements are captured in the revaluation reserve.

Given that Pekao S.A. is not a subordinated entity, the shares held by the Parent company have been classified to financial assets available for sale. As a result, shares of Pekao S.A. are measured at fair value and the remeasurement effect is presented in the revaluation reserve.

4.17.5. Financial liabilities

Financial liabilities held for trading, including derivatives not designated as hedging instruments, are measured at fair value, while profits and losses resulting from their measurement are recognized directly in the statement of profit and loss.

Financial liabilities held for trading also include an obligation to supply borrowed securities and other financial instruments if the Company enters into a short sale agreement.

Other financial liabilities are measured at adjusted purchase price calculated using the effective interest rate method.

4.17.6. Loans granted and own receivables

Loans granted and own receivables include, irrespective of their maturity (payment) date, financial assets created as a result of releasing cash directly to the other contractual party. Loans granted and own receivables also include bonds and other debt financial instruments acquired in return for cash handed over directly to the other contractual party, if the concluded contract clearly shows that the seller did not lose control over the issued financial instruments (repurchase transactions).

Loans granted and own receivables do not include loans incurred or receivables as well as payments made by the Company to purchase new issues of equity instruments, also if the purchase is made in the initial public offering or in primary trading, and in the case of rights to shares – also in secondary trading.

Loans granted and own receivables are measured at adjusted purchase price calculated using the effective interest rate method.

4.18. Non-current liabilities on account of debt securities issued

A non-current liability is a duty – arising from past events – to make a payment of a reliably estimated value, which will result in using the existing or future assets of the PFR, with maturity longer than 12 months as from the balance sheet date.



Items classified as non-current liabilities include non-current liabilities on account of debt securities issues, including bonds issued by the PFR in connection with the execution of the Financial Shield government programs.

As at the balance sheet date, non-current liabilities on account of debt securities issues are measured at adjusted purchase price, while the effects of the measurement as well as revenues and expenses associated with the issue of bonds financing the execution of the Financial Shield government programs are recognized as settlements with the State Treasury.

4.19. Comparability of the financial data for the previous year with the financial statement for the financial year

Data for the period 1 January 2020 - 31 December 2020 is presented after transformation due to a change in the data presentation method introduced in 2021. Information on the comparability of data is given in note 25.

4.20. Specification of the item of financial statements where assets / liabilities and revenues/costs connected with the execution of the Financial Shield government programs are recognized:

Item A. V.3 Non-current financial assets

d) in other entities

- loans granted – Financial subsidies and loans granted for execution of the government programs – the Shield for SMEs, the Shield for Large Companies and the Shield for LOT Polish Airlines – the non-current part

- shares - Equity investments acquired in execution of the Shield for Large Companies government program

Item B.II.3 Receivables from other entities

c) other – Settlements with the State Treasury in the execution of the Financial Shield government programs

Item B.III.1 Current financial assets

c) in other entities

- loans granted – Financial subsidies and loans granted in the execution of the government programs: the Shield for SMEs, the Shield for Large Companies and the Shield for LOT Polish Airlines – the current part

d) cash and cash equivalents

- cash on hand and at bank – Cash in the accounts of the Financial Shield programs

- other cash - Term deposits from Financial Shield funds

Item D. II.3 Non-current liabilities to other entities

b) under debt securities issued

- PFR bonds issued for the purposes of the execution of the Financial Shield government programs – the non-current part

Item D. III.3 Current liabilities to other entities

b) under debt securities issued

- PFR bonds issued for the purposes of the execution of the Financial Shield government programs – the current part

Item D. III.4 Current liabilities - Special purpose funds

c) credit balance of settlements with the State Treasury in the execution of the Financial Shield government programs

Item A. I. Net revenues from sales of products

- Remuneration to PFR from the State Treasury for the execution of Financial Shield government programs

Consolidated balance sheet: assets

ASSETS	Note	31 December 2021	31 December 2020
A Non-current assets		24,619,463,363	54,697,123,419
I. Intangible assets	3		
1. Costs of completed development work		1,030,415	553,391
3. Other intangible assets		17,034,214	16,147,906
4. Advance payments for intangible assets		19,096	5,000
		18,083,724	16,706,297
II. Goodwill of subordinated entities			
1. Goodwill – subsidiaries	2, 3	7,028,786	12,066,924
		7,028,786	12,066,924
III. Property, plant and equipment	4		
1. Fixed assets		8,918,654	10,632,966
b) buildings, premises and civil and water engineering facilities		331,325	370,691
c) plant and machinery		2,608,213	2,939,736
d) means of transport		2,829,703	3,370,759
e) other fixed assets		3,149,412	3,951,780
2. Fixed assets under construction		-	-
3. Advance payments for fixed assets under construction		-	2,480
		8,918,654	10,635,446
IV. Non-current receivables			
3. From other entities		3,734,669	3,555,888
		3,734,669	3,555,888



ASSETS	Note	31 December 2021	31 December 2020
V. Non-current investments			
3. Non-current financial assets			
b) in subsidiaries, co-subsidiaries and associates measured by the equity method	7.2	40,869,321	41,285,602
- shares		40,869,321	41,285,602
c) in other entities in which the company holds an equity stake	7.3	4,104,333,270	2,053,801,992
- shares		4,104,286,892	2,052,725,843
- other securities		45,378	575,149
- loans granted		-	-
- other non-current financial assets		1,000	501,000
d) in other entities	7.4	20,401,668,024	52,157,533,676
- shares		287,743,583	230,886,000
- loans granted		10,051,138,841	48,691,238,471
- other securities		1,437,118,313	374,979,836
- other non-current financial assets		8,625,667,287	2,860,429,369
		24,546,870,615	54,252,621,270
VI. Non-current prepayments and accruals			
1. Deferred tax assets	19.3	33,084,739	401,357,673
2. Other prepayments and accruals		1,742,177	179,921
		34,826,915	401,537,594
B. Current assets		64,708,984,423	17,589,477,035
I. Inventory			
Materials		-	-
Semi-finished products and work in progress		-	-
Finished goods		-	-
Goods		537,275	-
5. Advance payments for deliveries and services		9,428	8,800
		546,703	8,800



ASSETS	Note	31 December 2021	31 December 2020
II. Current receivables			
1. Receivables from related parties		-	698,414
a) trade receivables		-	550,196
b) other		-	148,218
2. Receivables [from other entities] in which the company holds an equity stake		1,509,644	1,509,644
a) trade receivables		1,509,644	1,509,644
- up to 12 months		1,509,644	1,509,644
b) other		-	-
3. Receivables from other entities		38,162,562,500	843,586,062
a) trade receivables		23,965,979	11,760,221
- up to 12 months		23,965,979	11,760,221
b) on taxes, subsidies, customs duties, social insurance and health insurance or other public dues		5,246,228	2,683,259
c) other		38,133,350,293	829,142,582
d) pursued through litigation		-	-
		38,164,072,144	845,794,120
III. Current investments			
1. Current financial assets		26,537,043,097	16,739,131,565
b) in other entities in which the company holds an equity stake		209,092	200,000
- shares		-	-
- loans granted		209,092	200,000
- other current financial assets		-	-
c) in other entities	8.1	20,637,096,799	14,291,237,375
- shares		-	-
- loans granted		20,636,596,799	14,291,237,375
- other current financial assets		500,000	-
d) cash and cash equivalents	8.2	5,899,737,207	2,447,894,190
- cash on hand and at bank		192,423,993	786,021,588
- other cash		5,696,713,198	1,641,744,302
- other cash assets		10,600,016	20,128,300
		26,537,043,097	16,739,131,565
IV. Current prepayments and accruals	9	7,322,479	4,542,550
TOTAL ASSETS		89,328,447,786	72,286,600,454

Consolidated balance sheet: equity and liabilities

EQUITY AND LIABILITIES	Note	31 December 2021	31 December 2020
A. Equity			
I. Share capital	10.1	11,475,907,779	4,953,252,553
II. Supplementary capital, including:		1,160,338,794	1,073,397,849
- share premium account		531,174,535	498,561,196
III. Revaluation reserve, including:	10.2	137,989,892	(1,544,931,455)
- from revaluation of fair value		137,989,892	(1,544,931,455)
IV. Other reserve capital		-	-
V. Retained earnings (losses)		(70,451,867)	(35,687,407)
VI. Net profit		169,209,795	12,872,835
		12,872,994,393	4,458,904,375
B. Minority interest		769,721	830,437
C. Negative goodwill of subordinated entities		-	-
I. Negative goodwill – subsidiaries		-	-
		-	-
D. Liabilities and provisions for liabilities		76,454,683,672	67,826,865,642
I. Provisions for liabilities			
1. Deferred tax liability		64,756,688	34,335,573
2. Provision for pension and similar benefits	11	43,853,533	36,583,380
- non-current		2,622,522	1,461,978
- current		41,231,011	35,121,402
3. Other provisions		6,522,239	7,540,594
- non-current		1,312,374	1,869,448
- current	12	5,209,865	5,671,147
		115,132,460	78,459,548

EQUITY AND LIABILITIES	Note	31 December 2021	31 December 2020
II. Non-current liabilities			
1. To related parties		-	-
2. To other entities in which the company holds an equity stake		-	-
3. To other entities	13	73,371,738,289	64,835,458,632
a) loans and borrowings		42,459,261	43,910,032
b) under debt securities issued		73,317,384,434	64,788,827,607
c) other financial liabilities		1,293,595	2,720,993
d) other		10,601,000	-
		73,371,738,289	64,835,458,632
III. Current liabilities			
1. To related parties		420,628	31,473
a) trade receivables		62,946	31,473
b) other		357,682	-
2. To other entities in which the company holds an equity stake		30,693	-
a) trade receivables		30,693	-
3. To other entities		2,924,439,441	2,901,018,309
a) loans and borrowings		1,727,796,575	1,827,698,089
b) under debt securities issued		1,152,979,359	1,029,266,664
c) other financial liabilities		2,188,554	1,393,543
d) trade liabilities		21,008,619	18,213,540
- up to 12 months		21,008,619	18,213,540
e) advance payments received for deliveries		13,005	-
f) bill-of-exchange liabilities		-	-
g) on taxes, customs duties, social insurance and health insurance or other public dues		20,356,680	22,698,307
h) for payroll		25,880	321,065
i) other		70,769	1,427,101
4. Special-purpose funds		4,041,228	544,362
		2,928,931,990	2,901,594,144
IV. Accruals and deferred income			
Other accruals and deferred income		38,880,933	11,353,318
- non-current	14.1	35,016,647	9,856,345
- current	14.2	3,864,286	1,496,973
		38,880,933	11,353,318
TOTAL EQUITY AND LIABILITIES		89,328,447,786	72,286,600,454

Consolidated statement of profit and loss

	Note	1 January - 31 December 2021	1 January - 31 December 2020
A. Net revenues from sales and equivalents			
I. Net revenues from sales of products	15	429,297,295	324,946,654
II. Net revenues from sales of goods and materials		112,457	8,692
		429,409,752	324,955,346
B. Operating expenses			
I. Depreciation and amortization		(8,415,983)	(6,145,457)
II. Consumption of materials and energy		(1,931,628)	(2,261,156)
III. Third party services		(79,395,009)	(60,010,970)
IV. Taxes and charges		(3,717,691)	(3,413,868)
- including excise tax			
V. Payroll		(143,301,875)	(127,562,016)
VI. Social insurance and other benefits		(28,969,742)	(23,196,082)
- pension		(7,395,453)	(7,503,288)
VII. Other costs by nature		(24,464,112)	(27,894,449)
VIII. Value of goods and materials sold		(58,137)	-
		(290,254,177)	(250,483,998)
C. Profit (loss) on sales		139,155,575	74,471,348
D. Other operating income			
I. Profit on disposal of non-financial non-current assets		72,659	20,000
II. Subsidies		4,017,847	2,756,455
IV. Other operating income		20,331,767	5,935,680
		24,422,273	8,712,135
E. Other operating expenses			
I. Loss on the sale of non-financial non-current assets		(68,232)	-
II. Revaluation of non-financial assets		-	-
III. Other operating expenses		(9,261,042)	(13,385,738)
		(9,329,273)	(13,385,738)
F. Operating profit (loss)		154,248,575	69,797,745



	Note	1 January - 31 December 2021	1 January - 31 December 2020
G. Financial income			
I. Dividends and profit sharing		107,843,693	-
b) from other entities, by virtue of:		107,843,693	-
- in which the company holds an equity stake		107,843,693	-
I. Interest	16	22,415,917	21,420,796
III. Profit on disposal of financial assets		3,478	48,071,410
IV. Revaluation of investments		-	-
V. Other		3,110,402	4,339,632
		133,373,490	73,831,838
H. Financial costs			
I. Interest	17	(47,486,074)	(64,864,583)
- including from related parties		-	-
II. Loss on the disposal of financial assets		(10,878,223)	-
III. Revaluation of financial assets		-	(275,812)
IV. Other		(2,332,045)	(15,357,053)
		(60,696,342)	(80,497,448)
J. Profit (loss) on business activity		226,925,724	63,132,135
K. Goodwill write-off			
I. Goodwill write-off – subsidiaries		(5,038,138)	(5,050,135)
		(5,038,138)	(5,050,135)
L. Negative goodwill write-off			
I. Negative goodwill write-off – subsidiaries		-	191,213
		-	191,213
M. Profit (loss) on shares in subordinated units measured by the equity method		(17,916,280)	(21,163,136)
N. Profit / (Loss) before tax		203,971,306	37,110,077
O. Income tax	19	(34,822,227)	(23,980,892)
R. Minority profit / (loss)		60,716	(256,350)
S. Net profit / (loss)		169,209,795	12,872,835

Consolidated statement of changes in equity

	1 January - 31 December 2021	1 January - 31 December 2020
I. Equity at the beginning of the period	4,458,904,375	2,835,777,865
- adjustments of errors	0	0
- change in accounting principles (policy)	0	0
I.a. Equity at the beginning of the period after adjustments	4,458,904,375	2,835,777,865
1. Share capital at the beginning of the period	4,953,252,553	2,453,326,553
1.1. Change in share capital		
a) increases	6,522,655,226	2,499,926,000
- capital increase	6,522,655,226	2,499,926,000
1.2. Share capital at the end of the period	11,475,907,779	4,953,252,553
2. Supplementary capital at the beginning of the period	1,073,397,849	957,779,320
2.1. Change in supplementary capital		
a) increases	90,937,978	115,618,529
- from profit distribution (above the minimum value required by law)	58,324,639	115,618,529
- issue of shares above the nominal value	32,613,339	0
b) decreases	(3,997,033)	0
- other decreases	(3,997,033)	0
2.2. Supplementary capital at the end of the period	1,160,338,794	1,073,397,849
3. Revaluation reserve at the beginning of the period	(1,544,931,455)	(652,397,492)
3.1. Change in revaluation reserve		
a) increases	2,126,248,549	470,973,318
- investment measurement to fair value	2,126,248,549	470,973,318
- other increases	-	-
b) decreases	(443,327,201)	(1,363,507,281)
- investment measurement to fair value	(443,327,201)	(1,363,507,281)
- other decreases	0	-
3.2. Revaluation reserve at the end of the period	137,989,892	(1,544,931,455)



