



Integrated Report

for the year ended
31 December 2020

Consolidated statement
of activities of the Pekabex Group

www.pekabex.pl

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Letter from the President of Pekabex S.A.

Ladies and gentlemen,

on behalf of the entire Management Board of the Pekabex Group, I am pleased to present to you the individual and consolidated financial results of Poznańska Korporacja Budowlana Pekabex S.A. and the integrated report on the operations of the Pekabex Group for 2020.

The past year has been an unusual one. The COVID-19 pandemic has set new rules for both social and business life. The pandemic has put our company to the test, too. And I am delighted to say that we managed to get off the tiger's back.

We have achieved a record-breaking sales revenue of PLN 952,327,000, a record-breaking net result of PLN 57,900,000 and a record-breaking EBITDA of PLN 89,454,000. In 2020, we exceeded the threshold of 200,000 m³ in production, which is also an unprecedented volume in the history of the Group.

This unquestionable success, evidenced by the present results, would not have been possible without the effective implementation of the Pekabex Group's strategy. Our ambition is not only to run a profitable business, but also to set trends, look for innovative solutions and offer modern and ecological construction technologies. It is this out-of-the-box thinking, which has been part of our business DNA for years, that enabled us to push the boundaries in every field of our activity in 2020. Our best-ever results would not have been possible without the work of every member of the Pekabex Group team, their creativity, perseverance and responsibility.

2020 confirmed the high efficiency and maturity of our organisation and its ability to adapt efficiently to changing market conditions. Last year's results are, among others,

due to the investments made. In January 2020, for over PLN 70 million, we launched one of the most modern prefabrication plants in Europe in Gdańsk-Kokoszki. The solutions applied in this facility, in which part of the production processes can be performed remotely, connecting to the robotised production line from any location, worked perfectly during the pandemic – a period when we had to change the organisation of work practically overnight, increasing safety measures and adapting them to the restrictions of new sanitary regimes. The aforementioned investment is an excellent example of the Pekabex Group's competences – the assembly of the hall structure took 5 weeks, and all the interior work, which normally last about 9 months, took our company only 3.5 months.

As the first in the country, in 2020 we introduced a comprehensive prefabricated housing construction system. "Pekabex System – Residential Buildings" is a response to the market's search for a method of building residential buildings that would be effective and that would guarantee quality at the same time. It also means developing our competences and know-how. I would like to point out that in 2018, as a developer, we started building a pilot prefabricated housing estate in Poznań. The success of this pioneering project laid the foundations for the development of prefabrication on the Polish housing market and enabled the Pekabex Group to carry out further development projects, including as a general contractor. While executing

these contracts, we benefit from the experience gained on the Scandinavian market, offering modern technological solutions which work well in the conditions of rising labour costs and short lead times. A perfect example of our competence can be the construction of a housing estate at ul. Okólna in Toruń as part of the Mieszkanie Plus programme. Forty working days was sufficient time to assemble four-storey buildings.

The record-breaking year was crowned by the Pekabex Group's first foreign acquisition. Together with the Polish Development Fund (PFR), for EUR 12.25 million, we acquired 100 percent of the shares in the German prefabricated component factory FTO Fertigteilwerk Obermain GmbH. This is our sixth production facility, the purchase of which is a strategic step for the Pekabex Group, opening up completely new opportunities for expansion on the prospective German market.

In recent years, we have managed to reconcile the intensive development of the organisation with the optimisation of processes, thanks to which the Pekabex Group was and continues to be ready for further business development and an increase in the scale of operations. The last year has not exhausted our growth potential. We started 2021 with a strong and diversified order portfolio in the amount of PLN 930,731,000. We want to grow consistently in every area of our operations. Our ambition is to become

an international player in the production of prefabricated components. We also intend to grow in the residential construction segment and we see a huge potential on the domestic construction market, where there will be more and more infrastructural, industrial, logistics, housing and related investments.

Therefore, we have all the arguments to further build the scale of our business to the benefit of our Shareholders. I am pleased to see that our actions are appreciated by the market, which translates into an increase in Pekabex Group's market valuation. In 2020, our rate of return on shares reached 72 percent.

On behalf of the entire Pekabex Group team and myself, I would like to thank you for your trust and participation in our joint undertaking – the Pekabex Group.

Kind regards,
Robert Jędrzejowski





Prologis Park Poznań III

About the Group

GRI: 102-1, 102-3

The parent company of the Pekabex Group ("Group") is Poznańska Korporacja Budowlana Pekabex S.A. ("Pekabex", "Company", "Parent Company", "Issuer").

This consolidated statement of activities – integrated report ("Report") meets the requirements for integrated reporting set forth by the International Integrated Reporting Council (IIRC). The financial data was prepared in accordance with the International Financial Reporting Standards (IFRS) and the non-financial data was prepared based on the Global Reporting Initiative guidelines in the GRI Standards version (core level). The report contains, in accordance with Article 55(2a) of the Accounting Act of 29 September 1994 (as amended), a statement of the activities of the Group together with a statement of the activities of the Parent Company, drawn up as a single document together with a statement on the application of corporate governance, a statement on non-financial data and other information. Apart from the cases where it was clearly indicated that the data presented concerns only Poznańska Korporacja Budowlana Pekabex S.A., it applies both to the Group and to the Company.

The company was established in 1972 as Poznański Kombinat Budowy Domów (the Poznań House Building Combined Collective). In 1991, it was transformed into a company wholly owned by the State Treasury, operating under the name of Poznańska Korporacja Budowlana Pekabex S.A. (Poznań Construction Corporation Pekabex S.A.). On 30 December 1991, the Company was registered in section "B" of the Commercial Register maintained by the District Court in Poznań, 11th Commercial and Registration Department, under the number RHB 6548.

On 29 April 2002, the Company was entered into the Register of Entrepreneurs of the National Court Register maintained by the District Court for Poznań-Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register, under the KRS number 0000109717. It was given the REGON statistical number 630007106.

The Company's headquarters are located in Poznań at ul. Szarych Szeregów 27.

The Company is the owner or perpetual usufructuary of real estate that it rents or leases (as a whole or in part) mainly to the Group companies for the purposes of their business activities. The Company also owns a logistics and warehousing hall, the area of which has been commercialised and is leased to companies from outside the Group.

The bodies of the Company are: The Management Board, the Supervisory Board and the General Meeting of Shareholders.

**As at 31 December 2020,
the Management Board of the Company included:**



**Robert
Jędrzejowski**

Functions performed in the Pekabex Group:

- President of the Management Board of Pekabex S.A.
- Member of the Management Board of Pekabex Inwestycje II S.A.
- Member of the Management Board of Pekabex Inwestycje VIII sp. z o.o.
- Member of the Management Board of the General Partner Pekabex Inwestycje VIII sp. z o.o. S.K.A (as at 31 December 2020, the company existed under the name Pekabex Projekt sp. z o.o. S.K.A.)
- Pekabex Inwestycje VIII sp. z o.o. S.K.A.
- Member of the Management Board of Pekabex Inwestycje IV sp. z o.o.
- Member of the Management Board of Pekabex Inwestycje VII sp. z o.o.
- Member of the Governing Body of G + M GmbH
- Member of the Supervisory Board of Pekabex BET S.A., Pekabex Pref S.A., Kokoszki Prefabrykacja S.A.

Graduated from the Maria Curie-Skłodowska University in Lublin, obtaining a master's degree in law from the Faculty of Law and Administration in 1996. Since 1994, he has held a securities broker licence, and in 2011 he was granted a receivership licence. He has many years of management experience both as a managing partner (President of the Management Board) of Sovereign Capital and as a member of the governing bodies of individual portfolio companies of Sovereign Capital.

Since 2007 he has been a Member of the Management Board of Pekabex S.A., and since 2015 he has been the President of the Management Board.

RESPONSIBLE FOR _____
the strategy
and management of the Group



**Przemysław
Borek**

Functions performed in the Pekabex Group:

- Vice-President of the Management Board of Pekabex S.A.
- President of the Management Board of Pekabex Bet S.A.
- Member of the Management Board of Pekabex Pref S.A.
- Member of the Management Board of Pekabex Inwestycje II S.A.
- Member of the Management Board of Pekabex Development sp. z o.o. (as at 31 December 2020, the company existed under the name Pekabex Inwestycje VI sp. z o.o.)
- Member of the Management Board of Pekabex Inwestycje IX sp. z o.o. (position held until 25 January 2021)
- Member of the Supervisory Board of Kokoszki Prefabrykacja S.A.

Graduated from the Faculty of Civil Engineering at the Gdańsk University of Technology in 1995, obtaining a Master of Science degree in construction and engineering structures. He used his practical skills in designing and analysing steel and reinforced concrete structures to run his own design studio, ARC Projekt. From 2002 he worked as a project manager in Ergon Poland sp. z o.o., then between 2003 and 2007 he held the position of Commercial Director, building the structure and market position of a newly opened Polish branch of Ergon from scratch.

Since 2008 he has been working for the Pekabex Group, where he is the President of the Management Board of Pekabex Bet. Vice President of the Management Board of Pekabex S.A. since 2015.

RESPONSIBLE FOR _____
sales
and execution



**Beata
Żaczek**

Functions performed in the Pekabex Group:

- Vice-President of the Management Board of Pekabex S.A.
- Member of the Management Board of Pekabex Bet S.A.
- Member of the Management Board of Pekabex Pref S.A.
- Member of the Management Board of Pekabex Inwestycje II S.A.
- President of the Management Board Kokoszki Prefabrykacja S.A.
- Member of the Management Board of Pekabex Inwestycje III sp. z o.o.
- Member of the Management Board of Pekabex Inwestycje V sp. z o.o.
- Member of the Management Board of Pekabex Inwestycje IX sp. z o.o.
- Member of the Management Board of Pekabex Development sp. z o.o. (as at 31 December 2020, the company existed under the name Pekabex Inwestycje VI sp. z o.o.)

Graduated from the Kozminski University, majoring in marketing and management, with a specialisation in finance and accounting; she also completed postgraduate studies in financial management at the aforementioned university. She completed a management programme at the University of California. She has expertise in the fields of finance, controlling, accounting (including IAS/IFRS standards and transfer pricing), taxes, corporate law, as well as IT tools supporting analysis and reporting. She started her career at Hydrobudowa-6 S.A. (Bilfinger Berger group).

Since 2009, she has been working for the Pekabex Group, first as a Member of the Supervisory Board and then as a Financial Director/Member of the Management Board/CFO in the Pekabex Group. Vice President of the Management Board of Pekabex S.A. since 2015.

RESPONSIBLE FOR _____
finance and accounting, administration, logistics, IT,
legal and personnel matters



**Tomasz
Seremet**

Functions performed in the Pekabex Group:

- Member of the Management Board of Poznańska Korporacja Budowlana Pekabex S.A.
- Member of the Management Board of Pekabex Bet S.A.
- Member of the Management Board of Pekabex Pref S.A.

Graduated from the Faculty of Civil Engineering, Architecture and Environmental Engineering at the Poznan University of Technology, obtaining a master's degree in civil engineering. In addition, he has an unlimited building licence in designing and managing construction work within the scope of civil engineering and construction, as well as the Chartered Engineer of Engineers Ireland (CEng MIEI) certificate. He started his career as a design assistant at the Pekabex S.A. Design Office between 1999 and 2000. Between 2000 and 2005 he worked in the Projekta sp. z o.o. Engineering Office, which belongs to the Dutch group Bartels Engineering BV.

He has been working for the Pekabex Group since 2010. Since 2014 he has been a Member of the Management Board of PEKABEX BET and in 2020 he was appointed as a Member of the Management Board of Pekabex S.A.

RESPONSIBLE FOR _____
execution of contracts within the scope of
comprehensive construction services

Other key members of the Management Board of the Group



Christophe Carion

Functions performed in the Pekabex Group:

- Member of the Management Board of Pekabex Pref S.A.
- President of the Management Board of Centrum Nowoczesnej Prefabrykacji sp. z o.o.
- Member of the Governing Body of G + M GmbH

Graduate of De Nayer Instituut (Belgium). In 2000 he graduated with a Master of Science in Building Engineering degree. He started his career as a design engineer at Ergon NV with headquarters in Belgium between 2000 and 2008. In Ergon sp. z o.o., between 2002 and 2005 he provided support for the design department, and between 2005 and 2007 he held the position of Production Director.

In the Pekabex Group, he is responsible for production and investments. With the Group since 2008.

RESPONSIBLE FOR ———
production
and investments



Anna Jaroszek

Functions performed in the Pekabex Group:

- Member of the Management Board of Pekabex Bet S.A.

She graduated from the Faculty of Civil and Sanitary Engineering at the Lublin University of Technology in 2005, majoring in technology and organisation of construction. She completed postgraduate studies: "Project Management" at the Poznań University of Economics and Business (2010-2011) and "Psychology of Management" at the WSB University (2013/2014). In 2006, she started working at Ergon Poland sp. z o.o. as an Assistant Project Manager and in 2007 she became a Project Manager.

Since 2008 in the structures of the Pekabex Group as the Head of the Implementation Department, and then as the Director of the Implementation Department and the Operations Director. Since 2020, she has been a Member of the Management Board of Pekabex Bet S.A.

RESPONSIBLE FOR ———
contract
execution



Edward Więcek

Functions performed in the Pekabex Group:

- Member of the Management Board of Property Development Companies

In 2001, he graduated from the Warsaw University of Technology, Faculty of Civil Engineering, and in 2004 he completed the Executive MBA programme at the same university. He has an unlimited building licence in designing and managing construction work. Involved in the real estate market since 1996, when he started working for Wacetob. He then worked in the design department of J.W. Construction, and between 2000 and 2003 for the Saudi steel structure manufacturer Zamil Steel. In 2003, he started working in the machine industry for the Finnish manufacturer Tecwill OY. In the following years, he focused on managing housing, hotel and commercial projects – for Wojskowe TBS "Kwatera" (2004-2006), Coteba (2006-2007), Hill International (2007-2014) and Skanska Residential (2014-2018), where he held the position of a Member of the Management Board since 2015.

In the Pekabex Group, he is responsible for real estate development activities. With the Group since 2019.

RESPONSIBLE FOR ———
the development of the real estate segment and
execution of the real estate projects



Piotr Witkowski

Functions performed in the Pekabex Group:

- Member of the Management Board of Property Development Companies
- Member of the Supervisory Board of Pekabex Pref S.A., Pekabex Inwestycje II S.A.

Graduated from the University of Warsaw with a Master's degree in law and from the SGH Warsaw School of Economics with a master's degree in finance and banking. He began his professional career at Sovereign Capital where, first as a project manager, then associate director, and finally a Member of the Management Board, he conducted restructuring projects and participated in the management of the fund's portfolio companies.

Since 2007, he has been working for the Pekabex Group in the capacity of an advisor, as the Director of the Legal Department and, currently, as the Director of Development, responsible for, among others, mergers and acquisitions. Within the Management Board of Pekabex Development, he is responsible for structuring real estate development transactions and asset management.

RESPONSIBLE FOR ———
development of the Group
and the real estate project segment

Other key members of the Management Board of the Group



Leszek Legat

Functions performed in the Pekabex Group:

- President of the Management Board of Kokoszki Prefabrykacja S.A.

Graduated from the Faculty of General Construction at Gdańsk University of Technology with a degree in Technology and Organisation in Construction. Between 2006 and 2009, he worked at NCC, where he was responsible for projects related to reinforced concrete and steel structures.

In August 2009, he started cooperation with the Pekabex Group, creating the Gdańsk Branch. Currently, he is responsible for the sale and construction of buildings in Scandinavia, and since 2015 he has been a Member of the Management Board at Kokoszki Prefabrykacja S.A.

RESPONSIBLE FOR _____
sales and execution of
projects in Scandinavia



Andrzej Marczak

Functions performed in the Pekabex Group:

- President of the Management Board of Kokoszki Prefabrykacja S.A.

He graduated from the Technical Secondary School of Civil Engineering in Szczecin specialising in the field of prefabricated construction, and then obtained a master's degree from the Faculty of Civil Engineering at the Szczecin University of Technology in 1987 and completed postgraduate studies in the field of Management in Construction at the same university. He has unlimited executive building qualifications. Between 1991 and 1996, he was the manager of a prefabricated component plant at Szczecińskie Przedsiębiorstwo Budownictwa Przemysłowego (ESPEBEPE) S.A. From 1996 to 2015, he worked at Przedsiębiorstwo Budowlano-Montażowe "SCANBET" sp. z o.o. as the Director of the Prefabricated Component Plant and Vice-President of the Management Board of the company. Between 2014 and 2017, he was a Member of the District Council of the West-Pomeranian District Chamber of Civil Engineers.

Since 2015, he has been working for the Pekabex Group. He is the Director of the Prefabricated Component Plant in Gdańsk and a Member of the Management Board of Kokoszki Prefabrykacja S.A.

RESPONSIBLE FOR _____
production in plants
located in Gdańsk



Detlef Dressel

Functions performed in the Pekabex Group:

- President of the Governing Body of FTO Fertigteilwerk Obermain GmbH

In 1987, he graduated from the Fachhochschule in Coburg with a degree in civil engineering.

From 1987 to 2001 he worked as the Head of Costing and Prefabricated Component Construction at Dechant-Bau GmbH.

President of the Governing Body of FTO Fertigteilwerk Obermain GmbH, acquired by Pekabex S.A. on 28 December 2020. He has been the President of FTO since its establishment. FTO is located in Mark tzeuln (Bavaria) and carries out activities consisting in the design and production of prefabricated elements used in the construction of production and warehouse halls, residential and commercial buildings and prefabricated bridge elements.

In the Pekabex Group from 29 December 2020.

RESPONSIBLE FOR _____
is responsible for the operational activities
and day-to-day management of FTO



Panattoni Hall, Bielsko-Biała

Composition of the Supervisory Board of Pekabex S.A. as at 31 December 2020:

The competences and principles of work of the Supervisory Board of Pekabex S.A. are defined by:

1. The Company's Articles of Association (available on its website),
2. Regulations of the Supervisory Board (as above),
3. Commercial Companies Code.

As at 31 December 2020 and as at the publication date of this report, the Supervisory Board of Pekabex S.A. consisted of:

PIOTR TARACHA, CHAIRMAN OF THE SUPERVISORY BOARD

Graduate of the Catholic University of Lublin. In 1993 he graduated from the Faculty of Law with a master's degree in law. In 2001 he completed the MBA Programme at the Leon Kozminski Academy of Entrepreneurship and Management. He lectured at the Department of Civil Law at the Catholic University of Lublin. Chairman of the Supervisory Board at AUTO-EURO S.A., Secretary of the Supervisory Board at PEPEES S.A., Vice-Chairman of the Supervisory Board at Zakłady Przemysłu Ziemniaczanego "Lublin" sp. z o.o., Chairman of the Supervisory Board at Przedsiębiorstwo Przemysłu Ziemniaczanego "Bronisław" sp. z o.o. Between 1998 and 2002 he was the Regional Manager at PPUP Poczta Polska in Lublin. Since 2003, Piotr Taracha has been the President of the Management Board of Intrograf Lublin S.A.