	1 January - 31 December 2021	1 January - 31 December 2020
4. Other reserve capital at the beginning of the period	-	-
4.1. Change in other reserve capital		
a) increases	-	-
- contribution to increase capital	-	-
b) decreases	-	-
4.2. Other reserve capital at the end of the period	-	-
5. Foreign exchange differences from translation		
6. Retained earnings (losses) at the beginning of the period	(22,814,572)	77,069,484
6.1. Retained earnings at the beginning of the period	83,128,470	151,418,889
Retained earnings at the beginning of the period	83,128,470	151,418,889
- adjustment of a basic error in a subsidiary	-	2,691,890
- transfer of retained earnings (losses)	13,402,822	-
6.2. Retained earnings at the beginning of the period, after adjustments	96,531,292	154,110,779
a) increases	4,030,834	0
- other increases	4,030,834	0
b) decreases	(58,324,639)	(127,186,097)
- from profit distribution (above the minimum value required by law)	(58,324,639)	(127,186,097)
6.3. Retained earnings at the end of the period	42,237,486	26,924,682
6.4. Retained loss at the beginning of the period	(105,943,042)	(74,349,405)
- adjustments of errors	1,782,157	-
- transfer of retained earnings (losses)	(13,402,822)	-
6.5. Retained loss at the beginning of the period, after adjustments	(117,563,707)	(74,349,405)
a) increases	(81,110)	-
- other increases	(81,110)	-
b) decreases	4,955,462	11,737,316
- coverage of loss with retained earnings	-	11,737,316
- other decreases	4,955,462	-
6.6. Retained loss at the end of the period	(112,689,354)	(62,612,089)
6.7. Retained earnings (losses) at the end of the period	(70,451,868)	(35,687,407)
7. Net result	169,209,795	12,872,835
net profit	210,541,084	56,203,788
net loss	(41,331,289)	(43,330,953)
II. Equity at the end of the period	12,872,994,393	4,458,904,375
III. Equity after taking into consideration the proposed distribution of profit	12,872,994,393	4,458,904,375

Consolidated cash flow statement

	Note	1 January - 31 December 2021	1 January - 31 December 2020
A. Cash flows from operating activities			
I. Net profit		169,209,795	12,872,835
II. Total adjustments:			
1. Minority profit / (loss)		(60,716)	256,350
2. Profit / (Loss) on shares in entities measured by the equity method		17,916,280	21,163,136
3. Depreciation and amortization		8,415,983	6,145,457
4. Goodwill write-off		5,038,138	5,050,135
5. Negative goodwill write-off		-	(191,212)
6. Profit / loss from foreign exchange differences		-	1,954
7. Interest and profit sharing (dividends)		(83,215,929)	43,443,787
8. Profit / (Loss) on investing activity	20.1	12,579,595	(48,030,328)
9. Change in provisions		33,357,671	40,434,700
10. Change in inventories		(537,901)	(8,801)
11. Change in receivables	20.3	(23,853,947)	5,244,670
12. Change in current liabilities, except for loans and borrowings	20.2	20,376,596	19,192,989
13. Change in prepayments and accruals		391,396,800	(244,328,599)
14. Other adjustments	20.5	(683,631,458)	26,248,776
		(302,218,889)	(125,376,986)
III. Net cash flows from operating activities		(133,009,094)	(112,504,151)
B. Cash flows from investing activities			
I. Proceeds		10,380,582,285	3,557,418,388
1. Sale of intangible assets and property, plant and equipment		1,687,690	228,538
3. From financial assets, of which:		10,378,860,424	3,557,189,850
a) in related parties			
b) in other entities		10,378,860,424	3,557,189,850
- disposal of financial assets		4,817,227,875	2,568,413,890
- dividends and profit-sharing		107,843,693	-
- repayment of long-term loans granted		5,390,888,700	938,429,409
- interest		53,700,156	21,546,551
- other proceeds from financial assets		9,200,000	28,800,000
4. Other investment proceeds		34,171	-



	Note	1 January - 31 December 2021	1 January - 31 December 2020
II. Expenditures		(15,118,522,056)	(64,707,297,301)
1. Purchase of intangible assets and property, plant and equipment	20.4	(8,794,871)	(10,054,166)
2. Investments in real property and intangible assets		-	-
3. For financial assets, including:		(10,082,129,988)	(64,128,630,848)
a) in related parties		-	(2,499,538)
- purchase of financial assets		-	(2,499,538)
b) in other entities		(10,082,129,988)	(64,126,131,311)
- long-term loans granted		(9,997,772,415)	(63,894,720,800)
- purchase of financial assets		(84,357,573)	(231,410,511)
4. Other investment disposals	20.6	(5,027,597,197)	(568,612,287)
III. Net cash flows from investing activities		(4,737,939,771)	(61,149,878,913)
C. Cash flows from financing activities			
I. Proceeds		9,534,368,728	65,178,439,623
1. Net inflows from issuing shares and other equity instruments and additional capital contributions		-	-
2. Loans and borrowings		47,390	4,662,588
3. Issue of debt securities		8,522,633,838	65,173,050,750
4. Other financial proceeds	20.7	1,011,687,500	726,285
II. Expenditures		(1,211,576,845)	(1,693,095,758)
1. Purchase of treasury shares			
4. Repayment of loans and borrowings		(112,384,292)	(1,612,076,856)
7. Liabilities paid under financial lease agreements		(1,333,841)	(7,904,941)
8. Interest		(1,097,857,507)	(73,112,832)
9. Other financial expenditures		(1,205)	(1,129)
III. Net cash flows from financing activities		8,322,791,882	63,485,343,865
D. Total net cash flows		3,451,843,017	2,222,960,801
E. Balance sheet change in cash		3,451,843,017	2,222,960,801
- including change in cash on account of foreign exchange differences		-	-
F. Cash at the beginning of the period		2,447,894,190	224,933,389
G. Cash at the end of the period	8.2	5,899,737,207	2,447,894,190
- including restricted cash		5,523,412,888	1,907,082,465

Notes and explanations

1. FINANCIAL SHIELD GOVERNMENT PROGRAMS

Pursuant to the Act on the System of Development Institutions of 4 July 2019 (Journal of Laws, Item 1572, as amended), PFR S.A. performs tasks entrusted by the state administration authorities, i.e. handling of the government programs: the Financial Shield for Large Companies, the Financial Shield for SMEs and the government support program for PLL LOT S.A.

When performing the duties arising from the Financial Shield government programs, PFR takes action for the account of the State Treasury represented by the Development Minister acting in agreement with the Finance Minister and at its exclusive cost and risk. These actions include raising third party financing through the issue of bonds and granting financing pursuant to the contractual terms of the Financial Shield government programs.

On initial recognition, the measurement of the subsidies and loans granted under the Financial Shield government programs is equal to their nominal value. On subsequent balance sheet dates, interest-free financial subsidies which are classified in the category of loans granted and own receivables, are measured at the amount of funds granted, less repayments of the nominal amount. The Company has applied measurement at the nominal amount because it does not have data making it possible to estimate in a reliable way the amount and dates of receipt of funds from the State Treasury in connection with remissions of subsidies and loans. Nevertheless, considering the absence of interest (for financial subsidies) and commission, the measurement at the nominal amount is deemed close to the measurement at adjusted purchase price. Pursuant to the adopted accounting policy, the Company does not recognize impairment losses for the financial subsidies and loans granted because the State Treasury incurs all the costs and risks associated with the performance of the government programs, which includes being ready to cover the costs resulting from failures to repay the subsidies and loans.

The financial subsidies granted under the government program – Financial Shield for SMEs, and some of the loans granted under the government program – Financial Shield for Large Companies, may be subject to remission, after satisfying the conditions defined in the agreements. PFR presents remissions of financial subsidies and loans granted as well as interest income and revaluations as settlements with the State Treasury as referred to below.

Pursuant to the rules and regulations of the government program – Financial Shield for SMEs, the maximum remission level may be 75% of the subsidy amount after beneficiaries satisfy the conditions defined in the program, except for entrepreneurs operating in the industries most affected by the effects of COVID-19-related administrative restrictions who, having satisfied the conditions defined in the program, will be exempt from the duty to repay financial subsidies entirely.

Pursuant to the rules and regulations of the government program – Financial Shield for SMEs 2.0, entrepreneurs operating in the industries most affected by the effects of COVID-19-related administrative restrictions will be exempt from the duty to repay financial subsidies entirely having satisfied the conditions defined in the program.

Pursuant to the rules and regulations of the government program – Financial Shield for Large Companies, the maximum remission level for preferential loans may be 75% of the loan amount after the beneficiary satisfies the conditions defined in the program. Liquidity loans are not subject to remission.

Non-current liabilities on account of debt securities issues include bonds issued by PFR in connection with obtaining funds for granting financing within the execution of the Financial Shield government programs. The bonds are secured by the State Treasury's guarantee and the costs of issuing the bonds, payment of interest on the bonds and the bond redemption are subject to the mechanism of tranches from the State Treasury, which involve disbursement of cash to cover the above costs and redemption if there are no funds in the accounts of the Financial Shield government programs. Both the costs of issues, costs of interest and tranches from the State Treasury are recognized as settlements with the State Treasury.

In the item of receivables / liabilities on account of settlements with the State Treasury, the Company presents effects of operations connected with the execution of the Financial Shield government programs, based on the mechanism of tranches from the State Treasury, which guarantee that costs are refunded and redemption of the issued bonds is covered and which involve the condition that cash surpluses remaining in the accounts of the Financial Shield government programs have to be returned after repayment of the external financing (bonds).

As a result of the amendments made in 2021 to the Act on the System of Development Institutions, pursuant to which PFR S.A., executing the government program, maintains stand-alone accounting in accordance with Article 11 sec. 4 and 5, including creation for the government program of a fund not counted into equity (funds) disclosed in the equity and liabilities of the Group's balance sheet as a special-purpose fund (pursuant to Article 46 sec. 4 of the Accounting Act of 29 September 1994), in 2021 the Company changed its accounting policy in this respect and the credit balance sheet of settlements with the State Treasury is presented in current liabilities, in the item: special-purpose funds.

As at 31 December 2021, settlements with the State Treasury under the SMEs, SMEs 2.0 and the Financial Shield for Large Companies programs showed a debit balance, therefore they are presented in PFR S.A.'s balance sheet in the item: "Current receivables from other entities – other" in the total amount of PLN 38,121,710,033.62. The Shield for LOT Polish Airlines Program showed credit balance, therefore it is presented in PFR S.A.'s balance sheet in the item: "Current liabilities - Special-purpose funds" in the amount of PLN 3,277,483.19.

Components of assets and liabilities of the Financial Shield for SMEs

	Note	31 December 2021	31 December 2020
Program Assets, including:		61,387,858,414	61,842,745,636
Loans granted		18,987,168,267	60,521,942,991
Financial subsidies granted within the Financial Shield for SMEs government programs - non-current	7.4	6,114,166,530	46,588,622,292
Financial subsidies granted within the Financial Shield for SMEs government programs - current	8.1	12,873,001,737	13,933,320,699
Cash on hand and at bank, including:	8.2	5,048,574,474	552,521,365
Bank account of the Financial Shield for SMEs program		3,474,474	552,521,365
Term deposits of the Financial Shield for SMEs program		5,045,100,000	
Receivables on account of settlements with the State Treasury, including:		37,352,115,673	768,281,280
Cost of interest on bonds issued		1,631,351,402	635,070,739
Adjustment of the valuation of bonds issued (SCN)		(4,248,858)	(3,610,218)
Remissions of financial subsidies		36,398,870,838	-
External costs of the Financial Shield for SMEs government program		17,552,930	15,852,866
Remuneration for PFR for the execution of the Financial Shield for SMEs government program		278,071,762	125,196,429
Cash received from the State Treasury in Tranches		(959,667,750)	(2,267,750)
Interest income		(9,814,652)	(1,960,786)
	Note	31 December 2021	31 December 2020
Program Liabilities, including:		61,387,858,414	61,842,745,636
Liabilities on the issue of debt securities – non-current	13.2	60,390,241,033	60,828,525,526
Liabilities on the issue of debt securities – current	13.2	958,490,262	967,963,724
Cash payable to PFR as remuneration for Q4		38,130,000	46,125,000
Current trade liabilities		997,119	131,385

The remuneration for the execution of the government program for Micro, Small and Medium-sized Enterprises (SMEs) is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. In 2021, the gross remuneration for handling the Financial Shield for SMEs 1.0 government program was PLN 152.88 million.

Components of assets and liabilities of the Financial Shield for Large Companies

	Note	31 December 2021	31 December 2020
Program Assets, including:		4,054,292,864	3,143,632,457
Non-current investments, including:	7.4	287,743,583	230,886,000
Shares of PGG SA		230,886,000	230,886,000
Shares of MTG SA		56,857,583	
Loans granted		2,741,459,104	1,554,483,717
Loans - non-current receivables	7.4	2,159,266,973	1,208,934,179
Loans – current receivables	8.1	582,192,131	345,549,539
Cash on hand and at bank, including:	8.2	362,224,523	1,299,499,820
Bank account of the Financial Shield for Large Companies program		143,224,523	1,299,499,820
Term deposits of the Financial Shield for Large Companies program		219,000,000	
Receivables on account of settlements with the State Treasury, including:		662,865,654	58,762,920
Cost of interest on bonds issued		85,477,046	13,391,986
Adjustment of the valuation of bonds issued (SCN)		(203,281)	(97,750)
Remissions of loans		518,976,459	-
External costs of the Financial Shield for Large Companies government program		6,182,356	4,801,301
Remuneration for PFR for the execution of the Financial Shield for Large Companies government program		103,232,143	41,732,143
Cash received from the State Treasury in Tranches		(29,287,500)	-
Interest income		(24,311,568)	(1,064,760)
Mutual settlements between the Financial Shield programs		2,800,000	-
	Note	31 December 2021	31 December 2020
Program Liabilities, including:		4,054,292,864	3,143,632,457
Liabilities on the issue of debt securities – non-current	13.2	3,974,407,537	3,078,529,149
Liabilities on the issue of debt securities – current	13.2	64,397,927	49,105,087
Cash payable to PFR as remuneration for Q4		15,375,000	15,375,000
Current trade liabilities		112,400	623,221

The remuneration for the execution of the government program for Large Companies is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. In 2021, the gross remuneration for handling the Financial Shield Program for Large Companies government program was PLN 61.50 million.

Components of assets and liabilities of the Financial Shield for LOT Polish Airlines

	Note	31 December 2021	31 December 2020
Program Assets, including:		1,817,178,324	894,257,384
Loans granted		1,813,610,959	893,682,000
Loans - non-current receivables	7.4	1,777,705,338	893,682,000
Loans - current receivables	8.1	35,905,621	-
Cash on hand and at bank, including:	8.2	3,567,365	73
Bank account of the Financial Shield for LOT Polish Airlines program		3,567,365	73
Receivables on account of settlements with the State Treasury, including:		-	575,312
Cost of interest on bonds issued		-	290,438
Adjustment of the valuation of bonds issued (SCN)		-	(1,654)
External costs of the Financial Shield for LOT Polish Airlines government program		-	286,527
Cash received from the State Treasury in Tranches		-	-
Interest income		-	-
	Note	31 December 2021	31 December 2020
Program Liabilities, including:		1,817,178,324	894,257,384
Liabilities on the issue of debt securities – non-current	13.2	1,789,222,844	881,772,931
Liabilities on the issue of debt securities – current	13.2	24,676,697	12,197,853
Current trade liabilities		1,300	286,600
Special-purpose funds, including:		3,277,483	-
Cost of interest on bonds issued		(25,728,284)	
Adjustment of the valuation of bonds issued (SCN)		9,823	-
External costs of the Financial Shield for LOT Polish Airlines government program		(550,847)	-
Interest income		26,746,791	-
Mutual settlements between the Financial Shield programs		2,800,000	

The remuneration for the execution of the government program for LOT Polish Airlines is paid as a total amount with the remuneration for executing the government program for Large Companies.

Components of assets and liabilities of the Financial Shield for SMEs 2.0

	Note	31 December 2021	31 December 2020
Program Assets, including:		7,276,949,502	-
Loans granted		7,103,091,817	-
Financial subsidies granted under the Financial Shield for SMEs 2.0 government programs - non-current		-	-
Financial subsidies granted under the Financial Shield for SMEs 2.0 government programs - current	8.1	7,103,091,817	-
Cash on hand and at bank, including:	8.2	67,128,978	-
Bank account of the Financial Shield for SMEs 2.0 program		4,628,978	-
Term deposits of the Financial Shield for SMEs 2.0 program		62,500,000	-
Receivables on account of settlements with the State Treasury, including:		106,728,707	-
Cost of interest on bonds issued		97,667,294	-
Adjustment of the valuation of bonds issued (SCN)		(20,359)	-
Remissions of financial subsidies		-	-
External costs of the Financial Shield for SMEs 2.0 government program		2,508,494	-
Remuneration to PFR for the execution of the Financial Shield for SMEs 2.0 government program		31,624,667	-
Cash received from the State Treasury in Tranches		(25,000,000)	-
Interest income		(51,389)	-
	Note	31 December 2021	31 December 2020
Program Liabilities, including:		7,276,949,502	-
Liabilities on the issue of debt securities – non-current	13.2	7,163,513,020	-
Liabilities on the issue of debt securities – current	13.2	105,414,473	-
Cash payable to PFR as remuneration for Q4		7,995,000	-
Current trade liabilities		27,009	-

The remuneration for for the execution of the government program for Micro, Small and Medium-sized Enterprises (SMEs) 2.0 is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. In 2021, the gross remuneration for handling the Financial Shield for SMEs 2.0 government program was PLN 31.62 million.

2. GOODWILL

Goodwill of a subsidiary

In August 2016, the Group acquired 100% shares in PFR Ventures Sp. z o.o. in the amount of PLN 68,349,000. The transaction was performed by way of a cash transfer.

On 28 September 2017, the Group acquired 100% shares in PFR Towarzystwo Funduszy Inwestycyjnych S.A. in the amount of PLN 21,700,000. The transaction was performed by way of a cash transfer.

On 3 August 2018, the Group acquired 100% of shares in Krajowy Fundusz Kapitałowy S.A., for the amount of PLN 48,699,500. The transaction was performed by way of a cash transfer.

On 31 December 2019, a merger of subsidiaries was registered: PFR Ventures Sp. z o.o. and Krajowy Fundusz Kapitałowy S.A. (hereinafter referred to as "KFK") through an entry to the National Court Register (KRS).

The merger resulted from the entry into force of the Act on the System of Development Institutions of 4 July 2019 (Journal of Laws of 2019, Item 1572), which regulated the operation of the Polski Fundusz Rozwoju (PFR) Group.

The merger was effected following the procedure provided for in Article 492 § 1 item 1 of the Commercial Company Code, i.e. by transferring all of the assets of KFK through universal succession to PFR Ventures.

PFR Ventures assumed the rights and responsibilities of KFK as an investor in *venture capital* funds. The *venture capital* funds established within KFK will continue to operate until the program closes, i.e. until the end of 2025.

The merger was effected using the purchase method of accounting as described in Article 44b of the Accounting Act, where the settlement involves totaling all the items of assets and equity and liabilities of the acquiring company, at carrying amounts, with the corresponding items of assets and liabilities and equity of the acquired company, at fair values determined as at the merger date.

The number, par value and type of shares created for the purpose of the merger 473,088 shares with par value of PLN 100.00 each.

Other information:

cost of acquisition: PLN 47,308,800.00

fair value of net assets of the acquired company, as at the date of the merger: PLN 50,280,650.56

On 3 October 2018, the Group acquired 100% of shares in PFR Nieruchomości S.A., for the amount of PLN 14,400,000. The transaction was performed by way of a cash transfer.

The goodwill was calculated as follows:

	PFR Ventures Sp. z o.o.	PFR Towarzystwo Funduszy Inwestycyjnych S.A.	Krajowy Fundusz Kapitałowy S.A.	PFR Nieruchomości S.A.
Share price	68,349,000	21,700,000	48,699,500	14,400,000
Purchase costs	683,490	266,508	486,995	372,373
Purchase price	69,032,490	21,966,508	49,186,495	14,772,373
Fair value of net assets acquired	68,888,547	13,173,664	47,763,291	(1,541,511)
Acquired stake	100%	100%	100%	100%
Gross goodwill	143,943	8,792,844	1,423,204	16,313,884
Accumulated amortization as at 31 December 2021	143,943	7,473,918	1,423,204	10,604,024
- amortization charges in 2016	11,995	-	-	-
- amortization charges in 2017	28,789	439,642	-	-
- amortization charges in 2018	28,789	1,758,569	118,600	815,693
- amortization charges in 2019	28,789	1,758,569	1,304,604	3,262,777
- amortization charges in 2020	28,789	1,758,569	-	3,262,777
- amortization charges in 2021	16,792	1,758,569	-	3,262,777
Net goodwill as at 31 December 2021	-	1,318,926	-	5,709,860

Goodwill of an associated company measured with the equity method

On 8 February 2016, the Group acquired 23.10% shares in SKB DRIVE TECH S.A. in the amount of PLN 11,999,999. The transaction was performed by way of a cash transfer.

On 27 September 2018, the Group acquired 4,100,000 series B shares in Polska Agencja Ratingowa S.A. for the amount of PLN 2,173,000. The transaction was performed by way of a cash transfer.

The goodwill was calculated as follows:

	SKB DRIVE TECH S.A.	Polska Agencja Ratingowa S.A.	Operator Chmury Krajowej
Share price	11,999,999	2,173,000	77,500,000
Purchase costs	-	21,730	-
Purchase price	11,999,999	2,194,730	77,500,000
Fair value of net assets acquired	40,524,046	1,545,042	not applicable
Acquired stake	23.10%	33.00%	50.00%
Net assets attributable to a major investor	9,361,055	509,864	not applicable
Gross goodwill	2,638,944	1,684,866	-
Accumulated amortization as at 31 December 2020	2,638,944	1,095,162	-
- amortization charges in 2016	483,806	-	-
- amortization charges in 2017	527,789	-	-
- amortization charges in 2018	527,789	84,243	-
- amortization charges in 2019	527,789	336,973	-
- amortization charges in 2020	527,789	336,973	-
- amortization charges in 2021	43,982	336,973	-
Net goodwill as at 31 December 2021	-	589,704	-

3. INTANGIBLE ASSETS

3.1. Change in intangible assets

in the period from 1.1.2021 to 31.12.2021

	Goodwill	Other intangible assets	Advance payments for intangible assets	Costs of develop- ment work in progress	Total
Gross amount					
1 January 2021	26,673,875	19,599,746	5,000	742,895	47,021,516
Additions by virtue of purchases	-	5,515,788	29,096	668,032	6,212,916
Acquisition of control of a subsidiary	-	-	-	-	-
Internal transfer	-	-	-	-	-
Reductions	-	(509,184)	(15,000)	(41,129)	(565,313)
31 December 2021	26,673,875	24,606,350	19,096	1,369,799	52,669,120
Accumulated amortization					
1 January 2021	(14,606,951)	(3,451,839)	-	(189,505)	(18,248,295)
Additions by virtue of a planned remission	(5,038,138)	(4,536,198)	-	(149,880)	(9,724,216)
Acquisition of control of a subsidiary	-	-	-	-	-
Reductions	-	415,902	-	-	415,902
31 December 2021	(19,645,089)	(7,572,136)	-	(339,385)	(27,556,609)
Net value					
1 January 2021	12,066,924	16,147,906	5,000	553,391	28,773,221
31 December 2021	7,028,786	17,034,214	19,096	1,030,415	25,112,510

in the period from 1.1.2020 to 31.12.2020

	Goodwill	Other intangible assets	Advance payments for intangible assets	Costs of develop- ment work in progress	Total
Gross amount					
1 January 2020	26,673,875	13,739,926	12,707	640,261	41,066,769
Additions by virtue of purchases	-	5,859,820	5,000	102,634	5,967,454
Acquisition of control of a subsidiary	-	-	-	-	-
Internal transfer	-	-	-	-	-
Reductions	-	-	(12,707)	-	(12,707)
31 December 2020	26,673,875	19,599,746	5,000	742,895	47,021,516
Accumulated amortization					
1 January 2020	(9,556,815)	(2,096,068)	-	(56,334)	(11,709,217)
Additions by virtue of a planned remission	(5,050,136)	(1,355,771)	-	(133,171)	(6,539,078)
Acquisition of control of a subsidiary	-	-	-	-	-
Reductions	-	-	-	-	-
31 December 2020	(14,606,951)	(3,451,839)	-	(189,505)	(18,248,295)
Net value					
1 January 2020	17,117,060	11,643,858	12,707	583,927	29,357,552
31 December 2020	12,066,924	16,147,906	5,000	553,391	28,773,221

4. PROPERTY, PLANT AND EQUIPMENT

4.1. Change in fixed assets

in the period from 1.1.2021 to 31.12.2021

	Land (including perpetual usufruct right to land)	Buildings, premises and civil and marine engineering facilities	Fixed assets under construction	Means of transport	Plant and machinery	Other fixed assets	Total
Gross amount							
1 January 2021	-	393,654	2,480	6,130,241	9,351,317	6,992,434	22,870,126
Additions by virtue of:	-	-	-	1,004,864	2,346,542	164,430	3,515,837
- purchases	-	-	-	296,336	2,346,542	164,430	2,807,309
- leasing	-	-	-	708,528	-	-	708,528
Internal transfer	-	-	-	-	12,324	(12,324)	-
Reductions	-	-	(2,480)	(498,952)	(2,408,290)	(524,693)	(3,434,415)
31 December 2021	-	393,654	-	6,636,154	9,301,892	6,619,848	22,951,548
Accumulated amortization							
1 January 2021	-	(22,963)	-	(2,759,482)	(6,411,581)	(3,040,654)	(12,234,680)
Additions by virtue of a planned remission	-	(39,365)	-	(1,330,821)	(1,786,704)	(572,510)	(3,729,401)
Internal transfer	-	-	-	-	(5,855)	5,855	-
Reductions	-	-	-	283,853	1,510,461	136,873	1,931,186
31 December 2021	-	(62,329)	-	(3,806,450)	(6,693,679)	(3,470,437)	(14,032,894)
1 January 2021	-	370,691	2,480	3,370,759	2,939,736	3,951,780	10,635,446
31 December 2021	-	331,325	-	2,829,704	2,608,213	3,149,412	8,918,654

in the period from 1.1.2020 to 31.12.2020

	Land (including perpetual usufruct right to land)	Buildings, premises and civil engineering facilities	Fixed assets under construction	Means of transport	Plant and machinery	Other fixed assets	Total
Gross amount							
1 January 2020	-	-	22,498	7,047,512	8,198,345	4,921,271	20,189,626
Additions by virtue of:	-	393,654	2,480	-	1,466,163	2,240,917	4,103,214
- purchases	-	393,654	2,480	-	1,466,163	2,240,917	4,103,214
- leasing	-	-	-	-	-	-	-
Acquisition of control of a subsidiary	-	-	-	-	-	-	-
Reductions	-	-	(22,498)	(917,272)	(313,190)	(169,754)	(1,422,714)
31 December 2020	-	393,654	2,480	6,130,241	9,351,317	6,992,434	22,870,126
Accumulated amortization							
1 January 2020	-	-	-	(1,651,295)	(4,453,668)	(2,094,776)	(8,199,739)
Additions by virtue of a planned remission	-	(22,963)	-	(1,303,625)	(2,081,379)	(1,095,522)	(4,503,489)
Acquisition of control of a subsidiary	-	-	-	-	-	-	-
Reductions	-	-	-	195,438	123,466	149,643	468,548
31 December 2020	-	(22,963)	-	(2,759,482)	(6,411,581)	(3,040,654)	(12,234,680)
1 January 2020	-	-	22,498	5,396,217	3,744,677	2,826,495	11,989,887
31 December 2020	-	370,691	2,480	3,370,759	2,939,736	3,951,780	10,635,446

4.2. Fixed assets that are not depreciated

The value of fixed assets not presented in the Group's assets – the vehicles used by the Group based on financial lease agreements as at 31 December 2021 was PLN 34.266. The Group also has other non-depreciated fixed assets – office equipment worth PLN 39,000, which are used by the Group based on a lease agreement.