PIOTR CYBURT, VICE-CHAIRMAN OF THE SUPERVISORY BOARD

In 1980, he graduated from the SGH Warsaw School of Economics with a master's degree in Economics. In 1987, he obtained the title of Doctor of Economic Sciences at Instytut Gospodarki Narodowej (Institute of National Economy), a scholar of, among others, Georgetown University and Harvard University, a researcher at Instytut Gospodarki Narodowej. He has many years of experience in banking and real estate financing, gained in the largest financial institutions on the Polish market. Between 1995 and 1998, he was Vice-President of the Management Board of Polski Bank Rozwoju. From 1992 to 1995, he worked in managerial positions at PBK S.A., including from 1994 as a Member of its Management Board and Director of the Bank. Member of supervisory boards of many commercial law companies, including the Warsaw Stock Exchange. Currently, the

President of the Management Board of mBank Hipoteczny, managing it since 1999, when the first specialist mortgage bank in post-war Poland, RHEINHYP-BRE Bank Hipoteczny, BRE Bank Hipoteczny currently known as mBank Hipoteczny S.A., started its operation. Member of the Council of the Polish Bank Association. Since 2002 he has also been a Member of the Supervisory Board of Hochtief Polska S.A., and since 2004 – a Member of the Supervisory Board of BRE Locum / currently Archicom Polska S.Ab/. Piotr Cyburt has been a Member of the Supervisory Board of the company since April 2016.

RYSZARD KLIMCZYK, MEMBER OF THE SUPERVISORY BOARD

Graduated from the Faculty of Law and Administration at the University of Gdańsk in 1998, with a master's degree in law. In 2005 he completed his legal adviser training at the Regional Chamber of Legal Advisers in Gdańsk. He began his career as a political assistant to the Secretary of State in the Political Cabinet of the Minister of Justice between 1998 and 1999. Between 1999 and 2008 he worked as a lawyer in Kancelaria Radców Prawnych Żelaznowski & Głowiński s.c. (Żelaznowski & Głowiński Legal Advisers' Office) in Sopot. Since June 2005, he has been running his own advisory practice – Kancelaria Radcy Prawnego Ryszard Klimczyk. Between 2002 and 2006 he was a councillor of the City of Gdańsk, between 2006 and 2008 – among others, Member of the Supervisory Board of the company Zarząd Morskiego Portu Gdańsk S.A., between 2007 and 2008 – Member of the Supervisory Board of Międzynarodowa Korporacja Gwarancyjna sp. z o.o., and between 2015 and 2017 – Member of the Supervisory Board of Polskie Linie Lotnicze LOT S.A. Since 2002, in addition to advisory practice, he has also held positions in supervisory bodies and management bodies of commercial law companies.

MACIEJ GRABSKI, MEMBER OF THE SUPERVISORY BOARD

Graduate of the Faculty of Law at the Catholic University of Lublin. He was an investor and co-founder of the Wirtualna Polska website. Maciej Grabski has been a Member of the Supervisory Board of the company since March 2007. Since 2010, he has been implementing the "Olivia Business Centre" investment – the place of activity of many Polish and international companies with an established market position and a valued reputation.

STEFAN GRABSKI, MEMBER OF THE SUPERVISORY BOARD

He graduated from the Gdańsk University of Technology (Faculty of General Civil Engineering) in 1974, with a design engineer degree. In 1967, he acquired the qualifications of a marine equipment technologist at the "Conradinum" Vocational School and began working as a technician at the Przedsiębiorstwo Instalacji Przemysłowych in Gdańsk. Until 1980, he worked for Instal in Gdańsk, most recently as the Construction Team Manager. For several years, he was leading the so-called Commissioning Group, which dealt with commissioning of technological installations in industrial facilities in northern Poland. Since 1989 he has been running his own business under the name AutoEuro Stefan Grabski, renting out his own facilities, providing technical consultancy and running car washes. In 1998 he

was elected to the Gdańsk City Council, where he held the position of Vice-Chairman. At the same time, he was the Chairman of the Ad Hoc Committee for Trade, Craft and Services. In the 2006-2010 term he was the Chairman of the Audit Committee. Moreover, since 2002 he has been a member of supervisory and management bodies of commercial law companies.

MARCIN SZPAK, MEMBER OF THE SUPERVISORY BOARD

Graduated from the Faculty of Management at the University of Gdańsk in 1995. Obtained a PhD in Economics in 2003. Completed the Advanced Management Program at the IESE Business School University of Navarra. The founder and long-term president of DS Consulting, a company specialising in strategic, financial and investment consulting. For 5 years, Deputy Mayor of Gdańsk for economic affairs, responsible for strategy, management of the entire investment programme and economic development. For 9 years, responsible for strategic investment programmes, strategy, development and M&A in the Energa Group. Member of the supervisory boards of many commercial companies. Expert in the financing of the infrastructure of the United Nations Development Programme.

LESŁAW KULA, MEMBER OF THE SUPERVISORY BOARD

Graduated from the Faculty of Law and Administration and the Faculty of History at the University of Warsaw in 1985. Gained his experience, among others, at the publishing institutes Instytut Wydawniczy NOVUM and Instytut Wydawniczy SONOR. Worked in managerial positions, including as the President of the Management Board of POLARTIS S.A. and EMIATA.PL S.A. In the past, a Member of the Supervisory Boards in commercial law companies. Since 2004, he has been associated – as a lecturer, among others – with WSZECHNICA POLSKA University in Warsaw. Since 2003, he has also been a Member of the Senate of this institution. For two years, he was a liquidator in WFTS POLLENA PP, in the years 1994-2007 he was a receiver and court supervisor in the Warsaw Commercial Court, and from 2000 to 2008 he cooperated with the Ministry of the Treasury in the field of promotion and privatisation of State Treasury companies. Currently, since 1997, the President of the Management Board of VARENA GROUP sp. z o.o. which provides business entities with advisory and comprehensive legal services. Lesław Kula participated in the Course for Advisers to Indebted Enterprises organised by the Development Law Institute Rome-London. Member of the Supervisory Board of the company since 2019.



LIT Premium office building, Zielona Góra

The Group has five production plants in Poland and one in Germany and has branches outside Poland – one in Sweden, owned by Pekabex Bet S.A., and another in Germany, owned by Pekabex Pref S.A. The Group offers comprehensive services in the field of prefabricated concrete structures; design, production, delivery and assembly of prefabricated elements and reinforced concrete and prestressed elements.

In addition, the Group offers general contracting services mainly for buildings, including halls.

The Group is also increasingly present on the residential construction market thanks to its cooperation with real estate development companies. It also carries out real estate development projects independently.

Since 8 July 2015, Pekabex S.A. shares have been listed on the official market of the Warsaw Stock Exchange in the system of continuous quotations under the abbreviated name "PEKABEX" and the designation "PBX". The shareholder structure is presented in the shareholding note in this Report.

GRI: 102-45, 102-4

As at 31 December 2020, the Pekabex Group comprised Poznańska Korporacja Budowlana Pekabex S.A. and the subsidiaries subject to consolidation presented below. Due to irrelevance, the following companies were not subject to consolidation: Pekabex Development sp. z o.o., Pekabex Inwestycje VII sp. z o.o. and Pekabex Inwestycje VIII sp. z o.o. S.K.A. After the balance sheet date, Poznańskie Inwestycje Magazynowe sp. z o.o. and Pekabex Inwestycje X sp. z o.o. were established.

PEKABEX BET S.A.

Pekabex directly holds 100% of shares in the share capital of Pekabex Bet S.A. (hereinafter referred to as "Pekabex Bet"), which entitles it to 100% of votes at the General Meeting of Shareholders. The main subject of the company's activity is the execution of construction contracts (including as the general contractor) within the scope of design, production, delivery and assembly of prefabricated concrete structures used in the construction of industrial, commercial, office, cultural and sports facilities, halls, buildings, bridges and other large-scale structures, as well as construction work related to the construction of residential and non-residential buildings and civil and water engineering structures. On 22 January 2019, Pekabex Bet registered a branch in Sweden under the name Pekabex Bet S.A. Filial.

PEKABEX PREF S.A.

Pekabex directly holds 100% of shares in the share capital of Pekabex Pref S.A. (hereinafter referred to as "Pekabex Pref"), which entitles it to 100% of votes at the General Meeting of Shareholders. The main subject of the company's activity is the provision of production and construction services, accounting, administrative, HR and payroll, IT, design and logistics services. Within the structures of Pekabex Pref, there is an organisationally separate Pekabex Pref Branch in Dresden. Its primary business is production services.

CENTRUM NOWOCZESNEJ PREFABRYKACJI SP. Z O.O.

Pekabex directly holds 100% of shares in the share capital of Centrum Nowoczesnej Prefabrykacji sp. z o.o. (hereinafter referred to as "CNP"), which entitles it to 100% of votes at the General Meeting of Shareholders. The main subject of the company's activity is the rental of machinery and equipment, the provision of IT services and production services for the Group's companies.

Kokoszki Prefabrykacja S.A.

Pekabex directly holds 100% of shares in the share capital of Kokoszki Prefabrykacja S.A. (hereinafter referred to as "Kokoszki Prefabrykacja"), which entitles it to 100% of votes at the General Meeting of Shareholders. The Company has two production plants; a production plant located at ul. Budowlanych in Gdańsk-Kokoszki, which is the subject of lease, mainly to entities belonging to the Group, and a newly built production plant in Gdańsk-Kokoszki at ul. Geodetów (use permit obtained in January 2020), operating on the basis of a decision in the Pomeranian Special Economic Zone, in which the company conducts production activity. This investment is presented in more detail in this Report.

PEKABEX INWESTYCJE II S.A.

Pekabex directly holds 100% of shares in the share capital of Pekabex Inwestycje II S.A., which entitles it to 100% of votes at the General Meeting of Shareholders. The company's core business is the lease of assets to entities belonging to the Group.

PEKABEX DEVELOPMENT SP. Z O.O.

Pekabex directly holds 100% of shares in the share capital of Pekabex Development sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company coordinates real estate development projects. Until 21 January 2021, the company operated under the name Pekabex Inwestycje VI sp. z o.o.

PEKABEX INWESTYCJE III SP. Z O.O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje III sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company is a special purpose vehicle, registered in the National Court Register on 26 May 2020 and conducting a development investment Osiedle Casa Fiore at ul. Hafciarska in Warsaw. This investment is presented in more detail in this Report.

PEKABEX INWESTYCJE IV SP. Z O.O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje IV sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. It is a Limited Partner in the company Origin Pekabex Mechelinki sp. z o.o. sp.k.

PEKABEX INWESTYCJE V SP. Z O.O.

Pekabex directly holds 100% of shares in the share capital of Pekabex Inwestycje V sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. It is a special purpose vehicle registered in the National Court Register on 6 July 2020 and conducting a development investment consisting in the construction of a modern apartment building in Hel, at ul. Żeromskiego. This investment is presented in more detail in this Report.

PEKABEX INWESTYCJE VII SP. Z O.O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje VII sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. It is a special purpose vehicle registered in the National Court Register on 7 July 2020, conducting a development investment consisting in the construction of the third stage of the JA_SIELSKA housing estate in Poznań.

PEKABEX INWESTYCJE VIII SP. Z O.O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje VIII sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The Company is a General Partner in Pekabex Inwestycje VIII sp. z o.o. S.K.A. Until 9 December 2020, the company operated under the name Pekabex Development sp. z o.o. The company is a special purpose vehicle conducting a development investment consisting in the construction of terraced houses in Józefostów near Warsaw and the second stage of the JA_SIELSKA housing estate in Poznań.

PEKABEX INWESTYCJE IX SP. Z O.O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje IX sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. It is a special purpose vehicle that conducts an investment consisting in the construction of residential buildings and

commercial premises at ul. Katedralna in Częstochowa. The company was incorporated by a notarial deed on 16 December 2020. Registered in the National Court Register after the balance sheet date.

PEKABEX INWESTYCJE VIII SP. Z O.O. S.K.A.

Pekabex directly holds 100% of shares as a shareholder of Pekabex Inwestycje VIII sp. z o. o. S.K.A. and exercises indirect control through the sole General Partner, Pekabex Inwestycje VII sp. z o. o., holding 100% of shares in this company. This entitles Pekabex to 100% of votes at the General Meeting of Shareholders.

ORIGIN PEKABEX MECHELINKI SP. Z O.O.

Pekabex directly holds 51% of shares in the share capital of Origin Pekabex Mechelinki sp. z o.o. The company is a General Partner in Origin Pekabex Mechelinki sp. z o. o. sp.k. Until 12 August 2020, the company operated under the name Pekabex Projekt sp. z o.o.

ORIGIN PEKABEX MECHELINKI SP. Z O.O. SP.K.

Pekabex is the controlling (parent) entity for Origin Pekabex Mechelinki sp. z o.o. sp.k. The General Partner of the company is Origin Pekabex Mechelinki sp. z o.o. The Limited Partners of the company are Pekabex Inwestycje IV sp. z o.o. and Origin Gdynia 1 sp. z o.o. The company is a special purpose vehicle which conducts an investment called Kompleks Origin ReVital Mechelinki, which will include Centrum Origin Mechelinki, Apartamenty Origin Mechelinki and Apartamenty Revital. This investment is presented in more detail in this Report. Until 23 November 2020, the company operated under the name TM Pekabex Projekt sp. z o.o. sp.k.

G+M GMBH

Pekabex directly holds 76% of shares in the share capital of G+M GmbH. The remaining 24% is owned by Fundusz Ekspansji Zagranicznej Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Foreign Expansion Fund Closed Investment Fund for Non-Public Assets) managed by PFR Towarzystwo Funduszy Inwestycyjnych S.A. Pekabex acquired shares in the company on 28 December 2020. The core business of G+M GmbH is the management and rental of real estate and movable property. The company holds 100% of shares in FTO Fertigteilwerk Obermain GmbH.

FTO FERTIGTEILWERK OBERMAIN GMBH

The company's core business is the production of precast concrete elements. The company provides small and large-size prefabricated products mainly for industrial, warehouse, logistics and housing construction. The company was registered in 2002 and is one of the main prefabricated component plants in Bavaria and Thuringia as a regional and supra-regional supplier of structural prefabricated elements in reinforced concrete construction. The scope of the company's activities includes a comprehensive service from designing the structure to assembling the prefabricated element. The company also has its own assembly department consisting of 4 independent assembly groups.

1.1.

BUSINESS MODEL AS AT 31 DECEMBER 2020

The Pekabex Group is the largest and one of the most experienced manufacturers of reinforced and prestressed concrete prefabricated elements in Poland. The Group and its legal predecessors have been active in the construction industry for nearly 50 years.

The Group is constantly developing the range of products and the scope of services provided and currently the activities of the Pekabex Group focus on three main business lines: the production of prefabricated concrete structures, the execution of projects as the general contractor and real estate development activities conducted by the Group on its own account.

Prefabrication

The first and main activity of the Group is the production of elements of modern construction systems: reinforced and prestressed concrete prefabricated elements. The Group's products are used in the construction and erection of industrial, commercial, residential, office, infrastructure and energy facilities, car parks, stadiums and unusual projects (e.g. fountain basins, individually designed and manufactured tanks, prefabricated shells, tunnel and bridge elements, stair flights). Prefabricated elements, due to the production technology and the possibility of maximum use of material parameters, are competitive with other materials and technologies used on the Polish and foreign market. Prestressing concrete reduces cross-sections, which translates into cheaper transport and assembly, and thus attractive selling prices. Prefabricated elements within the Group are manufactured by Pekabex Bet, Kokoszkki Prefabrykacja (since 2020) and FTO Fertigteilwerk Obermain GmbH

(within the structures of the Pekabex Group since 28 December 2020). In 2020, the Pekabex Group expanded its capacity, adding two more production plants to the four operating in Poland so far. On 22 January 2020, a permit was issued for the use of the newly built production plant in Gdańsk, and the official opening took place on 30 January 2020. The factory is one of the most modern facilities of this type in Europe. It enables the fully automated production of Filigran floor slabs, double Filigran walls and solid walls.

General contracting for construction investments

The second business line of the Group is the provision of general contracting for construction investments. This line is the next step in building the Pekabex Group's value chain. When executing projects as the general contractor, the Group uses concrete prefabricated structures. A large part of the projects is also executed in the "design and build" scheme. Thanks to the provision of general contractor services, the Group not only provides its contractors with high-quality prefabricated elements, but also with comprehensive solutions, through the complete execution of construction projects. The team of the General Contracting Department consists of engineers and designers from all construction industries who comprehensively support investors at different stages of the investment, in terms of formal and legal services and indicating economical technical solutions. They:

- analyse soil conditions and choose the best method of foundation,
- design and deliver optimised structures: as the market leader in reinforced concrete and prestressed concrete prefabricated elements, they select the right skeleton to eliminate costly substructures for elevation, roof and installations,
- propose optimal solutions for sanitary and electrical installations,
- perform all works comprehensively: design and execution,
- take care of the aesthetic appearance of the facility and its immediate surroundings.

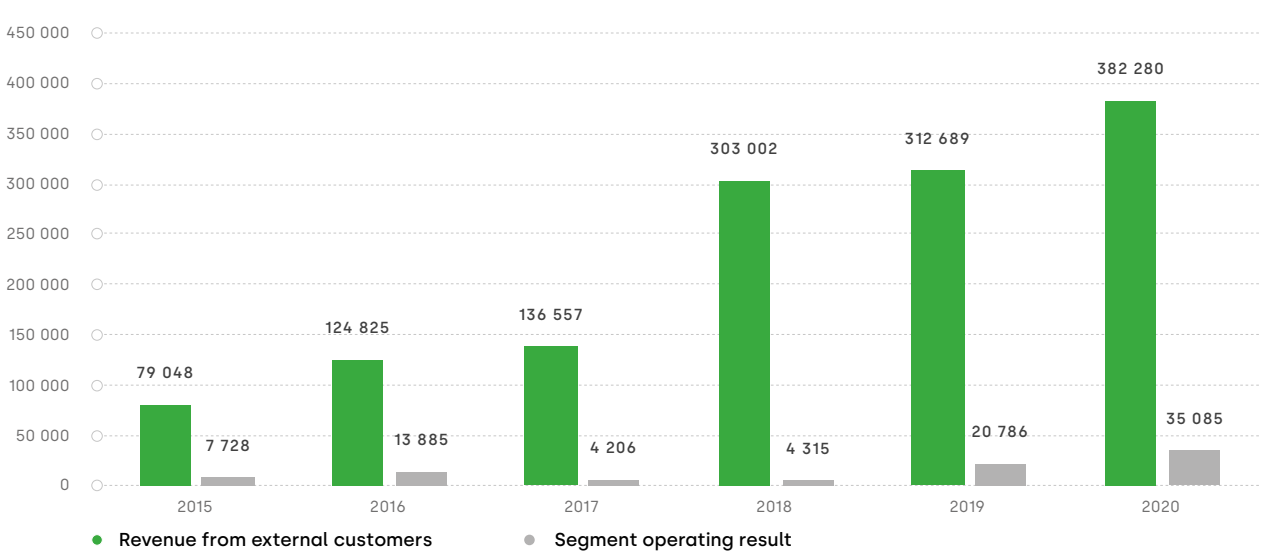
The main area of work of the General Contracting Department of Pekabex is residential, commercial and industrial building construction. The pandemic has accelerated the growth of the e-commerce sector, which has escalated the increase in demand for warehouse and logistics facilities in recent months. The Group cooperates in the field of general contracting with the largest investors of warehouse and logistics parks in Poland, such as MLP, Prologis or Panattoni. In 2020, as part of an investment in Bielsko-Biała, the Pekabex Group built a production and warehouse hall with social and office facilities for the Panattoni Group with the total footprint of the building exceeding 57.3 thousand m². In May 2020, the Group completed the construction of the first stage of Prologis Park in Ruda Śląska, started in July 2019, and in September 2020, it established cooperation with the Logicor investor, for whom it will realise an investment consisting in designing and constructing a warehouse building for the storage and distribution of goods, designing and constructing a road and square system, and providing technical infrastructure.