5. REVALUATION CHARGES FOR PROPERTY, PLANT AND EQUIPMENT

The Group did not make any revaluation charges for property, plant and equipment in the reporting period.

6. OUTLAYS FOR NON-FINANCIAL NON-CURRENT ASSETS INCURRED LAST YEAR AND PLANNED FOR THE NEXT YEAR

In 2021, the Group incurred capital expenditures of PLN 9 million on: computer software and other intangible assets, machinery and other fixed assets. A considerable portion of the expenditures falls to the Parent company.

In connection with the further development of PFR S.A., the capital expenditures incurred in 2021 amounted to PLN 6.6 million. The expenditures were earmarked to, among others:

- construction and implementation of IT solutions for servicing the program of Financial Shield performed by the Company: PLN 1.6 million,
- purchase of hardware and software: PLN 0.6 million,
- expansion of the Ewidencja PPK (ECP Records) system: PLN 1.3 million

The capital expenditures planned by the Parent company for 2022 amount to PLN 19.5 million and will be earmarked for, among others, software and necessary software, including: further IT works on the Financial Shield, programming work in connection with servicing the PPK (ECP) program, preparation of data exchange mechanism for the CIE system being designed. The above expenditures are justified by the Company's further development and programs executed by the Company.

In the 2021 financial year, capital expenditures on environmental protection were PLN 0 (in 2020, PLN 0).

7. NON-CURRENT AND CURRENT INVESTMENTS

7.1. Change in investments

As at 31 December 2021

	Non-current and current assets	Total
Gross amount		
1 January 2021	70,565,037,986	70,565,037,986
Additions by virtue of purchases, including:	22,827,155,427	22,827,155,427
- subsidies and loans granted under the government Financial Shield programs	9,967,026,721	9,967,026,721
- shares acquired under the government Financial Shield programs	56,238,954	56,238,954
Additions by virtue of accrued interest, including:	28,955,248	28,955,248
- on subsidies and loans granted under the government Financial Shield programs	17,169,071	17,169,071
Reductions by virtue of repayment, including:	(11,105,934,982)	(11,105,934,982)
- subsidies and loans granted under the government Financial Shield programs	(5,390,888,700)	(5,390,888,700)
Reductions on account of remission	(36,917,847,297)	(36,917,847,297)
31 December 2021	45,397,366,381	45,397,366,381
Measurement by the equity method		
1 January 2021	(33,492,129)	(33,492,129)
Goodwill amortization	(380,955)	(380,955)
Share of capital change	(17,535,325)	(17,535,325)
31 December 2021	(51,408,409)	(51,408,409)
Fair value measurement		
1 January 2021	(1,987,687,214)	(1,987,687,214)
Revaluation	1,825,905,747	1,825,905,747
31 December 2021	(161,781,467)	(161,781,467)
Net value		
1 January 2021	68,543,858,643	68,543,858,643
31 December 2021	45,184,176,506	45,184,176,506

As at 31 December 2020

	Non-current and current assets	Total
Gross amount		
1 January 2020	6,848,791,002	6,848,791,002
Additions by virtue of purchases, including:	64,697,067,625	64,697,067,625
- subsidies and loans granted under the government Financial Shield programs	63,894,720,800	63,894,720,800
- shares acquired under the government Financial Shield programs	230,886,000	230,886,000
Increases on account of accrued interest, including:	2,622,852	2,622,852
- on subsidies and loans granted under the government Financial Shield programs	788,302	788,302
Reductions by virtue of repayment, including:	(983,443,494)	(983,443,494)
- subsidies and loans granted under the government Financial Shield programs	(925,400,394)	(925,400,394)
31 December 2020	70,565,037,986	70,565,037,986
Measurement by the equity method		
1 January 2020	(12,328,993)	(12,328,993)
Goodwill amortization	(864,762)	(864,762)
Share of capital change	(20,298,374)	(20,298,374)
31 December 2020	(33,492,129)	(33,492,129)
Fair value measurement		
1 January 2020	(888,307,952)	(888,307,952)
Share of capital change	(1,099,379,262)	(1,099,379,262)
31 December 2020	(1,987,687,214)	(1,987,687,214)
Net value		
1 January 2020	5,948,154,057	5,948,154,057
31 December 2020	68,543,858,643	68,543,858,643

7.2. Non-current financial assets in subsidiaries, co-subsidiaries and associates measured by the equity method

	31 December 2021	31 December 2020
Shares of SKB DRIVE TECH S.A. – purchase price	11,999,999	11,999,999
Goodwill amortization	(2,638,944)	(2,594,962)
Share in the result	(1,629,276)	(1,693,478)
	7,731,779	7,711,559
	31 December 2021	31 December 2020
Shares of Polska Agencja Ratingowa S.A. – purchase price	2,777,730	2,777,730
Goodwill amortization	(1,095,162)	(758,189)
Share in the result	(2,205,392)	(2,011,490)
	(522,824)	8,051
	31 December 2021	31 December 2020
Shares of Operator Chmury Krajowej Sp. z o.o. – purchase price	77,500,000	60,000,000
Goodwill amortization	-	-
Share in the result	(43,839,634)	(26,434,008)
	33,660,366	33,565,992

7.3. Non-current financial assets in other entities in which the company holds an equity stake

	31 December 2021	31 December 2020
Shares	4,104,286,892	2,052,725,843
Shares of Pekao S.A.	4,098,732,252	2,052,725,743
Other	5,554,640	100
Loans granted	-	-
Other securities	45,378	575,149
Other non-current financial assets	1,000	501,000
	4,104,333,270	2,053,801,992

Shares of Pekao S.A.

On 7 June 2017, as a result of the performance of block transactions on the exchange market, PFR and PZU acquired from Uni-Credit S.p.A. shares of Bank Pekao, which were subject to a preliminary agreement to sell shares entered into on 8 December 2016. The block of 33,596,165 shares purchased by PFR represents 12.8% of the overall number of votes at the Shareholder Meeting of Bank Pekao.

On 29 September 2021, Bank Pekao S.A. paid out a dividend to the shareholders in the amount of PLN 3.21 per one share, which for PFR S.A. translated into the amount of PLN 107.8 million. The funds have been used for a partial repayment of a loan.

As at 31 December 2021, PFR S.A. held a package of 33,596,166 shares (approx. 12.8% of the overall number of shares) of Bank Pekao S.A. According to the measurement, the value of shares held by the Company as at 31 December 2021 was PLN 4,098.7 thousand (the price of one share: PLN 122).

7.4. Non-current financial assets in other entities

	31 December 2021	31 December 2020
Other non-current financial assets, including:	8,625,667,287	2,860,429,369
Investment certificates of FIİK	5,036,075,886	307,993,099
Investment certificates of FIID	-	-
Investment certificates of FIS	506,458,208	309,671,000
Investment certificates of FIPP	156,503,331	165,951,552
Investment certificates of PFR FF	417,640,811	217,001,000
Investment certificates of PFR Inwestycje	-	1,799,713,053
Investment certificates of FSMDR	1,395,621,571	219
Investment certificates of FSMNM	978,293,267	1,077
Investment certificates of PFR KOFFI	76,778,933	-
Financial asset by virtue of receivables under the PPP Agreement	58,295,280	60,098,369
Loans granted, including:	10,051,138,841	48,691,238,471
Financial subsidies granted under the Financial Shield for SMEs	6,114,166,530	46,588,622,292
Loans granted under the Financial Shield for Large Companies	2,159,266,973	1,208,934,179
Loan granted under the Financial Shield for LOT Polish Airlines	1,777,705,338	893,682,000
Financial subsidies granted under the Financial Shield for SMEs 2.0	-	-
Other securities, including:	1,437,118,313	374,979,836
Bonds of PFR Porty Sp. z o.o.	301,258,791	305,555,567
Bonds of Trenino Holding Sp. z o.o.	75,672,460	69,424,269
Treasury bonds	1,060,187,062	
Shares acquired under the Financial Shield for Large Companies government program	287,743,583	230,886,000
Shares of PGG S.A.	230,886,000	230,886,000
Shares of MTG S.A.	56,857,583	-
	20,401,668,024	52,157,533,676

Financial subsidies granted under the Financial Shield for SMEs government program and loans granted under the Financial Shield for Large Companies government program and for LOT Polish Airlines

Detailed information on the subsidies and loans granted under the Financial Shield government programs are presented in Note 1.

Shares acquired under the government program of Financial Shield for Large Companies

The duty to purchase the shares of PGG S.A. i MTG S.A. followed from the terms and conditions of "the Polish Development Fund's Financial Shield for Large Companies" government program. In accordance with the provisions of the Program, when granting financing under the Program and where a given commercial undertaking is a portfolio company of the fund managed by PFR S.A., then PFR S.A. is obligated, before granting such financing, to transfer such exposure to date to the Program's account. The transfer should be effected at the value following from the measurement of the fund's assets as at 31 March 2020. As at 31 December 2021, PFR S.A. held a package of 3,000,000 shares of PGG S.A. (7.66% of the overall number of shares) and a package of 200,000 shares of MTG S.A. (25.53% of the overall number of shares).

Bonds

As at 31 December 2021, the Group held 54,412 (say: fifty four thousand four hundred and twelve) series A registered discount bonds and 62,047 (say: sixty two thousand and forty seven) series B registered discount bonds purchased from Trenino Holding Spółka z ograniczoną odpowiedzialnością, of the total nominal value of PLN 116,459,000, with the redemption date of 31 December 2026. The Group purchased the bonds from Trenino Holding Spółka z ograniczoną odpowiedzialnością for the total amount of PLN 57,999,701. The effective interest rate of the bonds is 9% per annum.

As at 31 December 2021, the Group held 300,000 (say: three hundred thousand) series B registered bonds purchased from PFR Porty Spółka z ograniczoną odpowiedzialnością, of the total nominal value of PLN 300,000,000.00 and the redemption date of 19 April 2029. The bonds' interest rate as at the date of this report was 4.21% (WIBOR 3M = 0.21% + margin 4%).

As at 31 December 2021, the Company held 1,107,592 (say: one million one hundred and seven thousand five hundred and ninety two) Treasury bonds of the nominal value of PLN 1,107,592 and the redemption date of 25 April 2023. The bonds have been contributed in-kind to the Company in 2021.

Investment certificates

Investment certificates of FIJK

As at 31 December 2021, PFR held 4,252,185 FIJK Investment Certificates, paid up in full, of the total fair value of PLN 5,036,075,886.

FIJK's scope of operation:

In accordance with its strategy, FIJK invests in projects in the following broadly conceived economic sectors: energy, hydrocarbons (i.e. crude oil and natural gas), transport and logistics, local government and community infrastructure, industry and telecommunications.

The fund invests in new or modernization infrastructural projects, at the construction risk and early operations stages (i.e. *greenfield / brownfield* projects), whose risks must be appropriately mitigated or reflected in the rate of return envisaged by the fund. The fund is seeking to invest not less than 70% of its resources in projects with assets located in Poland or Polish exclusive economic zone in the Baltic Sea.

In principle, the fund is a long-term investor and accepts equity commitments for up to 20 years.

The PFR Inwestycje fund and FIJK merged on 15 October 2021.

Investment certificates of FIS

In 2021, PFR repurchased 197,500 Investment Certificates of FIS. As at 31 December 2021, PFR held 507,500 FIS Investment Certificates, paid up in full, of the total fair value of PLN 506,458,208.

FIS's scope of operation:

FIS pursues an investment objective of supporting local governments in Poland in financing their projects. The principal purpose of the fund's strategy is to make equity investment or grant subordinated loans to companies executing important tasks of local governments. The entities that the fund invests in include: water and sewage companies, municipal property management companies, exhibition companies, companies building and managing parking spaces, companies engaged in construction and management of waste thermal processing installations.

The fund is planning both direct investment in local government companies as well as investment in companies of private partners engaged in the execution of local government tasks, which is reflected in the fund's investment goals.

Investment certificates of FIPP

As at 31 December 2021, PFR held 204,000 FIPP Investment Certificates, paid up in full, of the total fair value of PLN 156,503,331.

FIPP's scope of operation:

Pursuant to the FIPP's strategy, the fund invests in diverse sectors of the economy, including infrastructure. Its main forms of investment is equity: acquisition of shares, or debt financing. The fund has been focusing on projects (i) whose primary production facilities are located in Poland or the Polish exclusive economic zone on the Baltic sea, (ii) which derive the major part of their revenue from the Polish market, or (iii) whose operation is otherwise strongly linked to the Polish economy.

The fund seeks to maintain the following investment value sectoral structure: 40% of the fund's assets are to be investments in industrial undertakings or companies supplying services to industry.

Investment certificates of PFR FF

As at 31 December 2021, PFR held 637,978 RFR FF Investment Certificates of the nominal value of PLN 639,998,809, to which PFR paid an additional total amount of PLN 326,708,709, and whose total fair value was PLN 417,640,811.

PFR FF's scope of operation:

According to its strategy, PFR FF invests in *private equity* funds and *private debt* funds. The extended investment strategy of the funds envisages that part of its assets is allocated into *private equity* funds whose investment strategy addresses predominantly projects in climate-tech sectors or related industries, supporting the so-called green energy transition (the Green Hub Program).

Investment certificates of PFR Inwestycje

The PFR Inwestycje FIZ (the acquired fund) and FIJK (the acquiring fund) merged on 15 October 2021. 3,954,173 Investment Certificates of FIJK were allocated in return for 4,534,757 Investment Certificates of PFR Inwestycje. The merger was primarily

designed to increase the scale of operation of the resulting fund. The merger of the closed-end investment funds was one of the first transactions of this kind in the Polish market. Given the complicated structures of the funds, the large number of portfolio investments and high expectations of the participants, the operation was a difficult venture, both in conceptual and operational terms. As at 31 December 2021, PFR S.A. holds about 69.09% of Investment Certificates of FIIK FIZAN.

PFR Inwestycje's scope of operation:

According to the strategy of PFR I, investments could be made into projects implemented in various sectors of the economy, whereby the sum total of investments in any one economic sector could not exceed pre-defined limits. The fund's primary investments were to be equity commitments: investment in shares. The fund has been focusing on projects (i) whose primary production facilities are located in Poland or the Polish exclusive economic zone on the Baltic sea, (ii) which derive the major part of their revenue from the Polish market, or (iii) whose operation is otherwise strongly linked to the Polish economy. The assumed investment time horizon was up to 25 years.

Investment certificates of FSMDR

In 2021, PFR repurchased 5,442,422 Investment Certificates of FSMdR and subscribed a new issue of 810,447 FSMDR Investment Certificates. As at 31 December 2021, PFR held 6,252,870 FSMdR Investment Certificates, paid up in full, of the total fair value of PLN 1,395,621,571.

FSMDR's scope of operation:

According to the fund's strategy, FSMdR invests in special-purpose companies acquiring or constructing in Poland large real estate projects (land and residential buildings) intended for rental, in a price segment addressed to a large group of tenants, as well as in bonds and loans of such companies. An additional type of investments is investment in an operating company supplying operational services (i.e., for example, coordination of financial, corporate and rental management support) for the Fund's target companies and other real estate funds.

The Fund's concept is also a response to the observed shortage of housing in Poland. To this end, the Fund invests in both large cities and small towns in the country, including in cooperation with municipal partners.

As at the end of 2021, the Fund was at the initial stage of building its real estate asset portfolio. The planned time horizon of the Investment Projects already committed to is about 35 years.

Investment certificates of FSMNW

In 2021, PFR S.A. repurchased 809,109 Investment Certificates of FSMnW. As at 31 December 2021, PFR S.A. held 809,110 FSMnW Investment Certificates, paid up in full, of the total fair value of PLN 978,293,267.

FSMNW's scope of operation:

According to the fund's strategy, FSMnW invests in special-purpose companies acquiring or constructing in Poland large real estate projects (land and residential buildings) intended for commercial rental at market prices, as well as in bonds and loans of such companies.

The Fund's concept is a response to the growing demand in large Polish cities for medium and long-term rental of fully fitted-out and completely furnished apartments.

As at the end of 2021, the Fund was at the final stage of building its real estate asset portfolio.

Investment certificates of PFR KOFFI

As at 31 December 2021, PFR held 78,216 KOFFI Investment Certificates, paid up in full, of the total fair value of PLN 76,778,933.

PFR KOFFI's scope of operation:

According to its strategy, KOFFI is an alternative investment fund, designated to implement the financial instrument - measure 3.1: financing of innovative activities of SMEs with venture capital, sub-measure 3.1.4. KOFFI (Konkurencyjny Ogólnopolski Fundusz Funduszy Innowacyjnych, (Competitive All-Poland Fund of Innovation Funds) under the Smart Growth Operational Programme.

The primary objective of the KOFFI Fund is indirect financing of the development of Polish innovative micro, small and medium-sized enterprises. This objective is pursued by the way of building a portfolio of investments into *venture capital* funds. An additional investment goal of KOFFI is also to growth the value of the Fund's assets as a result of the value growth of its investments and deriving income therefrom.

Financial asset by virtue of receivables under the Public-Private Partnership Contract

Non-current investments include a financial asset by virtue of receivables under the Public-Private Partnership Contract. Expenditures are settled in accordance with the schedule adopted in the contract. The initially recognized value is increased by accumulated interest on the amount, calculated using the effective interest rate and reduced by the repayments made in the given period.

7.5. Revaluation of non-current investments

in the period from 1.1.2021 to 31.12.2021

	Loans granted	Shares	Investment certificates	Receivables under the Public-Private Partnership Contract	Shares of Pekao S.A.	Treasury bonds
1 January 2021	(24,606,128)	(5,455,485)	171,154,919	3,720,441	(2,080,089,218)	-
Increase by virtue of revaluation			(175,596,180)			(46,027,508)
Reduction by virtue of measurement at adjusted purchase price						-
Increase by virtue of measurement at adjusted purchase price				968,381		-
Reduction by virtue of revaluation		554,545			2,046,006,509	-
- Transfer of the write-off to current investments	24,606,128	255,485				
31 December 2021	-	(4,645,455)	(4,441,261)	4,688,822	(34,082,709)	(46,027,508)

in the period from 1.1.2020 to 31.12.2020

	Loans granted	Shares	Investment certificates	Receivables under the Public-Private Partnership Contract	Shares of Pekao S.A.	Treasury bonds
1 January 2020	(24,261,720)	(2,196,030)	(48,636,665)	2,537,238	(758,080,086)	(1,001,138)
Increase by virtue of impairment charge	(344,408)	(4,546,055)	-	-	(1,322,009,132)	-
Reduction by virtue of measurement at adjusted purchase price	-	-	-	-	-	-
Increase by virtue of measurement at adjusted purchase price	-	-	-	1,183,203	-	-
Reduction by virtue of impairment charge	-	1,286,600	219,791,584	-	-	1,001,138
31 December 2020	(24,606,128)	(5,455,485)	171,154,919	3,720,441	(2,080,089,218)	-

7.6. List of other companies in which the Group has capital exposure

in the period from 1.1.2021 to 31.12.2021

Company name	Registered office	% of shares held	% of total number of votes in the governing body	Net profit for the financial year (in PLN thousand)	Equity as at the balance sheet date (in PLN thousand)
Bank Pekao S.A.	Poland	12.80%	12.80%	2,236,829	23,099,821
Mabion	Poland	0.10%	0.10%	1,903	53,313

in the period from 1.1.2020 to 31.12.2020

Company name	Registered office	% of shares held	% of total number of votes in the governing body	Net profit for the financial year (in PLN thousand)	Equity as at the balance sheet date (in PLN thousand)
Bank Pekao S.A.	Poland	12.80%	12.80%	1,126,424	24,647,371

8. CURRENT INVESTMENTS

8.1. Current financial assets in other entities

	31 December 2021	31 December 2020
Shares	-	-
Loans granted, including:	20,636,596,799	14,291,237,375
Financial subsidies granted within the Financial Shield for SMEs government programs	12,873,001,737	13,933,320,699
Loans granted under the Financial Shield for Large Companies government program	582,192,131	345,549,539
Financial subsidies granted under the Financial Shield for SMEs 2.0 government programs	7,103,091,817	
Loans granted under the Financial Shield for LOT Polish Airlines government program	35,905,621	
Other current financial assets	500,000	
	20,637,096,799	14,291,037,375

8.2. Cash and cash equivalents

	31 December 2021	31 December 2020
Cash on hand and at bank, including:	192,423,993	786,021,588
- Bank account of the Financial Shield for SMEs program	3,474,474	552,521,365
- Bank account of the program of the Financial Shield for Large Companies	143,224,523	149,499,820
- Bank account of the program of the Financial Shield for LOT Polish Airlines	3,567,365	73
- Bank account of the Financial Shield for SMEs 2.0 program	4,628,978	
Other cash, including:	5,696,713,198	1,641,744,302
- Bank account of the Financial Shield for SMEs program	5,045,100,000	-
- Bank account of the program of the Financial Shield for Large Companies	219,000,000	1,150,000,000
- Bank account of the program of the Financial Shield for LOT Polish Airlines	-	-
- Bank account of the Financial Shield for SMEs 2.0 program	62,500,000	
- VAT bank account	153,748	75,077
Cash equivalents	10,600,016	20,128,300
	5,899,737,207	2,447,894,190
including:		
restricted cash	5,523,412,888	1,907,082,465

In accordance with item 20 (Accounts) of the Loan Agreement of 30 May 2017 granted to the Company by Powszechna Kasa Oszczędności Bank Polski S.A. and earmarked for the purchase of a block of shares of Bank Pekao S.A., the Company is obligated to set up a Debt Service Reserve Account. In accordance with the Loan Agreement, the Company is obligated to deposit cash needed to service the debt in the Debt Service Reserve Account. The cash was presented as at 31 December 2021 as restricted cash.

Pursuant to the agreement of 27 April 2020 on the conditions and procedure for providing funds for the performance of government programs (as amended), PFR S.A. set up separate bank accounts, dedicated to each government program, used exclusively to: (i) deposit cash received by virtue of external financing; (ii) disbursement of program financing; (iii) deposit program revenues; and (iv) other settlements connected with the performance of government programs. In connection with the above, the cash deposited in the accounts was presented as at 31 December 2021 as restricted cash.

As at 31 December 2021, the cash included in the cash flow statement is PLN 5,899,737,207 zł.

9. CURRENT PREPAYMENTS

	31 December 2021	31 December 2020
Bank loan commission		-
Insurance	872,854	400,746
Access to information service platforms	179,526	177,973
IT services	868,780	1,169,247
Training courses and conferences	68,839	48,087
Advisory services	-	6,417
Licenses	1,548,061	535,913
Subsidies	111,731	297,858
Rent and service and maintenance fees	453,184	441,170
DD costs transferred to the SPV	1,989,186	867,718
Promotional and advertising activities	192,135	74,118
Other	1,038,183	523,302
	7,322,479	4,542,550

10. EQUITY

10.1. Share capital of the Parent company

in the period from 1.1.2021 to 31.12.2021

Shareholder	Number of shares	Par value of shares	Share in %
State Treasury	11,460,907,779	11,460,907,779	99.869%
Bank Gospodarstwa Krajowego	15,000,000	15,000,000	0.131%
	11,475,907,779	11,475,907,779	100.000%

	State Treasury	BGK
Series A	300,000	-
Series B	-	15,000,000
Series C	1,143,062,525	-
Series D	1,294,964,028	-
Series E	2,499,926,000	-
Series F	6,522,655,226	-
	11,460,907,779	15,000,000

On 22 February 2021, the Ministry of Finance credited the fiduciary account of PFR with bonds marked as OF0423 (later assimilated with OK0423), of the nominal value of PLN 6.6 billion. PFR S.A. commissioned valuation of the received securities from an independent expert, Deloitte Advisory Sp. z o.o. sp. k., which valued the bonds as at 1 March 2021 to their market value, which is PLN 6.58 billion. The valuation was then verified by an independent statutory auditor appointed by the registry court. The statutory auditor issued an opinion confirming that the valuation was correct and the Management Board Report on the valuation was formally correct.

On 27 May 2021, the PFR S.A. Extraordinary Shareholder Meeting adopted Resolution on increasing the share capital by issuing by the way of a private subscription new series F ordinary registered shares, excluding entirely the pre-emptive right of the existing PFR S.A. shareholders to date, and on amending the PFR S.A. Articles of Association in connection with increasing the share capital. On 27 September 2021, the PFR S.A.'s share capital was increased from the amount of PLN 4,953,252,553 to the amount of PLN 11,475,907,779, i.e. by the amount of PLN 6,522,655,226, by the way of an issue of 6,522,655,226 new series F ordinary registered shares with a par value of PLN 1 each, and the issue price of PLN 1.01. The offer to subscribe for the Series F Shares was directed solely to the State Treasury, represented by the Prime Minister. The difference between the nominal and the issue price, in the amount of PLN 65,226,552.26, was partly earmarked to cover the costs of the issue, in the form of the civil law transaction tax, whereas the other part was earmarked to supplementary capital.

In 2021, PFR S.A. executed 20 sale transactions of 5,492,408 bonds out of the 6,600,000 bonds received as the in-kind contribution. The value of the sales in transactional (market) prices was PLN 5,456.0 million, i.e. as a result PFR S.A. realized a loss of PLN 26.4 million (the purchase price of the bonds was PLN 5,482.3 million).

in the period from 1.1.2020 to 31.12.2020

Shareholder	Number of shares	Par value of shares	Share in %
State Treasury	4,938,252,553	4,938,252,553	99.697%
Bank Gospodarstwa Krajowego	15,000,000	15,000,000	0.303%
	4,953,252,553	4,953,252,553	100.000%
	State Treasury	BGK	
Series A	300,000	-	
Series B	-	15,000,000	
Series C	1,143,062,525	-	
Series D	1,294,964,028	-	
Series E	2,499,926,000	-	
	4,938,252,553	15,000,000	

300,000 of series A shares owned by the State Treasury are preferred shares in terms of voting rights, with two votes per one share.

10.2. Change in the revaluation reserve

in the period from 1.1.2021 to 31.12.2021

	Revaluation reserve
1 January 2021	(1,544,931,455)
Revaluation of fair value of Investment Certificates	79,687,495
Revaluation of fair value of shares of Pekao S.A.	2,046,006,509
Revaluation of fair value of Treasury bonds	(46,027,508)
Revaluation of fair value of Mabion S.A. shares	554,545
Forward valuation	42,905
Deferred tax liability	(15,245,988)
Deferred tax asset	(382,096,612)
31 December 2021	137,989,892

in the period from 1.1.2020 to 31.12.2020

	Revaluation reserve
1 January 2020	(652,397,492)
Revaluation of fair value of Investment Certificates	219,791,584
Revaluation of fair value of shares of Pekao S.A.	(1,322,009,132)
Forward valuation	262,250
Deferred tax liability	(32,519,435)
Deferred tax asset	241,940,769
31 December 2020	(1,544,931,455)

The change in the revaluation reserve is mainly due to the fair value remeasurement of investment certificates and shares in Pekao S.A. and from recognition of the amounts of the deferred tax assets and liabilities in the revaluation reserve item. The tables below present each revaluation of investment certificates, shares of Pekao SA and Treasury bonds:

Investment certificates

as at 31 December 2021

	Amount paid by the Group	Fair value of IC	increase/decrease	valuation difference
FII-K	5,088,052,598	5,036,075,886	(51,976,712)	(241,217,969)
FII-D	-	-	-	-
FIS	506,581,625	506,458,208	(123,417)	205,583
FIPP	204,000,000	156,503,331	(47,496,669)	(9,448,221)
PFR FF	326,708,709	417,640,811	90,932,101	70,641,001
FSMDR	1,398,075,727	1,395,621,571	(2,454,156)	(2,454,154)
FSMNW	972,795,109	978,293,267	5,498,158	5,498,146
PFR KOFFI	75,599,499	76,778,933	1,179,434	1,179,434
Total	8,571,813,268	8,567,372,007	(4,441,261)	(175,596,180)

As at the balance sheet date, grounds for impairment of value were analyzed for all Investment Certificates held by PFR.

Within the verification process of the value of PFR S.A.'s investments, including the Investment Certificates ("CI") held thereby, the analysis addressed the potential impairment of value of the CI investments in FIPP and FIZAN. Based on this test, it is PFR S.A.'s opinion that there are no sufficient grounds to identify impairment.

The valuation difference of the Investment Certificates presented in the table below is not in line with the revaluation of the CI's fair value included in the revaluation reserve, because at the time of the FIIK and PFR Inwestycje merger, the valuation of the PFR Inwestycje fund as at the merger date, in the amount of PLN 255.3 thousand, increased the purchase price of the acquired fund.

as at 31 December 2020

	Amount paid by the Group	Fair value of IC	increase/decrease	valuation difference
FII-K	298,012,000	307,993,099	9,981,099	(3,322,021)
FII-D	0	0	-	1,647,939
FIS	310,000,000	309,671,000	(329,000)	(1,368,500)
FIPP	204,000,000	165,951,552	(38,048,448)	4,857,104
PFR FF	196,709,900	217,001,000	20,291,100	25,224,000
PFR Inwestycje	1,620,452,895	1,799,713,053	179,260,158	192,753,053
FSMdR	221	219	(2)	(2)
FSMnW	1,065	1,077	12	12
Total	2,629,176,082	2,800,331,001	171,154,919	219,791,594

Shares of Pekao S.A.