In 2020, the Group published the results of work on a modern "Pekabex System" for residential buildings, which was based on the experience gained during the execution of prefabricated structures on the Scandinavian market as well as the execution of pilot development projects realised by the Group since 2019. The elements from the Pekabex component catalogue are used to quickly, safely and economically build comfortable and architecturally interesting settlements, in particular in the general contractor scheme. In 2020, the department realised important housing projects for the public sector, such as the housing estate in Toruń at ul. Okólna, which is the first investment under the government housing programme being realised in the prefabricated construction technology, and the construction of

four residential buildings with the necessary infrastructure (a total of 288 premises) at ul. Celulozowa in Wrocław for Miejskie Budownictwo Mieszkaniowe sp. z o.o.

The offer of logistics, warehouse, production, office, commercial and service or residential facilities built using modern prefabricated component technology is addressed to demanding investors. This is why the Group approaches each project individually, so that the constructed building is adapted to the wishes and needs of the user, built in a short period of time and distinguished by high quality and fire resistance.

Revenue from the segment execution of contracts – construction services (business line – general contracting services) in the years 2015-2020 (PLN thousand)



Development activities

As part of its activities, the Pekabex Group also carries out development projects on its own account. This is the third business line developed by the Group. It includes development companies which use their constantly expanding competences to carry out investments starting from the acquisition of real estate, through construction of facilities and financing to their commercialisation. After the success of the JA_SIELSKA pilot development project, which was carried out by the Group independently and involved the construction of a modular housing estate in Poznań, the Group decided to develop this business line. As part of its real estate development activities, Pekabex offers flats, holiday suites, single-family terraced houses, service areas and hotel-type facilities with swimming pools and rehabilitation centres. Currently, the Pekabex Group is in the process of implementing or preparing for the implementation of 9 projects:

- two in Poznań: JA_SIELSKA II, JA_SIELSKA III,
- two in Warsaw: Osiedlowa 43 in Józefosław and Casa Fiore at ul. Hafciarska,
- four in the vicinity of Gdańsk: suites in Hel, Apartamenty

- Origin Mechelinki, Apartamenty Revital and Centrum Origin Mechelinki,
- and one in Częstochowa at ul. Katedralna.

The prospects for the residential construction market in Poland are good, and the interest in the use of modular technology in this segment of the construction industry continues to grow. The competitive advantages of prefabricated components include, above all: shorter investment execution time than in traditional construction (buildings made of prefabricated elements are ready for use in up to half the time it takes to complete a building using traditional technology), and the possibility of achieving approx. 5-7% more usable residential area on the same plot surface. Better technical parameters of buildings, e.g. acoustic, are also important. In addition, the environmental aspect of construction is becoming increasingly important. Investors pay attention to the amount of construction waste and the carbon footprint of buildings. Concrete is 100% recyclable, and concrete prefabricated elements are lighter than monolithic (traditional) structures, resulting in a reduced carbon footprint.

The table below presents the total usable area in the execution phase and in the preparation phase as at the end of each year

	2017	2018	2019	2020
Usable area in the execution phase (m²)	2,832	2,832	8,744	7,664
Usable area in the preparation phase (in m²)	5,912	5,912	1,752	39,106
Total area	8,744	8,744	10,496	46,770

After the balance sheet date, the Group completed the logistics hall built as a development project and it is now fully leased to entities outside the Pekabex Group.

The usable area of the hall has not been included in the usable area presented in the table above.

The three business lines of the Group: production of prefabricated elements, general contracting for construction works and development activities constitute a large competitive advantage and the possibility of optimal use of the economic situation. The lines complement and support each other; thanks to this complexity, Pekabex has enormous competence and experience in managing even the most demanding projects.

The effectiveness of the three business lines is supported by the support departments operating within the Group, such as the Prefabricated Products Sales Department, Design Department, Logistics Department and administrative departments, among others, HR, Legal Department, Finance Department or Administration.

Pekabex has its own design office, specialising in designing buildings and structures made from precast concrete units. It employs more than 140 quality engineers with international experience, and permanently cooperates with external offices.

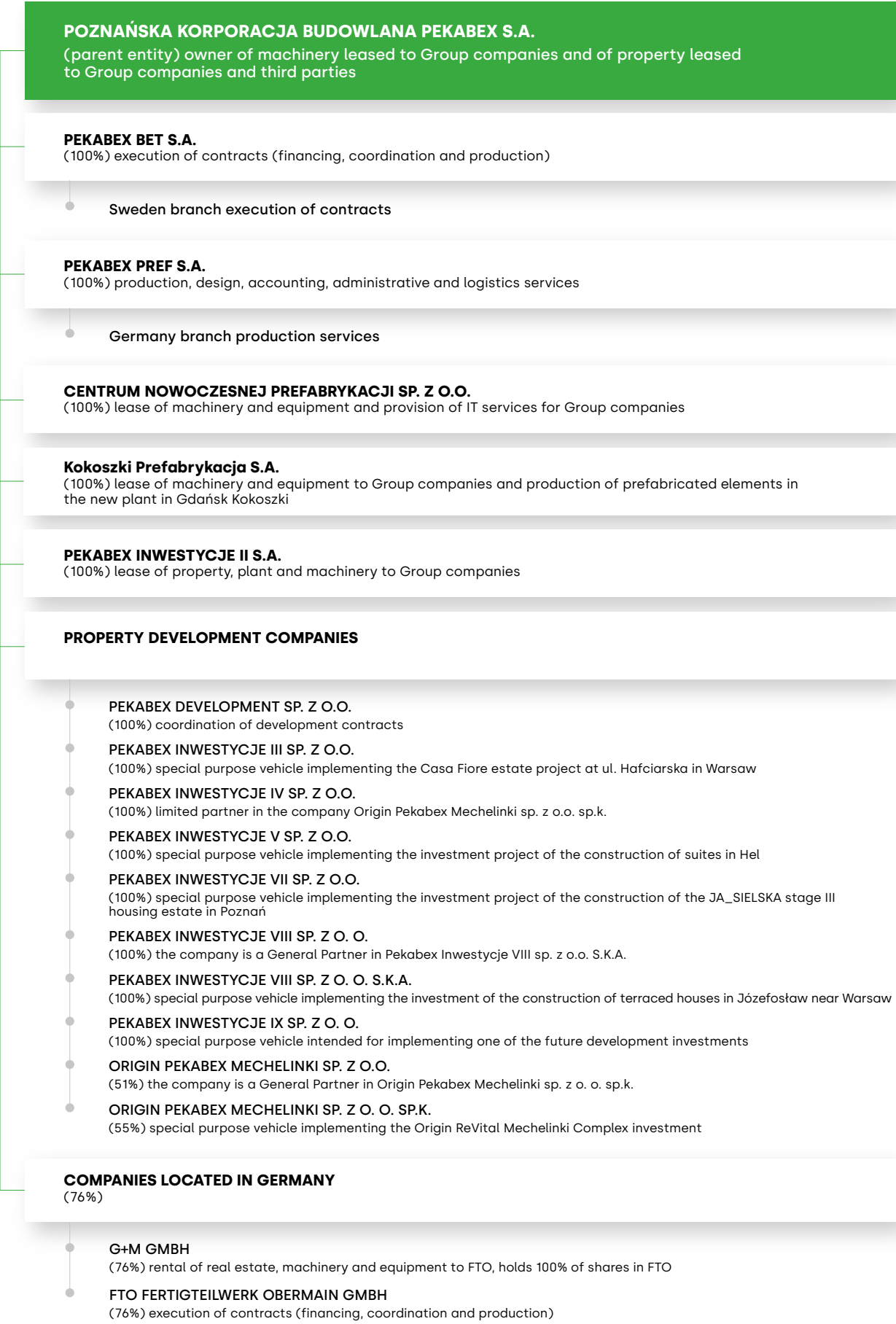
The projects developed in accordance with the "Pekabex Systems" are modern, safe and economical, and the structures built on their basis stand out in the architectural landscape. The Group applies innovative solutions in line with Polish and European standards. The Group has its own Research and Development Centre (established in 2017), which develops innovative concepts and the best construction solutions for its contractors, taking into account the environmental impact of the offered products. In its activity, the Group combines the competences of a manufacturing, engineering, construction and real estate

development company. Pekabex ensures country-wide, safe transportation of prefabricated elements to construction sites by road or rail-road transport. It also organises the transportation of elements abroad, using sea transport. Constant supervision over the continuity of deliveries and safety of transport of prefabricated elements is exercised by the Logistics Department. The low-loader trucks used by the Group enable the transport of elements over 40 m long and weighing more than 80 t, as well as the vertical transport of prefabricated elements up to 4.3 m high. The number of transports shipped amounted to 21,775 in 2020 compared to 15,800 in 2019 – an increase of around 27%.

Pekabex provides the service of assembly of prefabricated structures on the construction site regardless of the season and weather conditions. With more than 20 assembly teams, the Company delivers high quality services on time and in accordance with previously agreed conditions.



The Group's business model and the types of activity conducted by the individual companies are presented in the diagram below:



The Group specialises in the production of traditional prefabricated reinforced elements and modern prestressed elements.

The Pekabex Group has six production sites. Five are located in Poland: in Poznań, Mszczonów, two in Gdańsk (including one of the most modern production facilities in Europe opened in January 2020), and in Bielsko-Biała. The Group also has one production facility located in Germany in Marktzeuln.

On 28 December 2020, the Parent Company purchased shares in a group of companies located in Germany, thus acquiring another, sixth production plant. The Group purchased a factory of prefabricated elements based in Marktzeuln (Bavaria) together with Fundusz Ekspansji Zagranicznej Fundusz Inwestycyjny Zamknięty Aktywów

Niepublicznych (Foreign Expansion Fund Closed Investment Fund for Non-Public Assets) managed by PFR Towarzystwo Funduszy Inwestycyjnych S.A.; Pekabex acquired 76% of Shares, and the Fund – 24%. The acquisition of shares in the German company is a strategic step for Pekabex which opens up opportunities for the Group to expand on the German market.

All factories produce elements used in large-scale construction (e.g. production halls, warehouses, offices, shopping facilities, stations, parking lots), civil engineering (e.g. bridges, tunnels), as well as elements for non-standard projects. The Group also manufactures elements for residential construction, including ceilings, stairs and balconies, but mainly walls, including solid and triple-layered walls used most frequently as external walls with façades, equipped with electrical installations, fitted with windows and external window sills, and finished with special textured plasters.



Panattoni Hall, Bielsko-Biała



Gdańsk I
40,000 m³ – structures and walls
120,000 m² – floor slabs

Gdańsk II
500,000 m² – Filigran slabs and double Filigran walls

Poznań
45,000 m³ – structures and walls
200,000 m² – floor slabs

Mszczonów/Warsaw
45,000 m³ – structures and walls
200,000 m² – floor slabs
60,000 m³ – tubings

Bielsko-Biała
18,000 m³ – structures and walls
35,000 m² – floor slabs

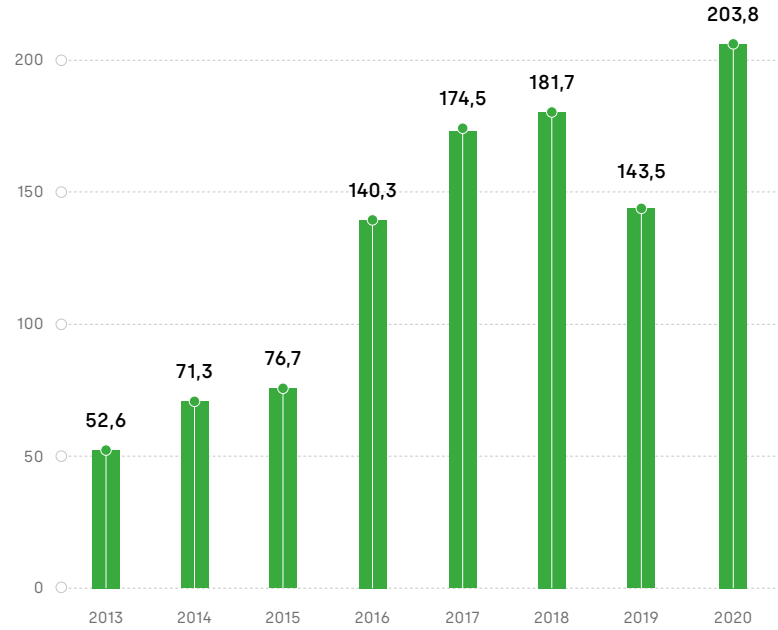
Marktzeuln (Germany)
30,000 m³ – structures and walls



JA_SIELSKA housing estate, Poznań

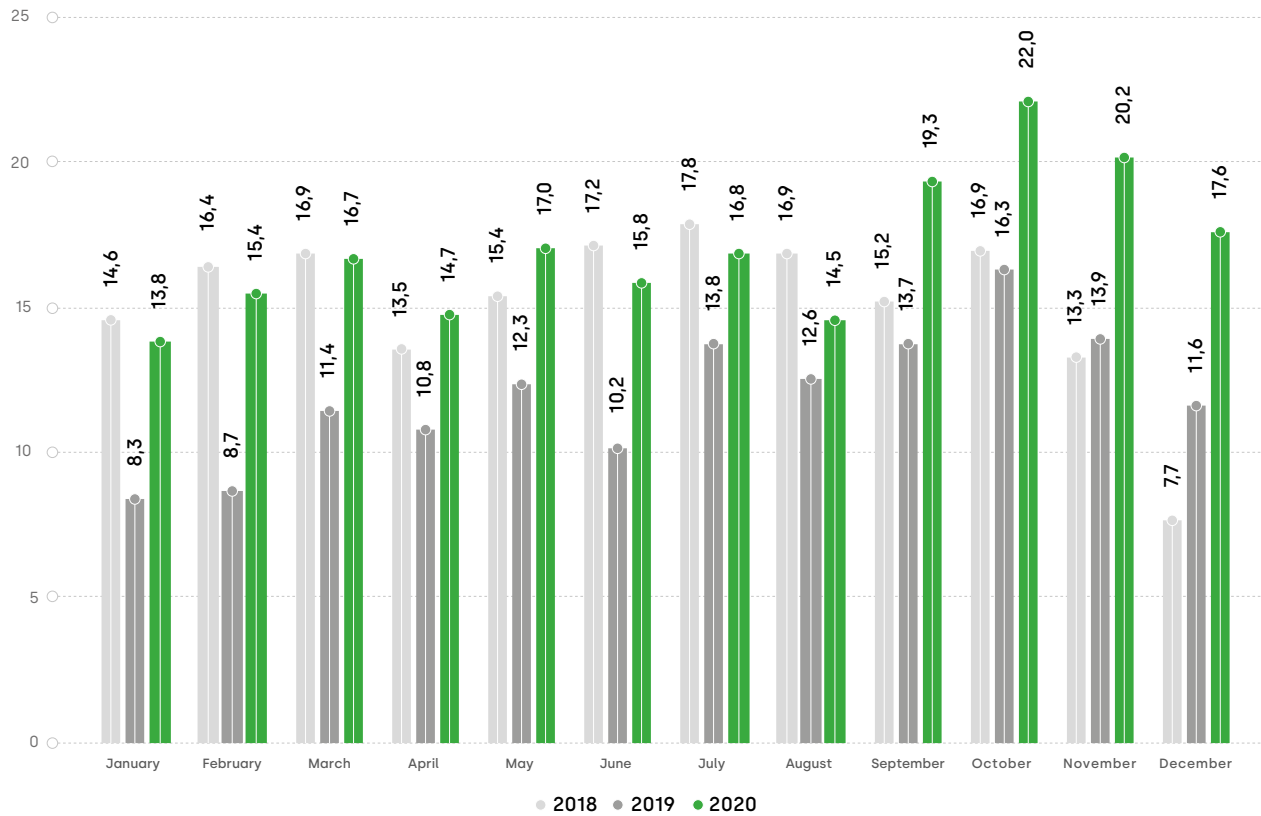
Total production volume generated by 5* production plants in 2020 amounted to 203.8 thousand m³.

Thus, in 2020 the Group achieved the highest production volume in its history.



* The Group does not take into account the volume of production at the production plant in Germany, as this plant was acquired by the Group on 28 December 2020.

Production volumes by month in 2020 (green) in comparison to the corresponding periods in 2018 and 2019:



The Group's prefabricated component plants are equipped to manufacture elements with a wide range of dimensions, both in traditional reinforcement technology and using prestressing. Modern equipment and developed technology allow for the production of elements of increased length (45 m girders), as well as considerable mass (over 100 t). The high quality of manufactured prefabricated elements is achieved thanks to the specialised production equipment, but also the experience and high qualifications of the personnel. The Group also manufactures elements for residential construction, including ceilings, stairs and bal-

conies, but mainly walls, including solid and triple-layered walls used most frequently as external walls with façades, equipped with electrical installations, fitted with windows and external window sills, and finished with special textured plasters. Such elements do not require additional time and financial resources related to the construction and finishing of the façade at the construction site. Finishing the internal side of the wall requires only painting, fixing window sills and installing sockets and electrical switches.



Glassworks Euroglas Polska, Ujazd

GRI: 102-2

Main products manufactured by Pekabex

The Group's offer can be divided according to production technology:

- modern prestressed elements, including bridge beams, girders, TT slabs, floor beams, roof beams, purlins, tram elements, prestressed concrete sill plates, multi-storey columns, prestressed Filigran elements;
- traditional reinforced elements, including rectangular columns, round columns, columns with pad footing, solid walls, double-layer walls, three-layer walls, sill plates, retaining walls, walls with washed aggregate, balconies, tubings, docks;
- prestressed hollow core slabs;
- prefabricated elements manufactured in a fully automated manner based on Filigran-type elements.

The main products manufactured by Pekabex are presented below.



Columns

Pekabex produces reinforced and prestressed columns and footings with square, rectangular and circular cross-sections. The columns can be multi-level, with brackets in all four directions. The largest elements produced by GK Pekabex were over 30 meters high and exceeded the weight of 100 tons.



Walls

Pekabex manufactures prefabricated single- and multi-layer wall elements with an insulation layer of polystyrene foam, polyurethane foam or mineral wool. External wall textures may be uniform or have a façade layer finished with mineral plasters or washed stone, e.g. Jurassic slate, basalt or granite. The external façade may also be decorated with formliner prints or with clinker bricks. Walls are produced in a wide range of sizes and applications: for building commercial buildings, industrial halls, public and residential buildings, for internal and external load-bearing walls, walls of lift shafts, staircases.



Floor beams

The Group's production plants manufacture reinforced concrete and prestressed concrete beams with rectangular, trapezoidal, T-bar, double-T and L-shaped cross-sections. They are prepared to be joined with a monolithic or prefabricated ceiling made of hollow core slabs, TT slabs or Filigran slabs.



Filigran walls and floor slabs

Filigran walls and slabs are produced in an automated manner at a new production plant in Gdańsk. The biggest advantages of this product are simple and quick assembly and its light weight. Filigran elements are dedicated to residential and office construction and are used to build tunnels, silos, tanks, underground garages or fences.



Slabs

The wide range of slabs produced by the Group includes:

- hollow core slabs
- reinforced and prestressed TT slabs
- PS prestressed solid slabs
- troughed slabs
- Filigran type slabs



Prefabricated engineering products

The Group's production plants manufacture prefabricated reinforced concrete and prestressed concrete elements that are highly advanced in terms of technology and design for the needs of civil engineering.



Roof beams

Pekabex offers reinforced concrete and prestressed roof beams – roof girders with spans exceeding 50 meters, purlins, joists, girts. The elements can be equipped with steel accessories.



Other

Other products manufactured in the Pekabex Group plants include:

- bridge abutments
- stair flights and balconies
- staircase elements
- crane ballasts
- fountain basins, plinths

and other prefabricated products manufactured at the customer's request



Filigran type prefabricated element

The Group is constantly improving its Quality Management System in order to meet customers' requirements in the best possible way. The quality of prefabricated products is confirmed by numerous awards and distinctions, especially the certificates that the company holds. Products are subject to continuous monitoring, both internal and external. The Group is constantly developing the possibilities of expanding its range of prefabricated elements, thus creating the need for continuous self-improvement and introduction of new technologies.

Quality management

The Group's products are subject to quality control carried out in the Group for compliance with the requirements of Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 and the Act of 16 April 2004 on construction products, as amended.

Ongoing control over the quality of production of prefabricated reinforced concrete elements, at all stages of the process in each of the 5 production plants, was carried out by the Production Departments, and in the scope of quality control, by the Quality Control Departments. The inspection was carried out in accordance with the Manufacturing Quality Control (Zakładowa Kontrola Produkcji, ZKP) procedures. The scope of production and control described in the ZKP procedures defines the technology of production, principles of supervision and indicates the performance of necessary tests of reinforcement steel and concrete.

Each prefabricated element is inspected on the basis of individual technical documentation, and in the case of hollow core slabs produced in series, each production batch is thoroughly inspected on a weekly basis. The results of the inspection are recorded in the product inspection forms. All prefabricated elements are checked for conformity with the technical documentation. They are checked for compliance with the requirements of the relevant harmonised European standards as regards parameters such as:

- prestressing tendon slippage
- arrangement of mounted details
- compliance of the dimensions with the design documentation.



Prefabricated elements – stairs

On the premises of the Pekabex Group's plants in Poznań, Gdańsk, Mszczonów and Bielsko-Biała, there are in-house laboratories that support technological development and the highest quality of the Group's products through:

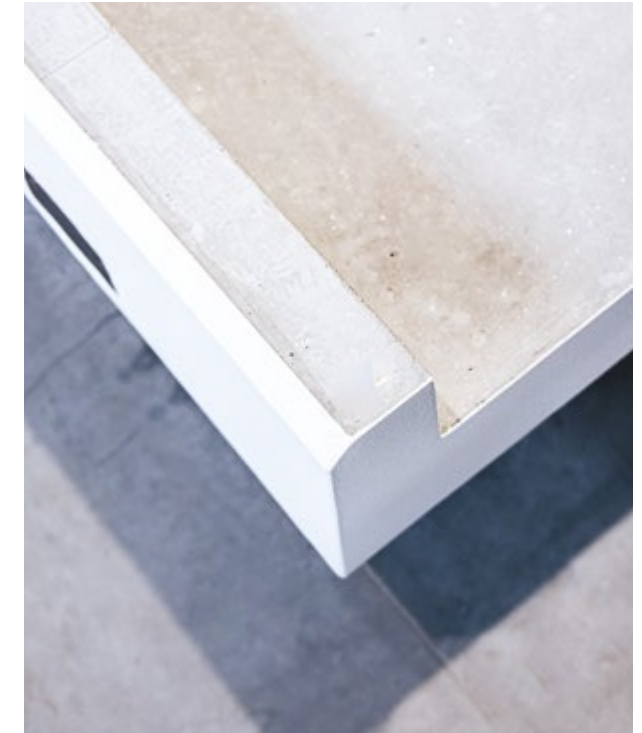
- continuous improvement of the composition of the concrete mix
- performing tests in accordance with the requirements of standards
- testing and control of raw materials for the production of fresh concrete mix
- conducting strength tests of hardened concrete required by the standard.

The Pekabex Group controls the feedstock for production based on the quality documents provided by the qualified supplier in terms of compliance with the technical specifications. Candidates for suppliers fill in appropriate questionnaires through which they are verified to become qualified suppliers. In addition, to confirm technical parameters, materials are randomly tested by accredited laboratories.

Each of the five Pekabex production plants holds certificates of conformity in the field of production required by Polish and European law, which allows for marking the prefabricated reinforced concrete elements with the "CE" mark and the "B" construction mark.

Pekabex also holds:

- a certificate confirming compliance of the Quality Management System with ISO 9001:2015 "Quality Management Systems" and a certificate of compliance with ISO 45001:2018 "Occupational Health and Safety Management Systems"



Prefabricated elements – balconies

- certificates of conformity with manufacturing quality control for the manufacture of welded steel structures up to EXC2 class
- certificates confirming the compliance of the manufactured construction products with the requirements of the national regulations of some EU countries, such as Germany, Sweden or Denmark.

The Group has a system of recording/archiving reports from the inspection of prefabricated products (including visual inspections of elements prior to their shipment), which allows for an ongoing analysis of any cases of inconsistencies in the dimensional measurements of finished prefabricated products. The existing quality control system also provides for archiving the so-called declarations of non-compliance. They document nonconformities and specify the methods of their removal based on the decision of the designer dedicated to each performed contract, as well as containing the confirmation of the correct removal of nonconformities by quality controllers. This register of nonconformities is used for further analyses which result in training for employees in the areas in which nonconformities have occurred, leading, consequently, to the reduction in the number of nonconformities.

Some of the Group's contractors organise so-called client audits. As part of these audits, contractors familiarise themselves with the company's production technologies, certificates of compliance with European and Polish law, system documentation and production documents, and check the functioning of quality control systems in practice.



EPIC office building in Malmö, Sweden

GRI: 102-13

Membership in organisations

Pekabex is a member of the following organisations and associations:

- Stowarzyszenie Producentów Betonów (the Association of Concrete Producers)
- The Polish-German Chamber of Commerce and Industry
- Pracodawcy Pomorza (the Employers of Pomerania)
- Fundacja Firmy Rodzinne (the Family Companies Foundation)
- Güteschutz Beton Organisation (the Güteschutz Concrete Organisation)
- Wielkopolska Izba Przemysłowo-Handlowa (the Wielkopolska Chamber of Commerce and Industry)
- Lubuska Organizacja Pracodawców (the Lubuskie Employers' Organisation)
- Dansk Byggeri
- Polish Circular Hotspot

Awards and honourable mentions

The most important awards and honourable mentions received by Pekabex in 2020 include:

The "Orzeł Wprost" title

awarded by the weekly "Wprost"

This is the second time Pekabex has received this prestigious award, granted to entities that make a special contribution to the development of the economy, the region and the country. Pekabex was singled out as one of the companies with the best financial results in the region.

TopBuilder Award

from Builder Polska

The award was granted for the construction of the Pekabex Group's state-of-the-art factory in Gdańsk-Kokoszki.

It is one of the most prestigious awards on the Polish construction market. It is awarded, among others, for the highest quality construction investments, distinguished by the high quality of the designed architecture and the use of modern solutions.

The Top Produkt Pomorskie 2020 (Top Product in the Pomorskie Province 2020) title

from the Award Committee of "Dziennik Bałtycki"

Pekabex received this prestigious title in the New Technologies/Startups category for its new automated prefabricated element factory in Gdańsk-Kokoszki.

"Laur Internetu Odkrycie Roku" (Internet Discovery of the Year)

awarded by the the Research and Analysis Team of "Monitor Rynkowy" / Publicity Media Group – the organiser of the programme promoting the best companies in Poland

It is an award granted to the most interesting, new or re-branded brands present on the Polish Internet. The "Discovery of 2020" title was awarded for "Pekabex System – Residential Buildings".

Pekabex among the finalists of the Ministry of Climate's "Product in Circulation" competition

In this competition, the Pekabex Housing System was once again recognised for its contribution to the "promotion and dissemination of achievements in the field of ecological, sustainable design and the application of innovative solutions for product recirculation".

The "Budowlana Firma Roku 2020" (Construction Company of the Year 2020) title for Pekabex Bet S.A. and the "Osobowość Branży Budowlanej 2020" (Construction Industry Personality of the Year 2020) title for the President of the Management Board of Pekabex Bet S.A., Przemysław Borek

from Builder Polska

The Construction Company of the Year title is awarded by the Editorial Office and Scientific Council of the monthly "Builder" to companies from the construction industry for dynamic development and the position achieved on the construction market. The Personality of the Year title is a special distinction awarded to the heads of companies – personalities of the industry, among others, for effective management and successful expansion of the company's potential and competitive advantage.

1.2.

MARKETS AND SOURCES OF SUPPLY

Demand on concrete precast units and reinforced concrete and compressed elements is highly correlated with the development of the construction industry and this industry has a strong link with the economic and macroeconomic situation in a given country.

Poland is the main market for the Group. The largest domestic recipients of its products include direct investors and general contractors, implementing large-size buildings, residential buildings and infrastructure investments.

Contracts are carried out in Poland, Germany, Sweden, Denmark and Iceland, while production services are carried out in Germany. At the end of December 2020, the Group acquired shares in the company incorporated under German law, G+M GmbH, which in the long-term perspective is to lead to a significant increase in sales on the German market.

The table below shows the revenue generated in individual markets and the change compared to the previous year:

In thousands PLN	from 01.01.202 to 31.12.2020	from 01.01.2020 to 31.12.2019	Change in value	Change %
Poland	738,516.	589,086.	149,430.	25.37%
Percentage share of total sales	77.55%	76.30%		
Sweden	129,821.	140,413.	-10,592.	-7.54%
Percentage share of total sales	13.63%	18.19%		
Germany	45,332.	36,715.	8,616.	23.47%
Percentage share of total sales	4.76%	4.76%		
Denmark	38,519.	5,833.	32,686.	560%
Percentage share of total sales	4.04%	0.76%	-	-
Iceland	140.	-	-	-
Percentage share of total sales	0.01%	-	-	-
Total	952,327.	772,047.	180,280.	23.35%

The increase in total revenue is mainly related to the Contract execution – prefabrication segment (increase by PLN 95,944 thousand).

Sales revenue on the territory of Poland increased by PLN 149,430 thousand compared to 2019, i.e. by 25.37%. Revenue from the execution of contracts in Sweden decreased by PLN 10,592 thousand, i.e. by -7.54%. In the second quarter of 2020, Sweden's economy experienced the largest decline in GDP in 40 years, by 0.3%. This result was influenced by the collapse of industrial production and the decline in exports and internal consumption in Sweden, which occurred despite the fact that the Swedish authorities, unlike many other countries, did not decide to shut down the economy due to the epidemic. Sales revenue in

Denmark increased by PLN 32,686 thousand compared to 2019. The increase was due to the execution of a contract for the construction of a hospital in Odense, Denmark. Revenue from the execution of contracts in Germany increased by PLN 8,616 thousand, i.e. by 23.47%.

In 2020, the main customer of the Group was Bielsko Logistic sp. z o.o. Revenue from sales to this contractor in 2020 reached 8.7% of the Group's revenue. Skanska Sverige AB was the Group's second largest customer in terms of turnover. Revenue from sales to this contractor in 2020 amounted to 6% of the Group's revenue, whereas in 2019 its share was slightly below 9.3%. The turnover from both companies belongs to the Execution of contracts – prefabrication segment.

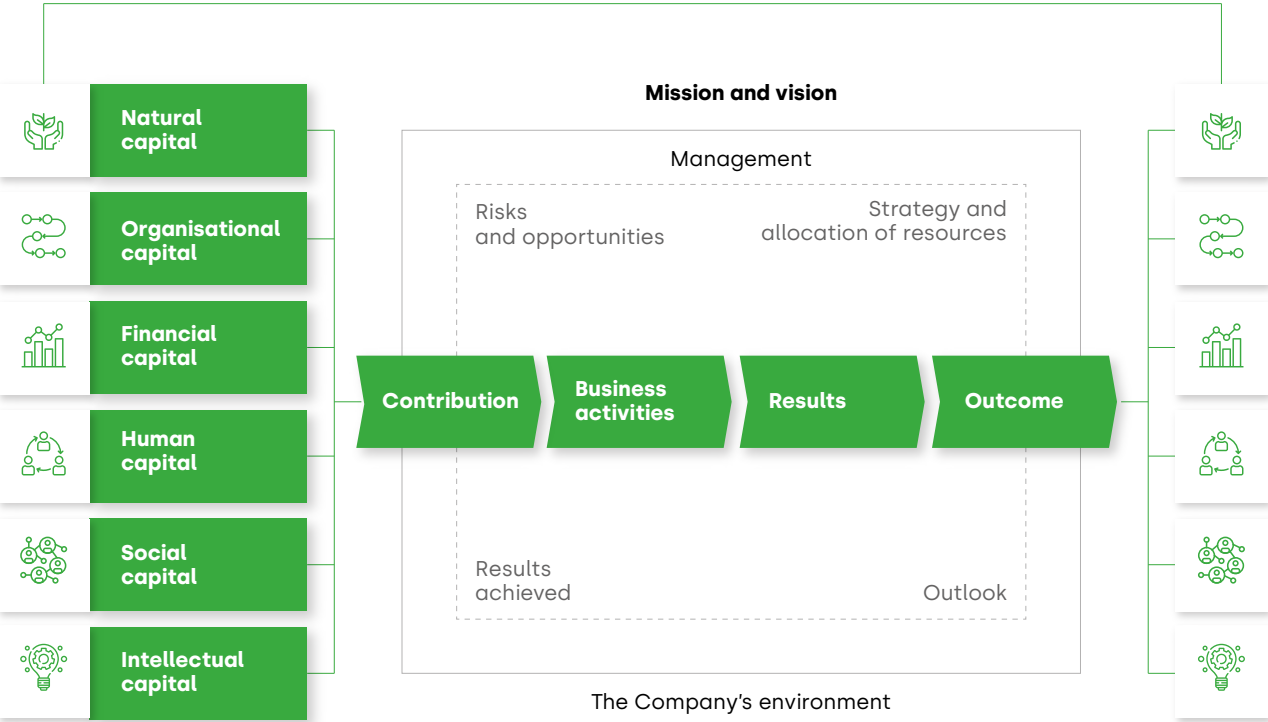
1.3.

VALUE CREATION MODEL

The Pekabex Group reports sustainability issues in an integrated manner. The report presents important information about the Group's strategy, results, opportunities, risks and management, showing it in the context of the environment and the most likely scenarios of its changes in the future (Outlook).

In addition to the business model, the presentation of the value creation process in the Pekabex Group also covers capital (financial, organisational, human, intellectual, social and natural) and changes taking place in these different types of capital and their use. Such a presentation allows for an even better reflection not only of important financial conditions and indicators, but also of a number of issues that have a more complex, indirect impact on creating value, significantly affecting the economic results achieved.

An in-depth presentation of key financial and non-financial issues better illustrates the factors important for the Group's stakeholders, in particular those concerning a longer period than the perspective of its strategy and relating to the foundations of its approach to sustainable development.



1.4.

CAPITALS

According to the concept of integrated reporting, the processes taking place in the Group are perceived by it as a whole, from the point of view of creating value for its stakeholders. They can be categorised into six capitals.

Multi-level car park for ECHO Investment at ul. Sienkowskiego, Poznań





Financial capital

The financial capital of the Pekabex Group consists of own earned funds, cash flows resulting from the execution of profitable contracts and external financing (including by banks and the stock exchange) and guarantee facilities acquired in financial institutions.

The most important aspect of financial capital is ensuring the stability and credibility of the Group for investors, employees, suppliers, customers and other stakeholders.

Financial capital allows flexibility and ensures operational security, thanks to which the Group is even able to implement several large, capital-intensive projects at the same time, as well as its own pilot projects. It makes it possible to maintain and expand production capacity and to build a strong and stable organisation, ready for further development. It also allows the Group to calmly fulfil its commitments even in the event of adverse external conditions.

Financial capital is associated with the processes of obtaining it from external institutions and earning it through good planning and professional management of production and execution of contracts.

Key capital contributions

- Thanks to the financial capital, the Group has the opportunity to finance the execution of contracts (purchase of materials, production, etc.) until it receives payment for services rendered and goods delivered, as well as expansion on domestic and foreign markets, which contributes to the increase in its value
- Financial capital and achieving positive results ensure the trust of investors, financial institutions and employees in the Group
- Financial capital finances the remaining capital

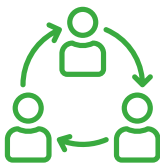
Capital management

The Pekabex Group carries out a number of activities aimed at managing the results from financial capital. These include:

- managing the order portfolio
- planning long- and short-term cash flows
- hedging cash flow due to risks
- verifying customers' creditworthiness
- monitoring receivables
- implementing the hedging policy
- investing in production capacity
- automation and computerisation of processes, aimed at increasing efficiency
- introducing new, innovative products
- expanding the scope of activity by adding new segments

Results achieved

- Total assets: PLN 905,364 thousand
- Receivables: PLN 255,528 thousand
- Cash and cash equivalents: PLN 104,797 thousand
- Equity: PLN 361,721 thousand
- Long-term liabilities: PLN 198,319 thousand
- Short-term liabilities: PLN 345,323 thousand
- Sales revenue: PLN 952,327 thousand
- EBITDA: PLN 89,454 thousand
- Net profit: PLN 57,900 thousand
- Net debt: PLN 100,116 thousand
- Guarantee limits available: PLN 457,802 thousand (including used PLN 257,563 thousand)
- Construction of a new plant in Gdańsk
- Construction of a new production hall in Mszczonów
- Execution of new real estate development projects
- Acquisition on the German market



Human capital

For Pekabex, human capital is above all a person who has knowledge and experience, and who strives to achieve the objectives of the Group, thus creating value for the Group and acquiring new skills.