	31 December 2021	31 December 2020
Share purchase value	4,132,814,961	4,132,814,961
Fair value	4,098,732,252	2,052,725,743
	(34,082,709)	(2,080,089,218)

Treasury bonds

	31 December 2021	31 December 2020
Bonds purchase price	1,105,579,809	-
Interest accrued	634,761	-
Fair value	1,060,187,062	-
	(46,027,508)	-

11. PROVISIONS FOR PENSION AND SIMILAR BENEFITS

in the period from 1.1.2021 to 31.12.2021

	Retirement severance pays	Provision for unused holiday leaves	Provision for bonuses	Total
1 January 2021	896,929	6,265,220	29,421,231	36,583,380
Additions	348,539	5,336,176	36,096,375	41,781,091
Utilization	(81,871)	(258,322)	(23,224,898)	(23,565,091)
Reversal	(340,367)	(3,482,965)	(7,122,515)	(10,945,847)
31 December 2021	823,230	7,860,109	35,170,194	43,853,533

including:

non-current	658,327	-	1,964,195	2,622,522
current	164,903	7,860,109	33,205,999	41,231,011

in the period from 1.1.2020 to 31.12.2020

	Retirement severance pays	Provision for unused holiday leaves	Provision for bonuses	Total
1 January 2020	718,349	2,146,916	24,795,065	27,660,330
Additions	239,033	5,826,744	26,145,496	32,211,273
Utilization	(18,000)	-	(17,081,604)	(17,099,604)
Reversal	(42,453)	(1,708,440)	(4,437,726)	(6,188,619)
31 December 2020	896,929	6,265,220	29,421,231	36,583,380

including:

non-current	537,842	-	924,136	1,461,978
current	359,087	6,265,220	28,497,095	35,121,402

12. OTHER PROVISIONS

in the period from 1.1.2021 to 31.12.2021

	Reserve for accounting, consulting and audit services	Other	Total
1 January 2021	355,104	7,185,491	7,540,595
Additions	279,766	2,592,528	2,872,294
Utilization	(328,049)	(3,199,331)	(3,527,380)
Reversal	(18,315)	(344,955)	(363,270)
31 December 2021	288,506	6,233,733	6,522,239
<i>non-current</i>		1,312,374	1,312,374
<i>current</i>	288,506	4,921,359	5,209,865

in the period from 1.1.2020 to 31.12.2020

	Reserve for accounting, consulting and audit services	Other	Total
1 January 2020	219,184	8,553,051	8,772,235
Additions	418,835	98,545,887	98,964,722
Utilization	(267,109)	(2,417,021)	(2,684,130)
Reversal	(15,806)	(97,496,426)	(97,512,232)
31 December 2020	355,104	7,185,491	7,540,595
<i>non-current</i>		1,869,448	1,869,448
<i>current</i>	355,104	5,316,043	5,671,147

13. NON-CURRENT LIABILITIES

13.1. Age structure of non-current liabilities towards other entities

	31 December 2021	31 December 2020
<i>Maturing in:</i>		
over 1 to 3 years	18,074,607,693	2,019,331,681
over 3 years to 5 years	33,067,315,461	48,611,937,073
over 5 years	22,229,815,135	14,204,189,877
	73,371,738,289	64,835,458,632
<i>Maturing in:</i>		
up to 1 year (recognized as current liabilities)	2,880,775,934	2,856,964,753

The non-current liabilities as at 31 December 2021 include mainly liabilities of PFR S.A. on account of the issue of debt securities, and liabilities of PPP Ventures to Bank Pekao S.A. on account of the loan granted for the performance of the Company's investment project.

The loan granted by Bank PKO BP to purchase shares of Pekao S.A. at the end of 2021 was included in the item of current liabilities due to the original maturity of the loan repayment falling in 2022.

13.2. Non-current liabilities on the issue of debt securities – Financial Shield

in the period from 1.1.2021 to 31.12.2021

Abbreviated bond name	Issue date	Par value	Issue price	Currency	Maturity	Interest rate	Carrying amount as at 31 December 2021
PFR0324	27 April 2020	16,325,000,000	16,306,879,250	PLN	2024	1.375%	16,466,494,455
PFR0325	8 May 2020	18,500,000,000	18,423,595,000	PLN	2025	1.625%	18,643,048,232
PFR0925	22 May 2020	15,175,000,000	15,134,634,500	PLN	2025	1.625%	15,296,555,785
PFR0627	5 June 2020	10,000,000,000	9,923,200,000	PLN	2027	1.750%	10,039,396,668
PFR0330	5 June 2020	2,000,000,000	1,993,080,000	PLN	2030	2.000%	2,016,887,134
PFR1227	10 December 2020	500,000,000	500,000,000	PLN	2027	1.400%	500,397,187
PFR0927	14 December 2020	2,000,000,000	1,997,980,000	PLN	2027	1.500%	1,999,670,622
PFR092027	23 December 2020	900,000,000	893,682,000	PLN	2027	1.375%	894,867,848
PFR0827	15 January 2020	5,250,000,000	5,243,490,000	PLN	2027	1.375%	5,313,583,516
PFR0330 B	3 February 2021	1,250,000,000	1,279,143,838	PLN	2030	2.000%	1,275,641,014
PFR0228	5 February 2021	1,000,000,000	1,000,000,000	PLN	2028	1.300%	1,011,705,726
PFR0228 B	12 January 2020	1,000,000,000	1,000,000,000	PLN	2028	1.375%	1,012,115,605
	Total	73,900,000,000	73,695,684,588	-	-	-	74,470,363,793

in the period from 1.1.2020 to 31.12.2020

Abbreviated bond name	Issue date	Par value	Issue price	Currency	Maturity	Interest rate	Carrying amount as at 31 December 2020
PFR0324	27 April 2020	16,325,000,000	16,306,879,250	PLN	2024	1.375%	16,462,043,194
PFR0325	8 May 2020	18,500,000,000	18,423,595,000	PLN	2025	1.625%	18,627,907,757
PFR0925	22 May 2020	15,175,000,000	15,134,634,500	PLN	2025	1.625%	15,289,224,706
PFR0627	5 June 2020	10,000,000,000	9,923,200,000	PLN	2027	1.750%	10,028,920,826
PFR0330	5 June 2020	2,000,000,000	1,993,080,000	PLN	2030	2.000%	2,016,246,416
PFR1227	10 December 2020	500,000,000	500,000,000	PLN	2027	1.400%	500,399,945
PFR0927	14 December 2020	2,000,000,000	1,997,980,000	PLN	2027	1.500%	1,999,380,643
PFR092027	23 December 2020	900,000,000	893,682,000	PLN	2027	1.375%	893,970,784
Total		65,400,000,000	65,173,050,750	-	-	-	65,818,094,271

The amount of liabilities arising from the issue of debt securities include the following values:

	Liabilities arising from issue of debt securities as at 31 December 2021	Liabilities arising from issue of debt securities as at 31 December 2020
Non-current liabilities arising from the issue of debt securities	73,317,384,434	64,788,827,607
Value of current liabilities arising from the issue of debt securities	1,152,979,359	1,029,266,664
	74,470,363,793	65,818,094,271

14. OTHER PREPAYMENTS AND ACCRUALS

14.1. Non-current prepayments and accruals

	31 December 2021	31 December 2020
Other non-current prepayments and accruals	35,016,647	9,856,345
	35,016,647	9,856,345

14.2. Current prepayments and accruals

	31 December 2021	31 December 2020
Other current prepayments and accruals	3,864,286	1,496,973
	3,864,286	1,496,973

15. STRUCTURE OF SALES REVENUES

	1 January - 31 December 2021	1 January - 31 December 2020
<i>Geographic structure</i>		
Revenues from sales of products		
Domestic	429,297,295	324,946,654
Export	-	-
	429,297,295	324,946,654
Revenues from sales of goods and materials		
Domestic	112,457	8,692
Export	-	-
	112,457	8,692
<i>Structure by category</i>		
Revenues on account of the execution of the Financial Shield government programs	200,000,000	135,714,286
Management revenue	213,349,122	178,156,283
Other income	1,898,446	1,626,021
Activities arising from the PPK Act	9,656,877	4,517,171
Revenue from performance of the public partnership agreement	4,505,307	4,941,585
	429,409,752	324,955,346

16. INTEREST INCOME

(including resulting from debt financial instruments, loans granted and own receivables)

in the period from 1.1.2021 to 31.12.2021

	Interest realized	Interest outstanding, payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Loans granted and own receivables	9,092	238,356	-	-	247,448
Other assets	10,382,293	-	6,366,904	5,419,272	22,168,469
	10,391,385	238,356	6,366,904	5,419,272	22,415,917

in the period from 1.1.2020 to 31.12.2020

	Interest realized	Interest outstanding, payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Loans granted and own receivables	303,468	140,138	-	-	443,606
Other assets	19,141,796	844	-	1,834,550	20,977,190
	19,445,264	140,982	-	1,834,550	21,420,796

17. INTEREST EXPENSES

(including resulting from incurred financial liabilities)

in the period from 1.1.2021 to 31.12.2021

	Interest realized	Interest outstanding, payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Current financial liabilities	35,186,194	-	-	-	35,186,194
Non-current financial liabilities	81,829	-	-	-	81,829
Other equity and liabilities	1,461,794	1,356	-	-	1,463,150
	36,729,817	1,356	-	-	36,731,173
SCN adjustment	-	-	-	-	10,754,901
	36,729,817	1,356	-	-	47,486,074

in the period from 1.1.2020 to 31.12.2020

	Interest realized	Interest outstanding, payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Current financial liabilities	66,212,468	-	-	-	66,212,468
Non-current financial liabilities	391,320	-	44,316	-	435,635
Other equity and liabilities	7,507,700	2,913	-	-	7,510,612
	74,111,487	2,913	44,316	-	74,158,715
SCN adjustment	-	-	-	-	(9,294,132)
	74,111,487	2,913	44,316	-	64,864,583

18. COMPONENTS OF ASSETS OR LIABILITIES PRESENTED IN MORE THAN ONE ITEM OF THE BALANCE SHEET

The following components of assets are presented in more than one item of the balance sheet:

Item in the balance sheet	1 January - 31 December 2021	1 January - 31 December 2020
Receivables from loans (principal)		
in the non-current part:	10,051,138,841	48,691,238,471
- from entities in which the company holds an equity stake	A V 3 c) tiret 3 -	-
- from other entities	A V 3 c) tiret 3 10,051,138,841	48,691,238,471
in the current part	20,627,251,769	14,291,237,375
- from entities in which the company holds an equity stake	B III 1 b) tiret 3 209,092	200,000
- from other entities	B III 1 c) tiret 3 20,636,596,799	14,291,237,375
	30,687,944,732	62,982,475,846
Liabilities on account of loans and borrowings		
in the non-current part	D II 3 a) 42,459,261	43,910,032
in the current part	D II 3 a) 1,727,796,575	1,827,698,089
	1,770,255,836	1,871,608,121
Liabilities arising from issue of debt securities		
in the non-current part	D II 3 b) 73,317,384,434	64,788,827,607
in the current part	D II 3 b) 1,152,979,359	1,029,266,664
	74,470,363,793	65,818,094,271

19. CORPORATE INCOME TAX

19.1. Structure of corporate income tax

	1 January - 31 December 2021	1 January - 31 December 2020
Current income tax	33,463,927	24,088,868
Additional tax liabilities for previous years	-	-
Change in deferred income tax	1,358,300	(107,977)
	34,822,227	23,980,892

19.2. Calculation of corporate income tax

	1 January - 31 December 2021	1 January - 31 December 2020
Profit before tax	203,971,306	37,110,077
Amounts increasing the taxable income base		
Fixed costs not classified as tax-deductible expenses	80,283,066	30,438,400
Costs transitionally not classified as tax deductible expenses	36,235,121	37,679,652
Transitional taxable income from previous periods	181,526	251,852
Tax revenues not included in the books	453,969	-
	117,153,682	68,369,903
Amounts reducing the taxable income base		
Non-taxable income	160,846,969	19,122,173
Revenues transitionally not classified as tax deductible expenses	3,461,213	3,086,607
Transitional tax costs from previous periods	28,615,695	29,072,058
Other	5,070	-
	192,928,948	51,280,837
Tax income / (loss)	128,196,039	54,199,143
Retained losses	(843,104)	8,035,891
Taxable income – other sources of revenues	175,464,416	126,721,759
Adjustment of tax brought forward	125,688	11,734
Income tax	33,463,927	24,088,868

19.3. Deferred tax

	31 December 2021	31 December 2020
Deductible temporary differences:		
Effects of restatement to market prices of ICs	50,189,702.9	-
Impairment loss on receivables	-	-
Accrued but unpaid remuneration	-	-
Unrealized negative foreign exchange differences	-	-
Effects of restatement at adjusted purchase price	1,878,869	1,878,868.7
Effects of restatement of Pekao S.A. shares to market prices	34,082,709	2,080,089,218
Effects of restatement of Treasury bonds to market prices	34,971,710	
Reserve for accounting, consulting and audit services	284,308	320,276
Reserve for promotional activities and costs of settlements	-	-
Reserve for legal services and <i>due diligence</i>	-	-
Provision for bonuses	27,952,672	22,756,947
Provision for unused holiday leaves	6,133,950	5,138,030
Provision for retirement severance pays	62,920	209,724
Reserves for other costs	5,089,419	6,575,782
Costs associated with UPP	-	-
Unrealized profit on the sale of a fixed asset in the Group	-	-
Other	4,142,545	479,325.6
	164,788,804	2,117,448,172
Tax losses to be settled in subsequent years:		
2015 tax loss (total)	-	10,855,874
Settled part of the tax loss	-	(5,963,565)
2015 tax loss to be settled	-	4,892,309
2016 tax loss (total)	8,044,981	8,044,981
Settled part of the tax loss	(5,489,033)	(2,933,084)
2016 tax loss to be settled	2,555,948	5,111,897
2017 tax loss	39,880,090	39,880,090
Settled part of the tax loss	(33,782,357)	(25,508,330)
2017 tax loss to be settled	6,097,733	14,371,760
2018 tax loss	22,370,925	22,370,925
Settled part of the tax loss	(11,185,462)	-
2018 tax loss to be settled	11,185,463	22,370,925
2019 tax loss	878,397	878,397
Settled part of the tax loss		
2019 tax loss to be settled	878,397	878,397
2020 tax loss	5,891,872	