Pekabex is an engineering company, so, to a large extent, its success depends on engineers. Specialised knowledge and experience is the second key capital of the Group in addition to tangible assets. It is necessary at every stage of the implementation of processes within the organisation, from sales and design, through ordering appropriate raw materials and consumables, work organisation, production of elements, quality control and safe transport, to assembly at the construction site, and in the case of comprehensive project execution – also planning and organising the entire construction process for the investor.

In the support departments, the employees of the Group ensure adequate organisational, legal, financial and accounting security of operations. They ensure reliable and timely reporting of the results achieved by the Group, thanks to which the Management Board may make decisions on company development based on current data.

The employees of the Group have appropriate education and qualifications. They are committed, motivated, flexible and willing to do things out of the ordinary.

Key capital contributions

- Qualified engineering and specialist personnel have the necessary knowledge and experience in the industry
- The Group has implemented a health and safety management system based on BS OHSAS 18001:2007
- The Group has implemented a health and safety procedure for subcontractors and external contractors
- The Group employs people from external markets and people at risk of social exclusion
- The Group provides personal protective equipment in connection with the COVID-19 pandemic and has implemented procedures to minimise the risk at the workplace – both in manufacturing facilities and offices

Capital management

The Pekabex Group carries out a number of activities aimed at managing this capital. These include:

- ensuring that employees work in appropriate health and safety conditions
- enabling employees to develop, e.g. through access to appropriate training
- providing numerous employee benefits
- being open to employing and training foreign nationals
- being open to employee initiatives that build a positive working atmosphere and strengthen relationships
- employing convicted persons and having a positive impact on their social rehabilitation

Results achieved

- Number of jobs (employees and associates) in all Group companies: approx. 2,000 people
- Number of foreign employees: 307.
- Number of employed convicted persons: 25.
- Training expenditure in 2020: approx. PLN 393 thousand
- Co-financing of events important for employees (apart from organising company integration events), such as team and individual sports activities
- Distribution of personal protective equipment (liquids, masks, gloves)



Intellectual capital

The intellectual capital of the Pekabex Group is based on the experience and knowledge of appropriately selected staff, continuous validation of existing solutions, as well as specialised software (e.g. for design). The Group employs a team of qualified designers and engineers whose ideas are developed and implemented.

The company has its own Research and Development Centre, within which it conducts acoustic, strength and fire resistance tests; the Group has registered its own utility models and is awaiting decisions on further protection rights and on patents filed for registration. Intellectual capital allows the Group to develop effective, optimal and safe design and product solutions.

Key capital contributions

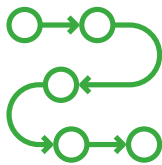
- The Group has implemented procedures for creating and approving documentation and executing contracts
- The key activity is the optimisation of solutions and processes
- Technical and IT solutions translate into the productivity of manufacturing and assembly, and consequently – into the value/profitability of contracts
- Individual product solutions are tailored to the customers' needs

Capital management

- The Group is an active participant in scientific and industry conferences
- The Group cooperates with technical universities and research institutes
- The Group is involved in various initiatives supporting new ideas and cooperation between enterprises, e.g. it is a member of the Polish-German Chamber of Commerce and Industry (AHK)
- The Group is an active member of associations working for the development of the construction sector, e.g. Stowarzyszenie Producentów Betonu (the Association of Concrete Producers)

Results achieved

- The Group has a Research and Development Centre with teams working on specific issues
- In 2020, the Group submitted one utility model and one invention to the Patent Office
- In 2020, the Group continued cooperation with universities and vocational schools
- The Group organises a contest for the best thesis
- The Group designed and built a modern, automated production plant in Gdańsk, opened in 2020
- Pekabex, together with the ReBuild engineering startup, has created and launched an automated mask sewing line, which has manufactured more than 150,000 masks to date
- The Group designed and constructed an automated evacuation trolley for the transport of tubing elements



Organisational capital

The organisational capital of the Pekabex Group is primarily its organisational structure, mission, vision, strategy, operational and strategic goals. It also includes internal procedures (departmental and inter-departmental), regulations, instructions, directives and internal processes, together with the persons responsible for them.

Finally, the Group's organisational capital is the division of competences between departments and their interaction, driving constant development – of people, infrastructure, factories.

Key capital contributions

- The Group continuously analyses the need for the improvement or creation of processes and procedures
- The Group has an effective control system in place
- The Group's structure is conducive to efficient decision-making
- The correct identification of persons and units responsible for individual processes ensures their smooth execution

Capital management

- The Company's authorities define and communicate the strategy, mission, vision and goals
- The Group has internal procedures regulating responsibility in individual departments
- The Group edits internal newsletters, including a printed employee quarterly, which supports communication
- Employees regularly hold departmental meetings
- The Management Board meets with managers on a regular basis to exchange information about activities and their results
- The Management Board approves company-wide procedures to better organise processes

Results achieved

- In 2020 the Group continued to implement the new ERP-type system (Gardens)
- The Group develops organisational structures dealing with new areas and segments of activity (real estate development segment)
- In 2020, the Group purchased shares in a company incorporated under German law
- The Group's procedures are being constantly developed and updated
- The Group ensures timely reporting and execution of contracts in accordance with their schedules
- On 21 July 2020, the Group adopted the remuneration policy of the Members of the Management Board and the Supervisory Board



Social capital

Social capital for the Pekabex Group means maintaining broad contacts with social partners: organisations, institutions and communities.

The stakeholders with whom the Group maintains relations are its customers, employees, potential employees, local communities, school and research establishments, suppliers, media, shareholders and investors, government agencies, banks and other financial institutions.

Key capital contributions

- The Group focuses on long-term, committed customer relationships and is open to a variety of activities
- The Group shows willingness to resolve potential conflicts with local communities and is open to diversity
- The Company engages in initiatives undertaken by local communities and financially supports them
- The Group improves the quality of life of local communities by engaging in the construction of public utility facilities; prefabrication significantly reduces construction time and residents endure less inconvenience associated with investments, such as road construction

Capital management

- The Group maintains good relations with local authorities, organisations and parishes
- The Group informs, online and offline, about the impact of its activities on the community
- The Group establishes and maintains relations with universities, which translate into an increase in its human and intellectual capital
- Pekabex communicates regularly with its investors, in particular by publishing reports and holding periodic meetings
- The Group is a payer of local taxes, thanks to which it contributes to the development of regions
- Pekabex cooperates with the media on an ongoing basis to provide stakeholders with a broader view of its activities

Results achieved

- In 2020, the Group joined new business initiatives, e.g. became a member of the Polish-German Chamber of Commerce and Industry (AHK)
- In 2020, the Group continued cooperation with the Poznan School of Logistics (dual studies)
- Pekabex continuously cooperates with the State Construction Schools in Gdańsk and supports vocational training classes in the Complex of Construction Schools No. 1 in Poznań
- In 2020, the Group paid a total of PLN 2,890 thousand in property tax
- In 2021*, the Group paid the perpetual usufruct tax for 2020 in the amount of PLN 1,057 thousand.

*The due date of payment resulted from the Act of 2 March 2020 on special solutions related to the prevention, counteraction and suppression of COVID-19, other infectious diseases and crisis situations caused by them



Natural capital

The Group's natural capital consists in reducing direct and indirect environmental impact, reducing resource consumption and the possibility of better control of pollutant emissions related to construction production.

Key capital contributions

Basic principles of the Group's conduct concerning environmental issues:

- rational use of resources and optimal energy management
- reducing pollution emissions to the air
- striving to minimise the amount of waste generated and recycling and re-covering waste
- reducing noise emissions
- raising employees environmental awareness
- caring for the environment at every stage of the technological process
- cooperating with local communities in order to protect the natural environment

Capital management

- The Group optimises the consumption of raw materials, consumables and energy carriers
- The Group is constantly modernising its machine park and increasing the level of production automation
- The Group uses a closed water circulation, waste control, recycling, filters
- The Group has adopted an Environmental Policy
- The Group supervises natural capital issues
- The Group's logistics are based solely on companies that comply with at least Euro 6 emission standards
- The Group is working intensively to develop a comprehensive strategy for the Group in the face of global climate challenges

Results achieved

- The Pekabex Group has improved its emission control and prevention of environmental accidents by introducing systemic risk management and implementing emergency procedures
- The Group controls waste at the assembly stage – up to 100% of the materials used can be reused
- Pekabex recovers raw materials – waste steel is used for further production
- The Group obtains aggregate from natural sources, and cement from companies whose production method is socially responsible
- The steel purchased by the Group is obtained in 90% from processed material – only 10% comes from iron ore
- In 2020, the Group did not pay significant fines, nor was it penalised with significant non-financial sanctions for non-compliance with environmental laws and regulations
- Thanks to the completed investment consisting in the modernisation of the boiler house, gas consumption in the Group's plant and headquarters in Poznań has decreased significantly (consumption in 2020 was lower by over 80% compared to the year before the modernisation – 2017)
- The Group installed photovoltaic panels at the production plant in Mszczonów
- The share of investments in the BREEM/LEED standard in Pekabex Bet's operating revenue amounted to 15% in 2020

SIGNIFICANT AGREEMENTS

In 2020 and after the balance sheet date, the Issuer's subsidiary, Pekabex Bet S.A., in the ordinary course of business, concluded significant contracts for the supply of goods and construction work. Information on the contracts that meet the materiality criterion adopted by the Group is presented hereinbelow.

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
08 January 2020	MLP Pruszków II sp. z o.o.	The subject matter of the contract is the construction of a warehouse building and a three-storey social and office building with accompanying infrastructure in Mo-szna-Parcela on the premises of the MPL Logistics Centre	3%	EUR
23 January 2020	Wittchen S.A.	The subject matter of the contract is the construction of a warehouse building and accompanying infrastructure in Palmiry	2%	PLN
12 March 2020	LUK sp. z o.o. S.K.A.	The subject matter of the contract is the execution of the investment "Retail Park Diamentowa" constituting a complex of commercial and service buildings at ul. Di-amentowa in Lublin	3%	PLN
24 March 2020	Prime Construction sp. z o.o. sp.k.	The subject matter of the contract is the execution of a prefabricated concrete structure for the investment "Bu-dowa obiektu wystawienniczo – usługowo – handlowego w Szczecinie" (Construction of an exhibition, service and commercial facility in Szczecin)	3%	PLN
17 April 2020	Bielsko Logistic sp. z o.o.	The subject matter of the contract is the construction of a warehouse and office building with accompanying infra-structure and related site improvements in Bielsko-Biała	12%	EUR
24 April 2020	MDR Toruń sp. z o.o.	The subject matter of the contract is the construction of a complex of multi-family residential buildings with a playground, residential streets with ground level parking spaces, pedestrian routes, technical infrastructure, exits at ul. Okólna in Toruń	9%	PLN
30 April 2020	Odense Hospital Project Team Joint Venture I/S	The subject matter of the contract is the design, man-ufacture, supply and installation of façade walls of the DP03 building for the Odense hospital (Denmark)	3%	EUR
11 May 2020	Przedsiębiorstwo Budowy Dróg i Mostów sp. z o.o.	The subject matter of the contract is the production and delivery of tubing for the needs of the investment "Udrożnienie Łódzkiego Węzła Kolejowego (TEN-T), Etap II, odcinek Łódź Fabryczna – Łódź Kaliska / Łódź Żabieniec" (Restoration of Traffic in the Łódź Railway Hub (TEN-T), Stage II, section Łódź Fabryczna – Łódź Kaliska / Łódź Żabieniec)	15%	PLN



Kvarnbacken housing estate in Norrköping, Sweden

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
29 July 2020	Prologis Poland REIT sp. z o. o. and S.K.A.	The subject matter of this general contractor agree-ment is the construction of a warehouse building for the storage and distribution of goods, a system of roads and squares and the provision of technical infrastruc-ture in Ruda Śląska	3%	PLN
11 August 2020	MLP Pruszków II sp z o.o.	The subject matter of this general contractor agreement is the execution of the investment under the name "Bu-dynek magazynowy o numerze C3B, C,D oraz dwukon-dygnacyjny budynek socjalno-biurowy dla hali C3B oraz dwukondygnacyjny budynek socjalno-biurowy dla hali C3C" (Warehouse building number C3B, C,D and two-sto-rey social and office building for hall C3B and two-storey social and office building for hall C3C)	4%	EUR
19 August 2020	Implenia Construction GmbH NL Tunnelbau	The subject matter of the contract is the production and delivery of tubing for the investment carried out in Berlin	6%	EUR
01 September 2020	Miejskie Budownictwo Mieszkaniowe sp. z o.o.	The subject of the contract is the execution of con-struction works for the task under the name: "Budowa czterech budynków mieszkalnych wielorodzinnych wraz z niezbędną infrastrukturą techniczną oraz komplek-sowym zagospodarowaniem terenu przy ul. Celulozowej we Włocławku" (Construction of four multi-family residen-tial buildings with the necessary technical infrastructure and comprehensive land development at ul. Celulozowa in Włocławek)	9%	PLN
03 September 2020	Operator Gazociągów Przesyłowych GAZ – SYSTEM S.A.	The subject matter of the contract is the demolition and construction of building "C" dedicated for office, garage and social purposes together with land develop-ment and accompanying infrastructure on the premises of Operator Gazociągów Przesyłowych GAZ – System S.A. Branch in Rembelszczyzna	3%	PLN
15 September 2020	Logicor (President Polska) sp. z o.o.	The subject matter of the contract is the design and ex-ecution of a warehouse building for the storage and dis-tribution of goods, a system of roads and squares, as well as providing technical infrastructure in Błonie-Pass	6%	PLN
17 September 2020	Drutex S.A.	The subject matter of the contract is the execution of construction, construction-assembly and road works re-lated to the investment "Rozbudowa budynku biurowego z parkingiem nadziemnym i podziemnym wraz z budową kotłowni gazowej i niezbędną infrastrukturą" (Extension of an office building with an above-ground and underground car park along with the construction of a gas boiler room and the necessary infrastructure) in Bytów	6%	PLN
18 September 2020	Skanska Sverige AB	The subject matter of the contract is the design, pro-duction, supply and assembly of prefabricated elements of residential buildings and a garage for an investment located in Gothenburg, Sweden	7%	PLN
05 November 2020	Bart sp. z o.o.	The subject matter of the contract is the expansion of the Bart sp. z o.o. production plant through the construction of a warehouse hall (stage I of the investment) in Sulnowo	2%	PLN
03 December 2020	Mokate sp. z o.o.	The subject matter of the contract is the expansion of the production and storage facility through the construction of a new production hall in Żory	4%	PLN

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
10 December 2020	Skanska Sverige AB	The subject matter of the contract is the design, production and assembly of prefabricated structures for the Fredriksskans investment located in Kalmar, Sweden	2%	PLN
15 December 2020	Międzynarodowe Targi Poznańskie sp. z o.o.	The subject matter of the contract is the construction of a multi-storey car park at the premises of the Poznań International Fair	6%	PLN
15 December 2020	Skanska Sverige AB	The subject matter of the contract is the design, production, assembly and finishing of a prefabricated structure within the framework of the investment Limhamn Sjostad Cementen located in Malmö (Sweden)	3%	PLN
15 January 2021	Winthrop Technologies GmbH	The subject matter of the contract is the design and production of a prefabricated structure as part of the construction of the FR11 Data Centre building in Frankfurt am Main	4%	EUR
19 January 2021	MLP Pruszków II sp. z o.o.	The subject matter of the contract is the execution of the investment under the name "Budynek magazynowy o numerze C4 w osiach 6-11/N-H oraz jednokondygnacyjnego budynku socjalno-biurowy dla hali C4" (Warehouse building number C4 in axes 6-11/N-H and a single-storey social and office building for hall C4)	3%	EUR
26 January 2021	Bart sp. z o.o.	The subject matter of the contract is the expansion of the Bart sp. z o.o. production plant through the construction of a warehouse hall (stage II of the investment) in Sulnowo	4%	PLN
05 February 2021	Toto Societa Per Azioni Construzioni Generali S.A. Branch in Poland	The subject matter of the contract is the production and delivery of prefabricated elements for the construction of road engineering structures	4%	PLN
03 March 2021	NCC Sverige AB	The subject matter of the contract is the design, production, supply and assembly of prefabricated structures for three residential buildings in Malmö, Sweden	2%	PLN
08 March 2021	SK Engineering & Construction Co. Ltd. sp. z o.o. Branch in Poland	The subject matter of the contract is the execution of a structure for the 2nd stage of an investment consisting in the construction of a lithium-ion battery production plant (M-Project for Poland, Ph-2) located in Dąbrowa Górnicza, Tucznowa	7%	PLN
19 March 2021	BIMs Plus FHH sp. z o.o. Górny Śląsk sp.k.	The subject matter of the contract is the execution of construction and related work in the scope of the investment consisting in the extension of a storage hall located in Przyszowice	6%	PLN
31 March 2021	Prologis Poland XLIII sp. z o.o.	The subject matter of this general contracting agreement is the construction of a warehouse building for the storage and distribution of goods, a system of roads and squares and providing technical infrastructure in Poznań (DC2 Prologis Park Poznań III)	10%	PLN
07 April 2021	MDR Sianów sp. z o.o.	The subject matter of the contract is the construction of seven residential, multi-family 4-storey buildings with accompanying infrastructure on the land property located in Sianów at ul. Słowackiego	4%	PLN

1.6.

OTHER SIGNIFICANT CONTRACTS SIGNED DURING THE REPORTING PERIOD AND AFTER THE BALANCE SHEET DATE

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
29 June 2020	Origin Investments sp. z o.o. and Origin Gdynia 1 sp. z o.o.	Investment agreement for the joint execution of the investment in Mechelinki consisting in the construction of flats, Senioralne Mieszkania Serwisowane Origin SMS (Retirement Serviced Flats), and Hotel Rehabilitacyjny Origin ReVital** (Rehabilitation Hotel)	14%	PLN

* Gross contract value expressed as a percentage of the Group's revenue generated in 2019

** Agreement described in more detail in note 3

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
10 December 2020	Fundusz Ekspansji Zagranicznej Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Foreign Expansion Fund Closed Investment Fund for Non-Public Assets) managed by PFR Towarzystwo Funduszy Inwestycyjnych S.A.	Cooperation Agreement concluded with Fundusz Ekspansji Zagranicznej Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Foreign Expansion Fund Closed Investment Fund for Non-Public Assets) in order to jointly acquire 100% of shares in the German company G+M GmbH and its subsidiary FTO Fertigteilwerk Obermain GmbH. The purpose of the Agreement is the joint implementation by the Group and the Fund of a project consisting in the development and maximisation of the value of the acquired entities and achieving profits from the investment. Pursuant to the provisions of the Agreement, the Group will manage the operations of the acquired entities and the Fund will act as a minority financial investor**	5%	EUR
15 December 2020	Weber-GmbH and Bernhard Göhl Hoch- und Tiefbau GmbH	Pursuant to the Agreement, the Pekabex Group together with Fundusz Ekspansji Zagranicznej Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Foreign Expansion Fund Closed Investment Fund for Non-Public Assets) acquired a total of 100% of shares (together with related rights and obligations) in the German company G+M GmbH and its subsidiary FTO Fertigteilwerk Obermain GmbH. The Group acquired 76% of shares and the Fund acquired 24% of shares**	5%	EUR

* The value of the acquisition of shares by the Group determined as a percentage of the Group's revenue generated in 2019

** Agreement described in more detail in note 3

In 2020, the Pekabex Group concluded insurance contracts, including annexes extending the term of insurance contracts

with: AVIVA TUO S.A., AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A., Colonnade Insurance S.A., Chubb European Group SE, InterRisk TU S.A. Vienna Insurance Group, PZU, Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., TUIR Warta. These included the following:

- property insurance against contingent events
- civil liability insurance
- insurance of cargo in transport

- insurance of construction and assembly risks in domestic and foreign investments
- insurance of property, machinery and equipment against all risks
- insurance of electronic equipment against all risks
- personal accident insurance of employees
- dedicated insurance (third party insurance of Members of the Management Board, bookkeeping, third party insurance of engineers, designers and architects, business interruption insurance, fiscal and penal liability insurance)
- cyber risk insurance
- medical expenses insurance for foreign business trips

Agreements for insurance guarantee lines (applies to contract guarantees), which the Group had at the end of 2020, were as follows:

Name of guarantor	Limit amount as at the balance sheet date (in PLN thousand)	Duration	Changes in 2020 and after the balance sheet date
Towarzystwo Ubezpieczeń i Reasekuracji Allianz Polska S.A.	20,000.	31/01/2022	After the balance sheet date, on 11 January 2021, an annex to the agreement was signed concerning: <ul style="list-style-type: none"> • the extension of its period of validity until 31 January 2022 • increasing the value of the limit to the amount of PLN 20 million • setting the limit for a single guarantee at PLN 4.5 million
Towarzystwo Ubezpieczeń Europa S.A.	6,000.	Indefinite period	-
Towarzystwo Ubezpieczeń Euler Hermes S.A.	20,000.	Indefinite period	On 6 March 2020, an annex to the agreement was signed regarding the arrangements and clarification of insurance guarantee templates.
InterRisk Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group	9,500.	14/01/2021	On 17 April 2020, an annex to the agreement was signed concerning: <ul style="list-style-type: none"> • the extension of its period of validity until 14 January 2021 • increasing the value of the limit to the amount of PLN 9.5 million
Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A.	40,000.	Indefinite period	On 18 December 2020, an annex to the agreement was signed to increase the value of the limit to PLN 40 million
Korporacja Ubezpieczeń Kredytów Eksportowych S.A.	3,000.	Indefinite period	
Wiener Insurance Group (formerly: Gothaer TU S.A.)	7,000.	06/12/2021	On 11 December 2020, an annex to the agreement was signed concerning: <ul style="list-style-type: none"> • the extension of its period of validity until 06 December 2021 • increasing the value of the limit to the amount of PLN 7 million • setting the limit for a single guarantee at PLN 3 million



Drutex office building, Bytów

Name of guarantor	Limit amount as at the balance sheet date (in PLN thousand)	Duration	Changes in 2020 and after the balance sheet date
AXA Ubezpieczenia TUIR S.A.	10,000.	31/01/2021	On 7 February 2020, an annex to the agreement concerning the extension of its validity until 31 January 2021 was signed.
Generali TU S.A.	10,000.	08/12/2021	On 09 December 2020, an annex to the agreement was signed concerning: <ul style="list-style-type: none"> • the extension of its period of validity until 08 December 2020 • increasing the value of the limit to the amount of PLN 10 million
PZU S.A.	10,000.	19/08/2021	On 20 August 2020, an annex to the agreement was signed concerning: <ul style="list-style-type: none"> • the extension of its period of validity until 19 August 2021 • increasing the value of the limit to the amount of PLN 10 million
Total	135,500.		

The above table does not contain four limits for insurance guarantee lines held by the company incorporated under German law, FTO Fertigteilwerk Obermain GmbH. The value of these lines converted into PLN at the average exchange rate of Narodowy Bank Polski (the National Bank of Poland) of 31 December 2020 amounted to PLN 41,995 thousand as at the balance sheet date.

On 14 July 2020, the Supervisory Board of Pekabex S.A. adopted a resolution on the selection of Grant Thornton Polska sp. z o.o. sp.k., entered under number 4055 on the list of entities authorised to audit financial statements kept by the Polish Chamber of Statutory Auditors, to review the financial statements of Pekabex S.A. and the Pekabex Group for the first half of 2020 and to audit the financial statements of Pekabex S.A. and the Pekabex Group for 2020.

The resolution of the Supervisory Board was preceded by the adoption of a resolution by the Audit Committee of the Company, pursuant to which it approved the report of the Management Board on the selection of an audit firm and recommended the selection of Grant Thornton Polska.

The agreement between Pekabex S.A. and the audit firm was concluded on 5 November 2020 and concerns the period indicated above. The Company has been using the services of the aforementioned company since its listing on the stock exchange in 2015, including the prospectus examination service.

Information on the auditor's remuneration is presented in note 31.5 to the consolidated financial statements.

Other significant agreements regarding the financing of the Group are described in Chapter 3 of this report.



2.0.

GRI: 102-16

Strategy and development of the Pekabex Group

The Group's mission:

We believe that prefabrication is the technology of the future in the construction industry

The Group's vision:

We want to rank in the Top 5 in Europe and build ecological, efficient and beautiful buildings while creating new trends

The strategic goal of the Group is safe development, taking into account the expectations of shareholders, customers and other stakeholder groups, based on a healthy, competent organisation and internal resources, supported by stable funding and appropriate internal processes. The growing challenges of global climate change are the subject of a thorough strategic analysis by the Group's Management Board. Realistic targets for reducing greenhouse gas emissions along the entire value chain and the inclusion of the emission reduction target in the company's strategy will be among the main elements of the Pekabex Group's climate strategy, currently under development.

The current strategy for 2020-2024 confirms that the adopted directions of development are appropriate. The existing strategic principles will be consistently updated and their implementation will continue in the coming years. The Group intends to further strengthen its leading position on the market by implementing further investments and business projects in various areas of the Group's activity.

The main lines of action in pursuit of this objective are in particular:

- growth and diversification of sales also through foreign expansion,
- moving up the value chain, mainly by offering comprehensive solutions ensuring the safety and functionality of facilities with the lowest possible impact of activities on the environment,
- providing modern technology,
- development of the technical, operational and financial potential of the Group,
- operational flexibility combined with agility and cost optimisation,
- building brand trust.

Installation of bridge beams, Przechowa



Prologis Hall, Ruda Śląska

Sales growth and diversification

- Development in the segment of residential construction in Poland and development of the offer dedicated to this segment
- Increase in sales efficiency
- Increasing sales on the Scandinavian and German markets, in particular by offering increasingly advanced and comprehensive prefabrication and engineering solutions
- Taking advantage of the acquisition on the German market to further develop and strengthen the position of Pekabex in Germany
- Actively promoting prefabrication. Through lectures, talks and publications, Pekabex reaches designers, investors and general contractors with information about its solutions
- Expansion of production capacity in the existing plants

Comprehensive offer and innovative products

- Development of comprehensive services and solutions in the general contracting scheme, including the combination of different technologies. In the opinion of the Management Board, ordering parties in Poland have an

increasing appreciation of innovative and comprehensive (all-encompassing) solutions, including both consultancy in the area of precast technology, as well as design, production, transport and assembly of precast units, and comprehensive development of facilities. In order to meet their expectations, the Group intends to continue to offer and widely promote such solutions, also by providing general contracting services. As part of comprehensive services, the Group takes responsibility for the entire investment project (or its separated complete parts) and subcontracts all or some of the tasks (e.g. construction work). The comprehensive contract execution enables the Group to influence the selection of the technology used, thus creating a market for precast technology, as well as to influence the selection of suppliers of precast units. Coordinating the entire construction process increases the flexibility of production processes due to the ability to more accurately plan the level of demand for precast products within a given period of time.

- Creating innovative construction and production solutions as products of the Group in the Research and Development Centre operating within the Group since 2017. Developing modern, innovative products and improving pro-

duction processes in order to reduce the environmental impact of the Group's activities, including by reducing the carbon footprint of products (innovative technological solutions and energy-saving and low-emission materials).

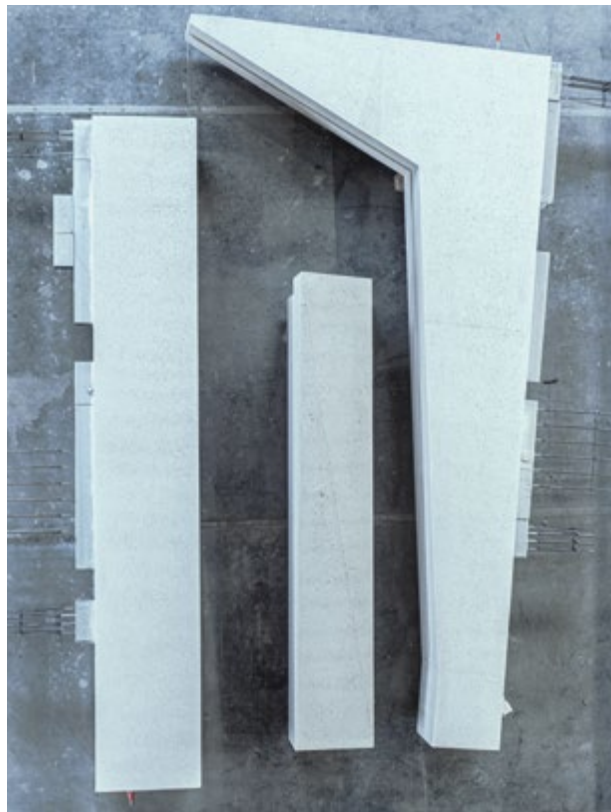
- Continuation of development of the design department, thanks to which the Group will strengthen its competitive advantage in terms of more technologically complex products and construction solutions.
- Introduction of products requiring more work (e.g. walls with installed windows) and more technically complex (e.g. tubing) and innovative products.

Continuous improvement of operational efficiency

- Expansion of the process monitoring system, including design, production and contract execution monitoring, based on key performance indicators (e.g. labour costs per m³ of production), using tools such as reporting and controlling systems.
- Implementation of comprehensive IT solutions facilitating the flow of information and increasing efficiency (e.g. of production) and making it possible to use the available data to better adjust products and services to the market needs.

- Developing structures based on repeatable elements in order to standardise production. Investing in standard and modular formwork, thanks to which all elements can be produced in accordance with the applicable standards, can have positive effects. Thanks to these activities, the Group can shorten the time needed to prepare the production, but also reduce the costs of formwork construction. As a result, the Group's offer becomes more and more flexible and cheaper than that of its competitors.
- Automation and mechanisation of processes aimed at improving the efficiency, quality of products and services offered, as well as reducing the demand for human labour, mainly in production positions, which is a response to the problem of the lack of qualified lower level employees.
- Effective supply chain management.

The Pekabex Group strategy has not been formally adopted, however, it is publicly available and is being implemented by the Management Board.



2.1.

RESEARCH AND DEVELOPMENT

As a leading manufacturer of prefabricated structures in Poland, Pekabex has significant R&D potential in the form of qualified staff and a constantly expanding machine park.

The Group has been working on the development of prefabrication technology for years. In order to effectively compete on the market, Pekabex has developed a number of innovative solutions, which it has applied for as utility models and inventions. These include, among others, process-accelerating connectors for prefabricated elements, modern and high-quality finished prefabricated elements and innovative technological processes.

R&D activity is supported by its systematisation, including the creation of a dedicated unit and defining the agenda for its work.

In 2017, Pekabex Bet received funding from the Intelligent Development Operational Programme 2014-2020 under Measure 2.1 Support for investments in companies' R&D infrastructure. The funds were allocated for the implemen-

tation of an innovative project called "Establishment of a Research and Development Centre ('R&D Centre') within the structure of Pekabex Bet S.A.". Thanks to the establishment of the R&D Centre, the Group participates in strengthening the innovativeness of the Polish economy and promoting research and development work in Poland. The Centre co-operates with technical universities in the whole of Poland.

The work of the R&D Centre strengthens the Group's competitive position by generating individualised solutions that reflect the needs of end users in Poland and on European markets (mainly German and Scandinavian). The undertaken development projects are aimed at increasing the number of commercialised innovative products/technologies, which will have a direct positive impact on the Group's position on the market and its financial results.

The Group submitted its innovative solutions to the relevant institutions. They cover many different areas of prefabricated construction and aim at improving the production process by standardising elements and their systems, as well as accelerating the assembly process on the construction site. The Group is also convinced that achieving the highest possible repeatability of processes will be conducive to increasing the precision of manufacturing, independent production of most elements and accessories and lowering unit costs.

So far, the Group has submitted 18 utility models (one in 2013, four in 2015, three in 2017, four in 2018, five in 2019 and one in 2020) to the Patent Office, received 14 protection rights and is awaiting consideration of the remaining applications. In addition, in 2020, the Group purchased one utility model from an external entity. The Group has received two patents (in 2018 and 2020) and is still awaiting the issuance of patents for three inventions submitted for registration (one submitted in 2017, one in 2019 and one in 2020). The Group filed two trademarks with the Patent Office in 2005 (protection was granted in 2007) and another three were filed in 2019 (protection was granted in 2020), with one trademark being filed with the Patent Office of the Republic of Poland, and two with the European Union Intellectual Property Office.

The main objectives of the Group related to the Research and Development Centre are:

- implementation of R&D plans in cooperation with external entities,
- further increase in the use of modern concrete prefabrication in construction, particularly residential construction, which will allow the Group to participate in the implementation of government and local government housing development programmes and enable it to better satisfy market demand for modern, affordable housing,
- reducing construction investment costs through the use of the Group's own innovative solutions,
- shortening the time required for construction processes thanks to the use of innovative connections that significantly speed up the assembly on site; the project will enable the Group to manufacture such connections on



White concrete architectural elements for the Am Tacheles residential complex, Berlin

its own, which will minimise the risk of delays as in the case of subcontractors,

- adapting the production process to the decreasing availability of workforce, including through automation, accompanied by improvements in productivity and quality parameters and the elimination of errors,
- increasing the share of more environmentally friendly solutions (e.g. research into the use of green concrete in prefabrication),
- integration of R&D personnel, previously conducting research and development within the dispersed Design Department,
- enrichment of the existing apparatus with advanced research and development equipment, enabling undertaking R&D work in areas that have been out of reach thus far,
- modernisation of the existing infrastructure in order to create appropriate conditions for the installation of equipment and preparation of work stations for specialist R&D personnel.

In 2020, due to the COVID-19 pandemic and the associated sanitation regime, many scientific, including cyclical, events did not take place or took place online. Pekabex actively supports scientific conferences and seminars as a sponsor and substantive contributor, which is why in 2020 these activities were continued, and the representatives of the Group participated in the most interesting industry events, alone or together with partners. In 2020, the Group's representatives participated, among others, in the following events:

- BUDMA Fair – as part of the Construction Engineer Day

organised by the Wielkopolska District Chamber of Civil Engineers, Przemysław Borek, President of Pekabex BET S.A., delivered a lecture,

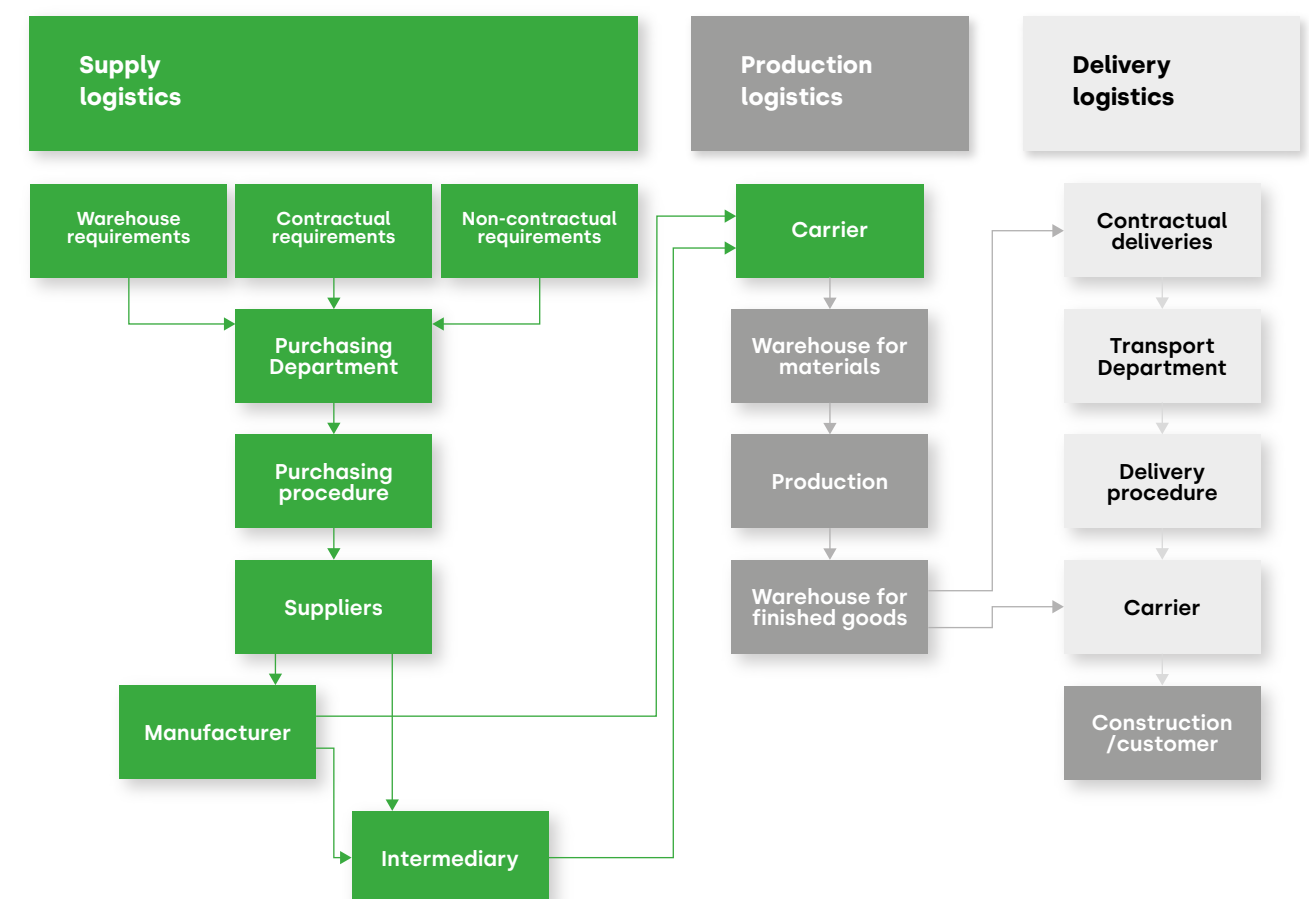
- Periodic online lectures for students of construction and architecture, organised by the Group independently or within the framework of programmes such as "Builder-4Future" organised by the "Builder" magazine and Stowarzyszenie Producentów Betonów (the Association of Concrete Producers),
- PMR Forum "Budownictwo w Polsce 2021" ("Construction in Poland 2021") – an industry debate. This is one of the most interesting industry events of the year filled with the valuable expertise of people creating the Polish construction industry. Pekabex was represented on the list of panellists by Przemysław Borek, President of the Management Board of Pekabex BET S.A.,
- Discussion panel "Mieszkaniowe Budownictwo Mieszkańców" (Residential Construction), organised by Pekabex together with "Puls Biznesu", with the participation of, among others, the President of PFR Nieruchomości, Wojciech Caruk, PMR analyst Marcin Uryga and representatives of Pekabex management staff,
- Poznań Housing Fair – 26-27 September 2020. Pekabex participated in the housing fair promoting the JA_SIELSKA investment.