	31 December 2021	31 December 2020
Sum total of tax losses to be settled in subsequent periods	26,609,414	47,625,288
Gross value of deferred tax assets	36,365,661	411,363,957
Deferred tax assets not recognized in the balance sheet	(3,280,923)	(10,006,284)
Net value of deferred tax assets	33,084,739	401,357,674
Taxable temporary differences:		
Interest accrued on bank deposits	18,173	17,959
Interest accrued on bonds	-	229,023
Effects of restatement of Pekao S.A. shares to market prices	-	-
Effects of restatement to market prices of ICs	301,032,117	171,154,919
Effects of restatement at adjusted purchase price	7,504,763	8,341,916
Effects of remeasurement of shares to the market price level	554,545	-
Revenues related to UPP	-	-
Unrealized foreign exchange differences gains	-	-
Interest accrued on receivables	-	-
Other	31,715,078	969,730
	340,824,676	180,713,546
Value of deferred tax liability	64,756,688	34,335,573
Set-off	-	-
Deferred tax assets recognized in the balance sheet	33,084,739	401,357,673
Deferred tax liability recognized in the balance sheet	64,756,688	34,335,573
Net balance sheet change in deferred tax assets/liability	(398,694,049)	209,450,880
Value of deferred tax recognized in equity in the period	397,335,749	(209,342,903)
Change in deferred tax recognized through the statement of profit and loss	(1,358,300)	107,977

20. NOTES TO THE CASH FLOW STATEMENT

20.1. Investment (gain) / loss

	1 January - 31 December 2021	1 January - 31 December 2020
(Gain)/Loss on disposal of fixed assets	(24,220)	(20,000)
(Gain)/Loss on disposal of financial assets	10,800,726	(39,304,854)
Measurement of a Financial Asset	1,803,089	1,840,218
	12,579,595	(37,484,636)

20.2. Change in the balance of current liabilities (except for loans and borrowings)

	1 January - 31 December 2021	1 January - 31 December 2020
Change in current liabilities	20,376,596	19,192,989
	20,376,596	19,192,989

20.3. Change in receivables

	1 January - 31 December 2021	1 January - 31 December 2020
Change in receivables in the balance sheet	37,318,456,805	822,374,842
Change in receivables in the cash flow statement	(23,853,947)	5,244,670
	37,294,602,858	827,619,512

The difference between the change of receivables in the balance sheet and in the cash flow statement is mainly a result of exclusion of the movement in the balance of settlements with the State Treasury under the Financial Shield programs. Changes in cash resulting from these settlements have been charged to the item: "Other adjustments".

20.4. Purchase of intangible assets and property, plant and equipment

	1 January - 31 December 2021	1 January - 31 December 2020
Increases in intangible assets by virtue of purchases	(5,987,562)	(5,950,953)
Increases in fixed assets by virtue of purchases	(2,807,309)	(4,103,214)
	(8,794,871)	(10,054,167)

20.5. Explanations to the item "Other adjustments"

	1 January - 31 December 2021	1 January - 31 December 2020
Value of deferred tax recognized in equity in the period	(397,342,599)	209,342,903
Settlement of commission on the loan over time	-	(286,608)
Remuneration to PFR for the execution of the Financial Shield Programs	(246,000,000)	(166,928,571)
External costs incurred in connection with the execution of the Financial Shield Programs	(5,850,021)	(19,899,488)
Cash received in Tranches from the State Treasury	-	2,267,750
Civil law transaction tax on capital increase	(32,613,213)	
Other	(1,825,624)	1,752,791
	(683,631,458)	26,248,776

20.6. Explanations to the item "Other capital expenditures"

	1 January - 31 December 2021	1 January - 31 December 2020
Contributions to partially paid up investment certificates	(5,027,597,197)	(568,612,287)
Other	-	-
	(5,027,597,197)	(568,612,287)

20.7. Additional explanations

In the item "Other financial proceeds", showing the amount of PLN 1,011,687,500, the Group presents the tranches received from the State Treasury in 2021 for the interests on bonds issued by PFR S.A. in connection with the execution of the Financial Shield government programs.

21. INFORMATION ON THE NATURE AND BUSINESS OBJECTIVE OF THE GROUP'S AGREEMENTS NOT REFLECTED IN THE BALANCE SHEET

Not applicable.

22. HEADCOUNT

Average headcount in the financial year per individual professional groups

	1 January - 31 December 2021	1 January - 31 December 2020
White collar	655	555
	655	555

23. REMUNERATION AND LOANS AND SIMILAR BENEFITS FOR PERSONS ON THE MANAGEMENT, SUPERVISORY OR ADMINISTRATION BODIES

	1 January - 31 December 2021	1 January - 31 December 2020
Remunerations of Company Management Board Members	16,407,197	15,908,111
Remunerations of Company Supervisory Board Members	1,286,815	1,067,161

In 2020-2021, no loans or similar benefits were granted to persons on management, supervisory or administration bodies.

In 2020-2021, no liabilities were assumed on behalf of persons on management, supervisory or administration bodies on account of any kind of guarantees or sureties.

24. AUDIT FIRM FEE, PAID OR DUE

	1 January - 31 December 2021	1 January - 31 December 2020
Fee for the audit of the annual standalone and consolidated financial statements	358,156	317,392

25. COMPARABILITY OF THE FINANCIAL DATA FOR THE PREVIOUS YEAR WITH THE DATA GIVEN IN THE FINANCIAL STATEMENTS DATA FOR THE CURRENT FINANCIAL YEAR

25.1. Comparability of the financial data for the previous year with the data given in the financial statements data for the current financial year - balance sheet

ASSETS	Balance as of 31.12.2020 after the change	Balance as of 31.12.2020 before the change	CHANGE
B. Current assets			
III. Current investments	16,739,131,565	16,739,131,565	-
1. Current financial assets	16,739,131,565	16,739,131,565	-
b) in affiliated entities	200,000	-	200,000
- loans granted	200,000	-	200,000
c) in other entities			-
- loans granted	14,291,037,375	14,291,237,375	(200,000)
d) cash and cash equivalents	2,447,894,190	2,447,894,190	-
- cash on hand and at bank	786,021,588	786,043,332	(21,744)
- other cash	1,641,744,302	1,661,850,858	(20,106,556)
- other cash assets	20,128,300	-	20,128,300

In 2021, the presentation of affiliated entities and co-subsidiaries, as well as of cash and cash equivalents was changed. The adjustment covered 2020 and 2021.

25.2. Comparability of the financial data for the previous year with the data given in the financial statements data for the current financial year - statement of profit and loss

STATEMENT OF PROFIT AND LOSS	Balance for 2020 after the change	Balance for 2020 after the change	CHANGE
B. Operating expenses			
III. Third party services	(60,010,970)	(64,775,372)	4,764,402
V. Payroll	(127,562,016)	(122,797,614)	(4,764,402)
	(250,483,998)	(250,483,998)	-

In 2021, the presentation of remuneration for management services was changed. The change applies to third party services and payroll items; the adjustment covered 2020 and 2021.

26. EVENTS CONCERNING PREVIOUS YEARS INCLUDED IN THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR

No events concerning previous years were captured in the financial statements.

27. EVENTS AFTER THE BALANCE SHEET DATE NOT CAPTURED IN THE FINANCIAL STATEMENTS

In February 2022, Russia started military invasion of Ukraine, which has had a major impact on the global prices of financial assets and raw materials, as well as increased the overall uncertainty in the world's economy. The Management Boards of the Group's Companies monitor on the on-going basis the consequences of the political and economic situation in Ukraine on the Companies' operations in 2022. As regards the potential risks, the Management Board of the Parent company has identified adverse impact of the changes in financial markets on the value of the Group's portfolio of financial instruments, and in particular on: shares of companies listed in the Warsaw Stock Exchange, treasury bonds, and investment certificates.

As at the approval date of these financial statements, it is impossible to predict how the situation in Ukraine will develop, and it is still not possible to reliably assess its impact on the Group's future financial statements. It is the opinion of the Management Board of the Parent company, as at the day of signing these financial statements, that the aforementioned situation does not influence the quantitative data presented in the Group's financial statements for the year ended 31 December 2021.

On 10 January 2022, MDR Inwestycje 5 SP. z o.o. repaid the loan granted by PFR S.A., in the amount of PLN 30,000,000.00, including the accrued interests.

On 10 February 2022, PFR S.A. extended a surety in the form of a guarantee of financing for a portfolio company of the FIPP FIZAN fund, in connection with performance of contracts for the amount of PLN 65,914,754.40

On 14 April 2022, the FIKK FIZAN fund was taken over by FIPP FIZAN fund. The proportions of share was determined based on a valuation of 15 March 2022. After the merger, PFR S.A. hold about 61.69% certificates of the FIPP FIZAN fund. In May 22, the fund was renamed to PFR Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

On 29 April 2022, PFR S.A. subscribed and paid for a new issue of investment certificates of FSMdR FIZAN (541,785 certificates), for the amount of PLN 119,999,959.65.

On 29 April 2022, PFR S.A. subscribed and paid for a new issue of investment certificates of PFR Fundusz Funduszy FIZ (53,169 certificates), for the amount of PLN 54,999,076.98.

On 17 May 2022, PFR S.A. extended a surety in the form of a guarantee of financing for a portfolio company of the PFR Fundusz Inwestycyjny FIZAN fund, in connection with performance of contracts for the amount of PLN 67,013,333.64.

The loan granted to PFR S.A. by PKO Bank Polski for the purchase of the shares of Bank Pekao is planned to be extended. The current maturity date of the loan is 30 May 2022. The loan will be extended by 2 years, with the new maturity date set for 30 May 2024. At present, the work on the Annex to the loan agreement is being finalized.

In June 2022, the Group plans to sell the shares of PPP Venture Sp. z o.o and shareholder loans attributable to PFR S.A., provided that the relevant corporate consents are obtained.

Pursuant to the act of 28 April 2022 on the principles of the performance of tasks financed from EU funds in the 2021-2027 financial perspective, PFR S.A. has been designated to perform pay-outs under the development plan referred to in Article 5 par. 7aa of the Act of 6 December 2006 on the principles of development policy, including by providing development plan financing as regards non-reimbursable payments. To this end, PFR may receive payments from EU budget funds and may obtain and use funds in compliance with the principles stipulated in Article 16a of the Act of 4 July 2019 on the System of Development Institutions, up to the amount specified in the financial plan of the National Reconstruction Plan.

28. CONTINGENT LIABILITIES AND PLEDGES

As at 31 December 2021, the Company held:

1. Contingent liabilities in the form of a blank promissory note:
The Company's liability follows from signing an agreement with the Ministry of Development to carry out a Pilot of "Dobry Pomysł" ("Good Idea") Program. The liability under the signed agreement is a blank promissory note. The promissory note sum under the liability cannot exceed PLN 1,976,250.00.
2. Surety granted to Operator Chmury Krajowej (OchK) in the amount of PLN 395,860,000.00:
The surety applies to National Cloud Operator's liabilities resulting from a Guarantee Agreement granted by PKO BP. The surety is up to the amount of USD 100,000,000 (say: one hundred million USD dollars 00/100), i.e. 50% (say: fifty per cent) of the guarantee amount, whereby the surety amount will be reduced pro rata to the reduction of the guarantee amount.
3. Surety granted to the PESA company:
In 2021, PFR extended a surety for good performance bond and guarantees of advance payment refund issued at the request of a portfolio company of a fund managed by PFR S.A. in connection with contracts performed by that entity. The surety amount is about PLN 188.5 million. The surety was extended partially on 23 April and partially on 10 May 2021.
4. Surety granted to the Ferrum S.A. company:
In 2019, PFR S.A., PKO BP and Ferrum S.A. signed a surety and support agreement, which envisaged granting by PKO BP to Ferrum a renewable working capital facility in the total amount of PLN 61 million. Pursuant to this agreement, PFR S.A. has undertaken to provide surety for all secured liabilities of Ferrum S.A. in respect of PKO BP, up to the maximum amount of PLN 18 million (the surety has already expired) and to cover any shortage (deficit) of funds in respect of specified costs and obligations of Ferrum S.A. to the maximum amount of PLN 61 million - this obligation continues to remain in effect. For the extension of the surety and support to Ferrum S.A., PFR S.A. receives remuneration from the former company.

29. ESTABLISHED ASSET-BACKED SECURITY

1. Pursuant to agreements executed on 17 November 2014 and 12 February 2015 between PFR S.A. and Bank Polska Kasa Opieki S.A., PFR S.A. established a pledge on shares of PFR in PPP Venture Sp. z o.o., with the maximum sum of the security of PLN 118,341,000.
2. Pursuant to an agreement entered into on 30 May 2017 between the Company and Bank Powszechna Kasa Oszczędności Bank Polski S.A., PFR S.A. established financial pledge and registered pledge on 33,596,165 shares of Pekao SA (12.8%), worth PLN 4,098,732,252 as at 31 December 2021.
3. Contingent security of PPP Venture Sp. z o.o.:
 - Registered pledge: a registered pledge on a set of the Company's assets: movables (inventories, movable fixed assets and other movables), rights (know-how, patents, trademarks, trade names, utility models, copyrights and other transferable rights for any title or contract vested in the Company);
 - Registered pledge: registered and financial pledge on 80 ownership interests of PPP Venture Sp. z o.o. - 80% of the share capital (the total number of shares: 100);
 - Registered pledge: registered and financial pledge on 49,760 ownership interests of PPP Venture Sp. z o.o. - 79.87% of the share capital (the total number of shares: 62,300, an increase by 62,200);
 - Registered pledge: registered and financial pledge on 10 ownership interests of PPP Venture Sp. z o.o. - 10% of the share capital (the total number of shares: 100);
 - Registered pledge: registered and financial pledge on 6,220 ownership interests of PPP Venture Sp. z o.o. - 9.98% of the share capital (the total number of shares: 62,300, an increase by 62,200);
 - Registered pledge: registered and financial pledge on 6,220 ownership interests of PPP Venture Sp. z o.o. - 9.98% of the share capital (the total number of shares: 100);

- Registered pledge: pledge on the rights, receivables and claims against the Bank maintaining the account based on the Agreement on the maintenance of bank accounts of 4 November 2014;
- Transfer of receivables in exchange for security: transfer of rights under the Public-Private Partnership Agreement (PPP Agreement) entered into on 14 October 2013 between Collegium Medicum of the Jagiellonian University and PPP Venture sp. z o.o. (formerly: Neoświat PPP Projects Sp. z o.o.), amended by Annex no. 1 of 29 October 2014;
- Transfer of receivables in exchange for security:
 - transfer of rights following from the guarantee of the parent company, KARMAR S.A., as collateral for the Construction Agreement, granted on 17 November 2014;
 - transfer of rights following from the guarantee of the parent company, COFELY SERVICES SP. Z O.O., as collateral for the Facility Management Agreement, granted on 17 November 2014;
 - transfer of rights following from the Construction Agreement entered into between the Company and KARMAR on 17 November 2014;
 - transfer of rights following from the Facility Management Agreement entered into between the Company and Cofely on 17 November 2014;
 - transfer of rights following from the Development Management Agreement entered into between the Company and BYPolska and KARMAR on 17 November 2014;
 - transfer of rights following from the Interface Agreement entered into between the Company, Cofely and KARMAR on 17 November 2014;
 - transfer of rights following from the Management Services Agreement entered into between the Company, BYPolska and PIR on 17 November 2014;
 - statement on submitting to enforcement.