Specialists who work for the Pekabex Group publish expert articles in the largest Polish industry magazines, such as "Inżynier Budownictwa", research bulletins of Stowarzyszenie Producentów Betonu (the Association of Concrete Producers), "Mosty", "Izolacje", "Nowoczesne Hale", "Murator", "Builder", "EuroBuild", "Materiały budowlane" etc.



Transport of an oversized element (girder)

The Pekabex supply/value chain is as follows:



In the Purchasing Department, individual buyers are responsible for specific purchasing categories, e.g. steel, aggregates, thermal insulation, tools, etc. In 2020, Pekabex had 474 active suppliers in its database, with whom it completed over 8,200 orders.

In the Pekabex Group, the supplier classification process is carried out in accordance with ISO 9001:2015. In the case of key processes, the Group cooperates only with entities that it has placed on the list of qualified suppliers. The application for inclusion on this list takes the form of a questionnaire to be completed by the supplier candidate. The questionnaire is verified by the Purchasing Department and the Quality Control Department. In the case of strategic materials used for production, their quality is additionally verified by accredited laboratories before the supplier is included on the list of qualified suppliers. The Group also performs periodic supplier verification in accordance with ISO 9001:2018. The objective of the verification is not only to analyse the quality of delivered products, but also to build good relationships throughout the supply chain by continuously improving the purchasing process.

Execution of deliveries to contractors is a very important element of the supply chain. Transportation to the construction sites is provided by external entities with which Pekabex cooperates on a regular basis. Depending on the location of the investment, deliveries are made by land,

sea or using both modes of transport. In land transport the Group uses, for instance, standard trailers, commonly known as tautliners, designed for elements whose dimensions fall within: 13.6 m in length, 2.45 m in width, 2.6 m in height. Equally often, the Group uses platforms characterised by a similar load capacity in terms of dimensions and weight; the visible difference is the lack of a tarpaulin, which allows for loading items wider than 2.45 m. Other semi-trailers used by the Group fall into the category of specialised fleet, as they enable the transport of elements with extreme parameters: weight up to 100 tonnes, height exceeding 4 meters or overall length above 40 meters. This type of fleet includes, among others, inloaders and nachlaufer-type trailers.

Oversized transport, which accounts for approximately 50% of all deliveries, requires special planning. It takes place between 10:00 p.m. and 6:00 a.m. and requires appropriate permits. Delivery of oversized elements often involves changes in the infrastructure, e.g. removing road signs or extending specific sections of the road.

GRI: 102-9

2.2.

SUPPLY CHAIN

The Group has a reliable set of suppliers of key raw materials and consumables for the production of prefabricated elements, in particular steel, cement and aggregate.

The Group's supplier structure is dispersed, which means that the Group is not dependent on one or a few entities. In 2020, the value of materials and services purchased from no individual supplier exceeded 10% of the total value of materials and services purchased.

The Group purchases based on cooperation agreements with regular suppliers within the scope of key assortment and services (cement, steel, aggregate, plywood, acces-

sories, chemicals, transport services). Framework agreements include payment terms, discount conditions and trade credit amounts, but do not constitute an obligation; materials, raw materials and services are supplied on the basis of current orders.

The Pekabex Group has a centralised Purchasing Department, which has an office in the headquarters in Poznań. Purchases are made in accordance with the reported demand using modern tools, including the Login Trade purchasing platform, which accelerates and streamlines communication with suppliers.

The most labour-intensive part is the organisation of deliveries to the Maintenance Department. Purchases of specialised machinery and spare parts require technical expertise, knowledge of the industry and are often urgent. They are characterised by a huge variety of purchased materials. The group of labour-intensive purchases includes the purchase of aggregate, gravel and sand. They require separate purchase terms for each plant. Foreign purchases are also more complicated.

The least labour-intensive purchases include orders for water, chemicals (concrete additives), wood, plywood, connecting elements, fuels, compressed steel, etc. They are repeatable and thus easier to execute.



The graphic presents the deliveries made by the Group in 2020

In addition to raw materials and consumables, Pekabex buys many services on the market, including subcontracting services related to the executed contracts. This includes in particular the business segment in which the Group executes contracts as the general contractor: Execution of contracts – construction services. It is based on a network of subcontractors.

In 2020, Pekabex concluded 1,019 agreements with 610 subcontractors in the aforementioned segment.

The Group selects local companies as subcontractors, thanks to which it has a real impact on the economic situation of local communities.

The execution of contracts as a general contractor means, above all, the coordination of work of a number of subcontractors and suppliers. This requires effective control of all processes by engineers and managers employed in the General Contracting Department, who skilfully manage resources and adapt them to current needs. This is necessary for the timely completion of contracts and maintaining cost effectiveness. Supply chain management requires effective selection of cooperating parties and their ongoing monitoring, but also providing feedback and training to people working in the execution of outsourced contracts.

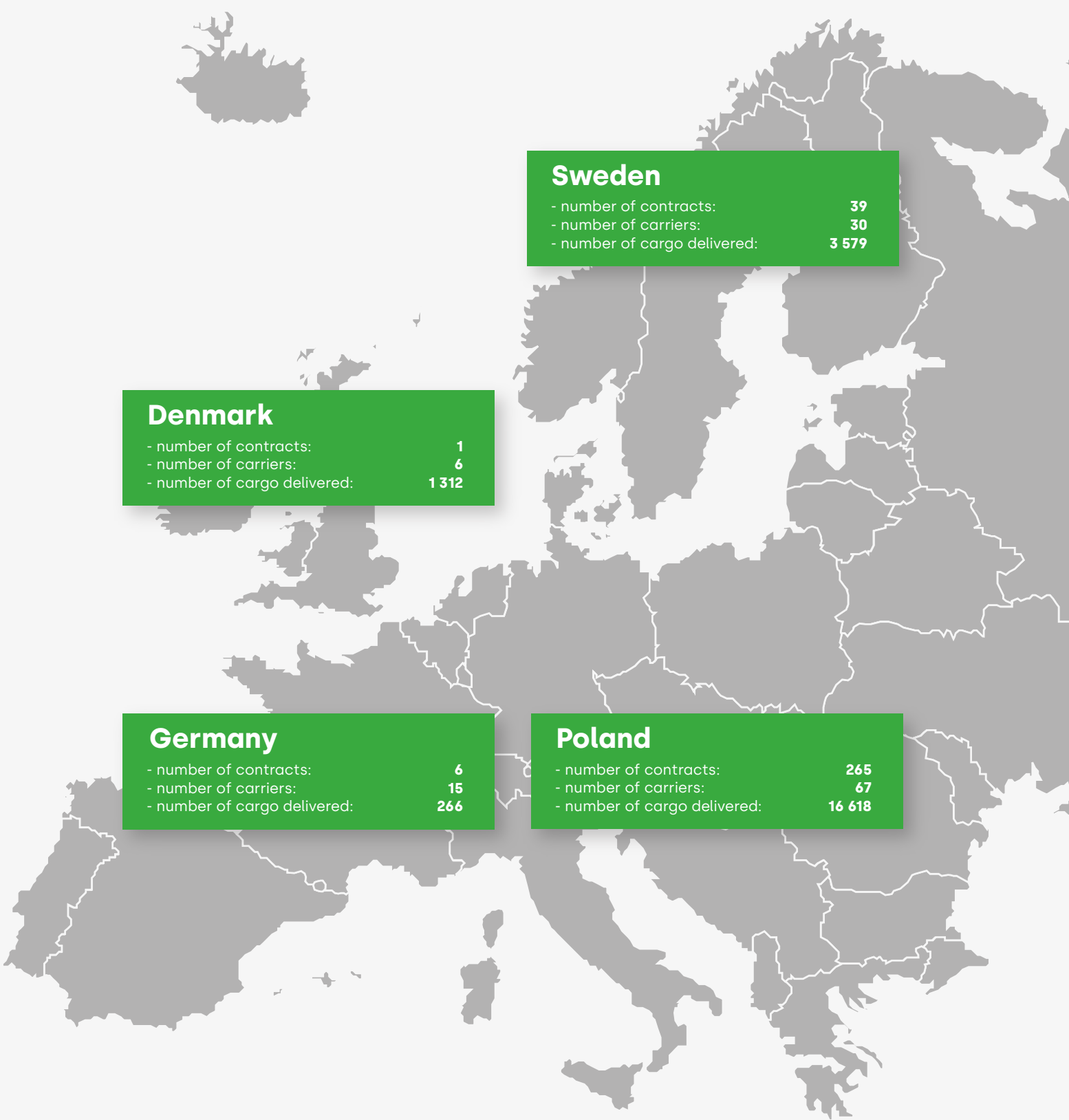
Subcontractors working with Pekabex are verified not only for compliance with the Group's standards in terms of service quality, but also in terms of occupational health and safety and foreigner employment legislation. The Pekabex Group has an occupational health and safety management system based on ISO 45001:2018, which covers employees, but also persons who do not have such a status, but whose work or workplace is controlled by the Group.

The supply chain of an investment executed by the Company as the general contractor includes, apart from subcontractors on construction sites, suppliers who provide consumables and raw materials and selected specialist services.

In 2020, the Pekabex Logistics Department worked on integrating the company's system with the purchasing platform and on improving the functionality of the ERP-class system being implemented. In 2020, we have also faced a new challenge related to COVID-19. The Logistics Department ensured continuity of supplies and provided the company with all the necessary protective equipment for employees.

Major changes in the suppliers of main raw materials and consumables in 2020:

- electricity – change from Energa Obrót S. A. to Enea S.A.
- limestone dust – change in the plant in Bielsko Biała from Lhoist Bukowa sp. z o.o. to Kopalnia Wapienia "Czatkowice" sp. z o.o.
- gravel – change in the plant in Mszczonów from Zakłady Produkcji Kruszyw Rupińscy sp. jawna to Górażdże Kruszywa sp. z o.o.
- dolomite grit – a partial change in the plant in Mszczonów from Nordkalk sp. z o.o. to Świętokrzyskie Kopalnie Surowców Mineralnych sp. z o.o.
- sand – change in the plant in Bielsko Biała from PPKMiŁ sp. z o.o. to KOPALNIA PIASKU "KOTLARNIA" S.A.



3.0.

Activities of the Pekabex Group in 2020



Panattoni Hall, Bielsko-Biala

3.1.

EVENTS SIGNIFICANTLY AFFECTING THE ACTIVITIES AND FINANCIAL RESULTS OF THE PEKABEX GROUP

In 2020, the Pekabex Group achieved record-breaking results in terms of both revenue and production volume.

In 2020, the Group executed more than 400 construction contracts both as a supplier of prefabricated structures and comprehensive contract execution services. These involved a number of investments and had different scopes, which is described in more detail in the section of the report devoted to business segments. In 2020, the Group recorded the largest growth in contracts for the construction of warehouse and logistics facilities. The warehouse and logistics market in Poland is developing dynamically. In 2020, the existing modern warehouse and logistics space increased by over 2 million m², which is a 10-percent increase compared to 2019. The demand for warehouse and logistics space is increasing mainly due to the development of the e-commerce market in Poland. The COVID-19 pandemic has accelerated these processes.

Real estate development investments are the other type of contracts whose share in the Group's portfolio has increased. In 2020, the largest number of flats were put into use in Poland since 1979 (nearly 220,000), but the deficit on the housing market is still large, which is why it is a segment of activity that the Group will continue to develop through cooperation with real estate development companies as well as by carrying out real estate development investments on its own.

Investors attach increasing importance to the use of ecological solutions consistent with the concept of sustainable development. The construction market is also moving towards offering custom, flexible solutions, which give the opportunity to stand out and increase the attractiveness of buildings. This is why prefabricated elements are gaining value on the construction market. It is connected with the advantages of prefabrication in the form of the high qual-

ity of produced elements, their durability and high quality standards (for instance acoustic ones), cost effectiveness, reduced impact on the environment (ecological aspects) and significant shortening of the time needed for the construction process.

3.2.

SIGNIFICANT CONTRACTS

The investments completed by the Pekabex Group in 2020 were characterised by great diversity in terms of design, production and logistics.

The Group has carried out projects for the most demanding clients from the whole of Poland and from Europe.

Its experience in the field of constructing large-scale buildings allows it to be even more effective in contract execution, while at the same time taking care of its own welfare and proper relations with clients and investors.

When implementing projects, Pekabex strives to optimise all aspects and conditions of the investment, taking into account the expectations of each party. The operations of the Company have a real impact on the infrastructure and, consequently, on the surroundings and the quality of life of the residents.

Pekabex offers industrial, retail, residential, office, infrastructure, warehouse and logistics, public utility and non-standard facilities.



Retail facilities



Office facilities



Infrastructure facilities



Residential buildings



Industrial facilities



Warehouse and logistics facilities



Public utility facilities



Non-standard facilities

Selected projects out of several hundred contracts executed by the Pekabex Group in 2020 are presented below.

Office facilities

The Pekabex Group has extensive experience in the execution of contracts for constructing office buildings. In 2020, the construction of the largest office complex in northern Poland was completed: Olivia Business Centre in Gdańsk. It is the largest office complex completed by the Group so far: the height of the tallest building with masts is 180 meters, and without masts – 156 meters. The building is 35 storeys tall above the ground level and with 3 basement storeys, and a total area of 40 thousand m². It was founded on Soilcrete columns with a diameter of 1.8 m, and 4.4 thousand m³ of concrete and 800 tonnes of steel were used for the foundation slab.

On 17 September 2020, the Group signed a general contractor services agreement with Drutex S.A. The subject matter of the agreement is the execution of construction, construction-assembly and road works related to the expansion of the office complex with a cubic volume of 32 thousand m³ in Bytów. As part of the agreement, a modern office building with a unique architectural form is being built; it will be another facility constructed by the Group within its office building line. The work is scheduled to be completed in September 2021. In 2020, the Group signed another contract for the construction of a high storage warehouse with this investor.



Drutex office building, Bytów

Another contract in this category of facilities was signed by Pekabex on 3 September 2020. The general contractor services agreement concerns the demolition of the existing structure, the construction of an office building together with garages in its place, and the construction of the accompanying infrastructure on the premises of Operator Gazociągów Przesyłowych GAZ – System S.A. Branch in Rembelszczyzna. The usable area of the building will be 4,236.03 m² and the ground floor will be dedicated main-

ly to garage halls for technical vehicles, workshops and technical rooms. On the above-ground floors there will be offices, conference rooms, a social area for field workers, social facilities for office workers and green terraces for recreation accessible from the staff dining room and the main corridor.

Warehouse and logistics facilities

Warehouse and logistics halls made of prefabricated concrete elements produced by the Group guarantee the high quality and functionality of the facilities, but also faster project completion and lower labour costs on the construction site than in the case of traditional technology, which is very important from the investor's point of view. In 2020, the Group continued its cooperation with the largest investors of warehouse and logistics parks in Poland. In 2020, the Group continued the cooperation with Panattoni, established two years ago and consisting in building warehouse and industrial parks as the general contractor. In 2020, the Group completed the construction of Panattoni Park in Bielsko-Biała in the aforementioned scheme. The investment in Bielsko-Biała included building a production and warehouse hall with social and office facilities with a total footprint exceeding 57.3 thousand m².



MLP hall, Pruszków

In 2020, the Group also continued its cooperation with MLP – another significant investor in the warehouse and logistics hall market. For this company, Pekabex is building further warehouse and logistics facilities as the general contractor at the MLP Pruszków II Logistics Centre. In January 2020, the Group signed a significant contract for the construction of a warehouse facility and a three-storey social and office building with accompanying infrastructure. The project was completed in July 2020. In August 2020, the Group signed another significant contract with this investor, for the construction of a warehouse with two-storey

social and office buildings in Pruszków, the execution of which was completed in January 2021.

In May 2020, the Group completed the construction of the first stage of the Prologis Park in Ruda Śląska, started in July 2019, for one of the largest international real estate developers operating in Poland. As part of the contract, the DC1 hall with a three-storey office building with a total area of 51,161 m² was built. It is the largest facility in the Park. The hall was founded on gravel columns. The contract also included macro-levelling for the entire future Park, which involved the excavation and transport of approximately 360,000 m³ of soil. In July 2020, the Group signed another agreement with the investor Prologis. Within the scope of this agreement, the Company built a warehouse hall together with the technical infrastructure as the general contractor. The structures constitute another facility in the Prologis Park in Ruda Śląska. The contract was completed in February 2021.

In September 2020, the Group established cooperation with Logisor, one of the main owners of logistics facilities in Central and Eastern Europe, with a portfolio of 1 million square meters of space located in Poland. The investor manages A-class logistics and distribution warehouses in strategic regions. The subject matter of the contract was the design and construction of a warehouse building for the storage and distribution of goods, a system of roads and squares, as well as the provision of technical infrastructure. The project was completed in the first quarter of 2021.

Residential buildings

In 2020, the Group published the results of work on a modern "Pekabex System" for residential buildings. Ready-made elements from the Pekabex catalogue of elements are used for fast, safe and economical construction of comfortable and architecturally interesting housing estates. At the same time, the system guarantees the quality of constructed buildings, which are the future of residential construction in Poland. It has also been recognised for its environmentally-friendly design solutions for product recirculation and made it to the finals of the Ministry of Climate's "Produkt w obiegu" (Product in Circulation) competition.

In 2020, new orders executed with other investors operating in the housing market appeared in the Pekabex portfolio. On 24 April 2020, the Group signed an agreement with MDR Toruń sp. z o.o. regarding the execution of the "Mieszkanie Plus" project in Toruń. The housing estate in Toruń at ul. Okólna is the first investment within the scope of the government housing programme realised in prefabrication technology. The Group is the general contractor of this investment, consisting in the construction of 320 flats and technical infrastructure such as a playground and the estate's road and pavement system. Another large investment realised by the Group within the residential construction line is the construction of four residential buildings with the necessary infrastructure (a total of 288 premises) at ul. Celulozowa in Włocławek. The investment is realised within the framework of the agreement signed on 1 September 2020 with Miejskie Budownictwo Mieszkaniowe sp. z o.o.