30. INFORMATION ON FINANCIAL INSTRUMENTS

30.1. Financial risk management objectives and policies

The Group's operations are exposed, among others, to the following risks arising from the financial instruments held by the Group:

- Credit risk;
- Liquidity risk;
- Market risk.

Key risk management principles

The Management Board is responsible for the establishment and oversight of the Group's risk management, including the identification and analysis of risks to which the Group is exposed, definition of principles for their measurement and control. Rules and risk management procedures are regularly reviewed to reflect changes in the market conditions and changes in the Group's activities. The scope of risk management also includes managing the risk of some of the Funds' assets managed by the Group.

Credit risk

Credit risk is the risk of the Group incurring a financial loss in a situation in which a party to a financial instrument fails to perform its contractual obligations. The risk arises both directly in the Group and concerns investment agreements signed by the Group on its own behalf and indirectly through Investment Certificates, representing the portfolio of investments performed by the Group on behalf of and for the benefit of the Funds. Credit risk arises principally from debt instruments. The purpose of risk management is to maintain a stable and balanced (in terms of quality and value) portfolio of receivables following from loans granted and other investments in debt financial instruments. Credit risk is subject to detailed analysis for each investment proposal. The Group aims to limit credit risk by structuring transactions appropriately.

Further information on credit risk is presented in the Notes and explanations in note 30.4.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity management in the Group involves ensuring, as far as possible, that the Group has sufficient liquidity to settle its due and payable liabilities, both in a normal and a crisis situation, with-

out exposing the Group to impermissible losses or undermining its reputation. For this purpose, the Group monitors its cash flows on an ongoing basis and prepares liquidity forecasts and keeps sufficient cash to cover anticipated operating and current expenditures and to fulfill long-term investment commitments, by maintaining adequate funds on bank deposits with a time structure matching the liability structure, with flexibility buffers.

Market risk

Market risk means that changes of market prices, such as foreign exchange rates, interest rates, liquidity of capital markets will impact the Company's results or the value of the financial instruments it holds and the possibility of exiting an investment. Market risk management aims to maintain and control the Group's degree of exposure to market risk within acceptable bounds, while simultaneously making efforts to optimize the rate of return on investments. The Group manages the risk both with regard to the investment agreements executed directly by the Group and also with regard to the investment agreements entered into by the Group on behalf of and to the benefit of the Funds, some of whose assets are managed by the Group.

a) Foreign exchange risk

At present, the Group has no material exposure to currency risk. Investments, both the projects undertaken directly by the Group as well as the investments made indirectly by the Funds, are denominated in PLN, and the future cashflows are also planned in PLN. For projects which generate some cash flows in foreign currencies, the Group minimizes its currency risk by structuring transactions appropriately and taking into consideration the currency risk in the models used to assess investment projects:

- proper structuring of its assets and liabilities denominated in foreign currencies,
- executing forward contracts for purchase/sale of currencies,
- using hedge derivatives such as forwards, swaps.

b) Interest rate risk

The Group's activity, both in the case of investments made directly by the Group and those made indirectly through the Funds, because the latter affect the value of the Investment Certificates held by the Group, is inextricably linked to non-current investments, some of which are naturally exposed to interest rate risk by defining a fixed rate of return on the investment. This risk may materialize by the failure to obtain an assumed risk premium compared to the risk-free rate. The Group seeks to mitigate this risk by taking it into account in the structure of transactions or in appropriate clauses that make it possible to renegotiate investment returns if certain circumstances occur.

Interest rate risk may also materialize through an increase in interest expense resulting from the floating rate loan granted by PKO BP. This risk is partially offset by an adequate diversification of deposits and management of the timing of deposits. In addition, if there are signals that interest rates will be raised, deposits are opened for shorter periods.

30.2. Description of financial instruments

As at 31 December 2021

Portfolio	Description (quantity)	Carrying amount	Terms and conditions affecting future cash flows
Financial assets available for sale:	Investment Certificates	8,567,372,007	-
	Shares of Bank Pekao S.A.	4,098,732,252	-
	Shares of Mabion S.A.	5,554,540	
	Shares of PGG SA	230,886,000	-
	Shares of MTG S.A.	56,857,583	
	Treasury bonds	1,060,187,062	bonds OK0423 of the nominal value of PLN 1,107,592 thousand and the redemption date of 25 April 2023.
Loans granted and own receivables:	Loans granted:		
	PAR	209,092	fixed 3.4%
	MDR Inwestycje	30,238,365	
	Copernicus Sp. z o.o., Hertz Systems Ltd Sp. z o.o., GRC Technologie Sp. z o.o., Invento Sp. z o.o., Module Technologies S.A.	12,167,137	Full repayment from 2020 to 2022. Interest rate from 5.0% to 7.5% plus margin.
	Financial subsidies granted within the Financial Shield for SMEs government programs	18,987,168,267	non-interest bearing
	Loans granted under the Financial Shield for Large Companies and the LOT Polish Airlines government programs	4,555,070,063	floating 0.75%-2.25%
	Financial subsidies granted under the Financial Shield for SMEs 2.0 government programs	7,103,091,817	non-interest bearing
	Term deposits	5,696,713,198	floating 0.02%-2.75%
	Cash in the current account	192,423,993	-
	Bonds of Trenino Holding Sp. z o.o.	75,672,460	registered discount bonds with maturity on 31 December 2026, with the effective interest rate of 9%
Bonds of PFR Porty Sp. z o.o.	301,258,791	ordinary registered bonds with maturity on 19 April 2029, WIBOR 3M+4%	
Financial liabilities:	Loans received		
	Loan granted by Powszechna Kasa Oszczędności Bank Polski S.A. for purchasing shares of Pekao S.A.	1,724,961,066	WIBOR 3M + margin (from 1.5 to 1.75%), with the margin dependent on the level of the coverage ratio and own contribution
	Loans granted by Engie Service Sp. z o.o.	1,120,245	10%
	A loan granted by Bank Polska Kasa Opieki S.A. to perform the PPP Agreement	0	WIBOR 3M + margin
	Own bonds issued	74,470,363,793	fixed 1.38%-2.0%

As at 31 December 2021

Portfolio	Description (quantity)	Carrying amount	Terms and conditions affecting future cash flows
Financial assets available for sale:	Investment Certificates	2,800,329,704	-
	Shares of Bank Pekao S.A.	2,052,725,743	-
	Shares of PGG SA	230,886,000	-
Loans granted and own receivables:	Loans granted:		
	PAR	200,000	fixed 3.4%
	Copernicus Sp. z o.o., Hertz Systems Ltd Sp. z o.o., GRC Technologie Sp. z o.o., Invento Sp. z o.o., Module Technologies S.A.	12,167,137	Full repayment from 2020 to 2022. Interest rate from 5.0% to 7.5% plus margin.
	Financial subsidies granted within the Financial Shield for SMEs government programs	60,521,942,991	non-interest bearing
	Loans granted under the Financial Shield for Large Companies and the LOT Polish Airlines government programs	2,448,165,717	floating 0.75%-2.25%
	Term deposits	1,661,850,858	floating 0.02%-2.75%
	Cash in the current account	786,043,331	-
			-
	Bonds of Trenino Holding Sp. z o.o.	69,424,269	registered discount bonds with maturity on 31 December 2026, with the effective interest rate of 9%
	Bonds of PFR Porty Sp. z o.o.	305,555,567	ordinary registered bonds with maturity on 19 April 2029, WIBOR 3M+4%
Financial liabilities:	Loans received		
	Loan granted by Powszechna Kasa Oszczędności Bank Polski S.A. for purchasing shares of Pekao S.A.	1,823,718,754	WIBOR 3M + margin (from 1.5 to 1.75%), with the margin dependent on the level of the coverage ratio and own contribution
	Loans granted by Engie Service Sp. z o.o.	1,038,415	10%
	A loan granted by Bank Polska Kasa Opieki S.A. to perform the PPP Agreement	47,216,945	WIBOR 3M + margin (from 1.6 to 1.9%)
	Own bonds issued	65,818,094,271	fixed 1.38%-2.0%

30.3. Information on interest rate risk

As at the balance sheet date, the portfolio of debt financial instruments has the following structure:

	31 December 2021 carrying amount	31 December 2020 carrying amount
Financial instruments:		
<i>- with a fixed interest rate</i>		
Financial assets:		
Term deposits	380,653,881	511,850,858
Bonds of Trenino Sp. z o.o.	75,672,460	69,424,269
Treasury bonds	1,060,187,062	-
Loan granted	42,614,594	12,367,137
<i>- with a floating interest rate</i>		
Financial assets:		
Bonds of PFR Porty	301,258,791	305,555,567
Financial liabilities	1,726,081,310	1,871,974,115

The note does not present financial instruments established within handling the Financial Shield programs by PFR because it is the State Treasury that incurs all the costs and risks associated with the performance of government programs.

30.4. Information on credit risk

The Group's maximum exposure to credit risk corresponds to the carrying amount of the following financial assets:

	31 December 2021 carrying amount	31 December 2020 carrying amount
Financial assets:		
Loans granted and own receivables	419,545,844	387,346,973
Cash	418,241,867	595,872,933
Term deposits	380,653,881	511,850,858
Trade receivables	23,965,979	12,310,417
	861,753,691	995,530,322

The note does not present financial subsidies and loans granted under the Financial Shield programs because it is the State Treasury that incurs all the costs and risks associated with the performance of the programs, including those resulting from failures to repay the loans and financial subsidies granted within the programs.

31. EXCHANGE RATES APPLIED TO THE VALUATION OF ITEMS OF THE FINANCIAL STATEMENTS

		31 December 2021	31 December 2020
Euro	EUR 1	4.5994	4.6148
US dollar	USD 1	4.0600	3.7584
pound sterling	GBP 1	5.4846	5.1327

32. INFORMATION ON MATERIAL TRANSACTIONS WITH RELATED PARTIES EXECUTED BY THE GROUP ON A NON-ARM'S LENGTH BASIS

Transactions with related parties are not executed on a non-arm's length basis.

33. DISCONTINUED OPERATIONS

In the current reporting period, the Group did not discontinue any kind of activity.

34. INFORMATION ON UNCERTAINTIES AS TO THE CAPACITY TO CONTINUE OPERATIONS AS A GOING CONCERN

These financial statements have been prepared based on the assumption that the Company will continue its activity as a going concern in the foreseeable future.

35. OFF-BALANCE SHEET ITEMS

Fiduciary account of NCBR maintained at BGK

At PFR Ventures Sp. z o.o., an off-balance sheet item is the amount of PLN 20,502,038.79, which is a portion (tranche I and II) of the funds transferred by NCBR pursuant to the agreement on financing entered into on 28 December 2016 to perform sub-measure 1.3.2 "Public-private support for conducting research and development works with the participation of unit-linked funds – BRIDGE VC". The above amount includes initial fee earmarked for creating NCBR CVC FIZ fund and setting up financial intermediaries (unit-linked funds) through which the NCBR CVC FIZ fund will provide financial support to companies leaving the seed stage and seek further rounds of financing. The cash is deposited in a interest-bearing fiduciary account.

Fiduciary account of SPPW maintained at BGK

At PFR Ventures Sp. z o.o., cash collected on the above account is an off-balance sheet item. As a result of PFR Ventures Sp. z o.o. having received on 16 December 2021 a decision of the Ministry of Development Funds and Regional Policy on the designation of funds in the 01/KIK project "Improvement of business environment and access to financing for small and medium-sized enterprises", financed with the support of the Swiss-Polish Support Program (hereinafter SPPW), the National Coordination Unit (KIK) confirmed that as of 31 December 2021 the project would be finally ended and settled.

36. PERSONS RESPONSIBLE FOR SIGNING THE FINANCIAL STATEMENTS

Paweł Borys
President of the Management Board

Bartłomiej Pawlak
Vice President of the Management Board

Tomasz Fill
Vice President of the Management Board

Bartosz Marczuk
Vice President of the Management Board

Ewa Maciąg
Person responsible for keeping the accounting ledgers

Warsaw, 26 May 2022

Management Board
Polski Fundusz Rozwoju S.A.
ul. Krucza 50
00-025 Warsaw
("Company")

Acting pursuant to § 15 sec. 1 item 5) and item 6) of Attachment No. 4 to the Rules and Regulations of the Alternative Trading System – "Current and Periodic Information Provided by Issuers of Debt Financial Instruments in the Alternative Trading System at Catalyst," the Company's Management Board hereby represents as follows:

1. to its best knowledge, the annual consolidated financial statements for the financial year ended 31 December 2021 and comparative data have been prepared in accordance with the applicable accounting principles and are a true, accurate and clear presentation of the assets and financial standing of the Company's group and its financial result, and that the Company's group's activity report shows a true picture of the development, achievements and standing of the Company's group, including a description of the major threats and risks,
2. to its best knowledge, the audit firm to carry out the audit of the annual consolidated financial statements of the Company's Group for the financial year ended 31 December 2021 was selected in accordance with the prevailing laws, including the laws regarding the selection and the selection procedure for an audit firm, while the audit firm and members of the audit team met the conditions for drafting an impartial and independent audit report of the annual financial statements and annual consolidated financial statements pursuant to prevailing provisions of law, professional standards and professional ethics principles.



Paweł Borys
President of the Management Board



Bartłomiej Pawlak
Vice President of the Management Board



Tomasz Fill
Vice President of the Management Board



Bartosz Marczuk
Vice President of the Management Board