In 2020, the Group continued to develop its business on the Scandinavian market. One of the investments carried out on this market is the execution of an agreement with Skanska Sverige AB of 19 September 2020 for the design, production, delivery and assembly of prefabricated elements for the construction of residential buildings in Gothenburg (Sweden). The subject matter of the contract is the construction of 361 flats, a kindergarten and commercial premises, with the total investment area being 38,000 m². The production tables for prestressed elements in the prefabricated component plant in Gdańsk were expanded especially for the needs of this project.



Pekabex System – Residential Buildings

The prospects for the development of residential housing in Poland and the success of the JA_SIELSKA I pilot project carried out by the Group independently determined the plans to develop this segment of the Group's activity and engage in other interesting investments, such as the construction of an estate of terraced houses in Józefów (Osiedlowa 43 project) or the construction of the Origin Re-Vital Mechelinki health care complex. A detailed description of the real estate development projects carried out by the Group on its own account is provided later in this section.

The Group's latest offer in the field of residential construction is P.HOMES – a system for the construction of single-family houses in prefabrication technology. See Chapter 6 of this report for more information.

Public utility facilities

The Group’s activities also include contracts related to public utility facilities such as schools, kindergartens, universities, medical facilities or cultural facilities. In 2020, the Group executed nearly 30 contracts related to the construction or modernisation of public utility facilities both in Poland and abroad.



Hospital in Odense, Denmark

Since 2019, the Group has been executing one of the most important contracts related to the construction of a public utility facility in its history, which is the construction of a hospital in the Danish city of Odense. The investment concerns the construction of the largest hospital in Denmark, with an area of 247 thousand m². The building will be one kilometre long and will contain hundreds of patient rooms, operating rooms and meeting rooms. Pekabex undertook to design, manufacture, supply and assemble parts of the prefabricated structure for the hospital in Odense. In 2020, within the scope of this investment, the Group signed another agreement, the subject of which is the design, production, delivery and assembly of the façade walls of the DP03 hospital building. The entire investment is to be completed in 2022.

In July 2019, the Group signed a general contractor services agreement for a construction project unusual for the Group – an animal shelter near Poznań. The first construction work began in January 2020. The investment consists in the development of a 5-hectare plot with 4 buildings with an area of 6,000 m². In addition to facilities intended for animals, the shelter will have a building with veterinary, treatment, office and social areas. The facility will be able to accommodate 250 dogs and the same number of cats. There will be modern and well-equipped dog runs, training rooms and space for organising events, shows and lectures.

Infrastructure facilities

In 2020, the Group signed contracts for the construction of several dozens of infrastructure facilities. The largest contract of this type signed by the Group in 2020 is the agreement with Przedsiębiorstwo Budowy Dróg i Mostów sp. z o.o. Its execution will consist in the Group producing and delivering prefabricated elements, the so-called tubing, for the needs of the investment “Udrożnienie Łódzkiego Węzła Kolejowego – odcinek Łódź Fabryczna – Łódź Kaliska / Łódź Żabieniec” (Restoration of Traffic in the Łódź Railway Hub – section Łódź Fabryczna – Łódź Kaliska / Łódź Żabieniec), which is the next stage of the development of underground communication infrastructure in Łódź. This is one of the Group's largest contracts. The production of elements for this contract takes place in the plant in Mszczonów, in the newly built hall no. 4.



Elements for the construction of the tunnel in Łódź

3.3.

STRUCTURE OF PEKABEX S.A. REVENUE – OPERATING SEGMENTS

The Company's revenue structure in 2020, together with comparative data for 2019, is presented below:

Data in thousands of PLN	from 1 January to 31 December 2020	from 1 January to 31/12/2019
Revenue from lease	10,341	10,071
Trademark fee	4,823	4,207
Other	213	-
Total	15,377.	14,278.

Revenue from lease in 2020 constituted 67.2% of total revenue, and in 2019 – 70.5%. Pekabex S.A. conducts all sales in Poland.

The Company's main customer in each year (mainly due to lease agreements) was Pekabex Bet S.A., with which the sales revenue turnover amounted to PLN 13,910 thousand in 2020 and PLN 13,480 thousand in 2019. At the same time, the turnover with Pekabex PREF amounted to PLN 765,000 and PLN 734,000, respectively.

The subsidiary Pekabex Bet was the source of 90.5% of Pekabex S.A. revenue generated in 2020, and in 2019 this percentage amounted to 94.4%.

Both in 2020 and 2019 the largest supplier of Pekabex S.A. was Pekabex Bet S.A.; the turnover in each of these periods exceeded 10% of the Company's costs (including investments).

In 2020, the Group completed the second and final stage of construction of the logistics hall, which involved adapting part of the hall to the tenant's requirements. The hall was built on land belonging to the Group, in the vicinity of Poznań's main communication routes, on a plot that was previously rented to an external entity. As originally planned, the facility was leased to companies from outside the Group.

In the first quarter of 2020 Pekabex S.A. signed a lease agreement for half of the hall. After adapting this part of the hall to the requirements of the tenant and after receiving the use permit on 26 March 2020, the first part of the hall was made available to the tenant. Then, after adapting the other part of the hall to the next tenant, after the balance sheet date, in January 2021, a lease agreement for the remaining part of the hall was signed.

3.4.

THE PEKABEX GROUP SALES REVENUE STRUCTURE – OPERATING SEGMENTS

An operating segment is a part involved in the business operations, in connection with which it may earn revenue and incur cost.

For management purposes, the activities of the Group were divided into operating segments based on the products and services provided. The Management Board of the Group distinguishes the following reporting operating segments:

- Execution of contracts – prefabrication,
- Execution of contracts – construction services,
- Execution of real estate development projects on the Group's own account,
- Production services,
- Lease services,
- Other

The segments were distinguished taking into account the specific nature of each of them, including the involvement of assets (including personnel), working capital and risks associated with each segment.

As part of the segment "execution of contracts – prefabrication", the Group recognises revenue and costs related to designing, production, delivery and assembly/erection of prefabricated structures, both in Poland and abroad. The segment presents revenue and costs earned and incurred under contracts where the Group is the supplier of prefabricated elements or the supplier of prefabricated elements together with assembly/erection, as well as this part of revenue and costs of prefabricated structures which is earned and incurred under comprehensive contract execution.

As part of the segment "execution of contracts – construction services", the Group presents the part of contract execution that is related to revenue and costs under comprehensive execution of contracts as a contractor, with the participation of third-party subcontractors, excluding the part of the contract within the scope of prefabricated structures presented in the segment "execution of contracts – prefabrication".

The segment "execution of real estate development projects on the Group's own account" is a segment in the activities of the Pekabex Group which covers revenue and costs related to real estate development activities. It includes the preparation of land for investments, conducting real estate development projects within the scope of residential construction on the Group's own account, sale of flats and possibly renting and servicing of residential real estate. All special purpose vehicles engaged in real estate development and the coordinating company, Pekabex Development sp. z o.o., are classified in this segment.

Real estate development companies maintain records to identify costs related to individual components of a project that can be disposed of separately. At the time of recognising sales revenue (which takes place on the date of signing the notarial deed transferring the ownership), the Group recognises the production costs of a given area, reducing the finished goods in proportion to the share of the premises sold in the total area of the given type of premises.

Within the "production services" segment, the Group presents revenue and costs related to the production services provided by the Group both in Poland and through its Branch in Germany. The production service presented in the segment consists in manufacturing prefabricated elements from provided materials, using machines and equipment provided by the Ordering Party, which is performed in their factories. The Group provides qualified staff, including managers, as well as know-how and expertise.

Within the scope of the "lease services" segment, the Group presents revenue and costs related to the provision of lease services by the Group in non-residential real estate, developed by the Group specifically for this purpose, and in properties in which the Group conducts operations and a

small part of which is allocated for lease. The main property allocated for lease is a logistics hall located in Poznań. The hall is a modern logistics, production and office space, built on land belonging to the Group, in the vicinity of the main transport routes of Poznań, on a plot that was previously leased to an external entity.

The hall is divided into 2 modules which can be further divided or merged together, and flexible, one- or two-storey office modules, offering the possibility to arrange social and office space.

As originally planned, the property is leased to companies from outside the Group. In the first quarter of 2020, the Group signed a lease agreement for half of the hall,

adapted it to the tenant's requirements and received a use permit on 26 March 2020. In the first quarter of 2021, the Group signed a lease agreement for the other half of the logistics hall.

Operating segments that have not exceeded the quantitative thresholds are presented in the "other" segment and include (i) sales of materials, (ii) accounting, human resources, administrative, logistics and other services, (iii) re-invoicing.

Revenue generated in particular segments of the Group's activity in the year ended 31 December 2020 and in the comparable period of 2019 is presented in the table below:

PLN thousand	Execution of contracts – prefabrication	Execution of contracts – construction services	Production services	Execution of real estate development projects on the Group's own account	Lease services	Other	Total
for the period from 01/01 to 31/12/2020							
Revenue from external customers	501,750	382,280	32,784	29,963	1,649	3,901	952,327
Segment operating result	58,221	35,085	3,522	8,094	885	1,214	107,021
Segment operating profitability	11.6%	9.2%	10.7%	27.0%	53.7%	31.1%	11.2%
for the period from 01/01 to 31/12/2019							
Revenue from external customers	405,806	312,689	34,556	15,354	1,403	2,239	772,047
Segment operating result	46,825	20,786	4,757	975	803	-72	74,074
Segment operating profitability	11.5%	6.6%	13.8%	6.3%	57.2%	-3.2%	9.6%

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PLN thousand	from 1 January to 31 December 2020	from 1 January to 31/12/2019	from 1 January to 31/12/2018	change in value compared to 2019	% change compared to 2019	change in value compared to 2018	% change compared to 2018
Income statement							
Sales revenues	952,327	772,047	886,344	180,280	23.35%	65,983	7.44%
Prime costs of the sale	785,374	652,739	722,145	132,634	20.32%	63,229	8.76%
Operating profit	69,455	39,396	67,473	30,058	76.30%	1,982	2.94%
Profit before tax	71,478	38,001	64,072	33,477	88.09%	7,406	11.56%
Net profit	57,900	30,496	51,209	27,404	89.86%	6,691	13.07%

Net sales revenue in 2020 amounted to PLN 952,324 thousand and was higher by PLN 180,280 thousand, i.e. by 23.35%, than revenue generated in 2019, and higher by PLN 65,983 thousand, i.e. by 7.44% than in 2018. At the same time, prime sales costs increased by PLN 132,634 thousand, which represents an increase of 20.32% compared to 2019. At the end of 2020, general administration costs amounted to PLN 37,917 thousand and were 17.56% higher than the corresponding costs in the previous year (PLN 32,252 thousand).

At the end of 2020, the cost of sales amounted to PLN 60,621 thousand, which is an increase by 30.26% compared to 2019. This change is mainly the result of an increase in sales and the modification in their structure, which is associated with higher costs, e.g., of transport.

The operating profit for 2020 amounted to PLN 69,455 thousand, which compared to the profit achieved in 2019 (PLN 39,396 thousand) constitutes an increase of 76.30%, and compared to the profit from 2018 – an increase of 2.94% (PLN 67,473 thousand).

EBITDA was similar, amounting to PLN 89,454 thousand at the end of 2020, which is 61.33% higher than the result achieved in 2019 (PLN 55,449 thousand).

In 2020, an increase in profitability ratios was recorded, especially in return on equity. The value of this indicator at the end of 2020 was 16.01%, while at the end of 2019 it was 9.86%.

What is also significant is the increase in the net profit margin, which amounted to 6.08% at the end of 2020 – more than in 2019, when it reached 3.95%, and more than in 2018, when it amounted to 5.78%.

The volume of revenue and results in 2020 were influenced by two main operating segments of the Group: “Execution of contracts – prefabrication” and “Execution of contracts – construction services” (which includes general contractor services contracts). These two segments account for 92.8% of sales revenue generated by the Group. Revenue in the prefabrication segment increased by nearly PLN 100,000 thousand, which, with operating margin at a level of 11.6%, similar to last year, allowed the segment to generate an operating result that is 24.33% better than that of the previous year. Revenue in the segment “Execution of contracts – construction services” increased by PLN 69,591 thousand; with a simultaneous increase in the operating margin ratio to 9.2%, PLN 35,085 thousand of operating profit was generated in this segment, i.e. PLN 14,299 thousand more than in the year ended 31 December 2019. This result was influenced by high-margin general contractor services agreements executed by the Group in 2020.

Sales outside Poland increased by 16.86% in 2020 compared to 2019, especially on the Danish and German markets. Sales on the Swedish market in 2020 were 7.54% lower than in 2019. The Swedish economy, after a strong decline in production in 2019 and in the first half of 2020, when it achieved the lowest result in 40 years, recorded a strong

rebound in the second half of 2020, which translated into a significant recovery in the construction industry. The favourable economic situation allowed the Group to conclude a number of new contracts, which were included in the

Group's portfolio for 2021 and subsequent years. Sweden, as the only country in Europe, has not introduced severe restrictions related to the COVID-19 pandemic.

PLN thousand	from 1 January to 31 December 2020	from 1 January to 31/12/2019	from 1 January to 31/12/2018	change in value compared to 2019	% change compared to 2019	change in value compared to 2018	% change compared to 2018
Income statement							
Assets	905,364	753,893	643,081	151,471	20.09%	262,283	40.79%
Current assets	484,918	415,709	383,491	69,210	16.65%	101,427	26.45%
Cash and cash equivalents	104,797	106,572	95,234	-1,775	-1.67%	9,563	10.04%
Fixed assets	420,445	338,184	259,590	82,261	24.32%	160,855	61.97%
Long-term liabilities	198,319	135,216	83,155	63,103	46.67%	115,164	138.49%
Short-term liabilities	345,323	309,406	274,567	35,917	11.61%	70,756	25.77%
Equity	361,721	309,270	285,359	52,450	16.96%	76,362	26.76%

As at 31 December 2020, the Group's assets amounted to PLN 905,364 thousand and were higher by PLN 151,471 thousand in relation to the balance as at 31 December 2020. Fixed assets as at 31 December 2020 were higher by PLN 82,261 thousand in relation to the balance as at 31 December 2019. This is related to significant investments made by the Group in 2020, including the acquisition of companies incorporated under German law on 28 December 2020, as described in another part of the Report. Due to the acquisition, the value of fixed assets increased by PLN 57,908 thousand.

Current assets as at 31 December 2020 were higher by PLN 69,210 thousand than as at 31 December 2019 and amounted to PLN 484,918 thousand. The main reasons for the increase are:

- an increase in inventory assets – as at 31 December 2020, the value of inventories amounted to PLN 122,329 thousand and was higher by PLN 60,343 thousand compared to the balance as at 31 December 2019. The increase in the value of inventories was associated with the increase in sales and, in particular, with the execution of the contract for the supply of tubings, the acquisition of companies incorporated under German law (an increase by PLN 24,803 thousand) and the realisation of real estate development investments; the value of inventories related to these investments amounted to PLN 29,023 thousand, while at the end of 2019 it was PLN 14,669 thousand.
- increase in receivables – trade receivables, receivables due to construction contracts and other receivables, including current income tax receivables, as at 31 December 2020 were higher by PLN 13,039 thousand compared to 31 December 2019 and amounted to PLN 255,528 thousand.

The Group's equity represented 40.0% of the balance sheet total and amounted to PLN 361,721 thousand, which represented a nominal increase of PLN 52,450 thousand compared to the value as at 31 December 2019.

On 21 July 2020, the Ordinary General Meeting of the Company adopted a resolution on the distribution of the financial result for the financial year 2019. According to the adopted resolution, part of the net result in the amount of PLN 3,933 thousand was allocated for the payment of a dividend, which amounted to PLN 0.16 per share. The number of shares covered by the dividend was 24,579,708.

The record date was set at 28 July 2020, while the dividend payment date was set by the Ordinary General Meeting at 31 July 2020. The dividend was paid in accordance with the resolution of the Ordinary General Meeting of PKB Pekabex S.A.

Long-term liabilities as at 31 December 2020 were higher by PLN 61,103 thousand than as at 31 December 2019 and amounted to PLN 198,319 thousand. The change was mainly due to an increase in liabilities in connection with credits taken for the Group's investments, including the new production plant in Gdańsk, the purchase of shares in the company incorporated under German law G+M GmbH (PLN 23,074 thousand), other investments described in this Report and the valuation of liabilities due to the purchase of shares in G+M GmbH from a minority shareholder, as described in the consolidated financial statements of the Group. Due to this, the Group recognised a long-term liability in the amount of PLN 13,568 thousand.

Short-term liabilities as at 31 December 2020 were higher by PLN 35,917 thousand than as at 31 December 2019 and amounted to PLN 345,323 thousand, which constitutes an increase of 11.6%. This increase is mainly due to the increase in commercial liabilities and the consolidation of liabilities of the acquired company incorporated under German law.

Net debt at the end of 2020 amounted to PLN 100,116 thousand and compared to 2019 (PLN 29,965 thousand), increased by PLN 70,151 thousand. This is a consequence of the increase in interest-bearing debt related mainly to the financing of the Group's investment activities.

The basic financial indicators for the Pekabex Group are as follows:

	2020.	2019.	2018.	% change compared to 2019	change in thousands of PLN	% change compared to 2018	change in thousands of PLN
EBIT [thousands PLN] (operating result)	69,455.	39,396.	67,473.	76.30%	30,058.	2.94%	1,982.
EBITDA [thousands PLN] (operating result increased by depreciation)	89,454.	55,449.	81,901.	61.33%	34,004.	9.22%	7,553.
Profitability indices:							
Return on assets (net financial result / total assets)	6.40%	4.05%	7.96%				
Return on equity (net financial result / equity at the end of the period)	16.01%	9.86%	17.95%				
Net profit margin (net financial result / revenue from sales of products and goods)	6.08%	3.95%	5.78%				
Liquidity ratios:							
Liquidity ratio I (total current assets / short-term liabilities)	1.40.	1.34.	1.40.				
Long-term liquidity (total assets / short- and long-term liabilities)	1.67.	1.70.	1.80.				
Other important:							
Net debt (sum of financial liabilities – cash and cash equivalents)	100,116.	29,965.	-4,263.				
EBIDTA LTM (EBITDA for the last 12 months)	89,454.	55,449.	81,903.				
Net Debt to EBIDTA LTM ratio (net debt / EBIDTA LTM)	1.12.	0.54.	-0.05.				
Financial ratio (equity at the end of the period / total assets)	0.40.	0.41.	0.44.				

3.6.

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	from 1 January to 31 December 2020	from 1 January to 31/12/2019	from 1 January to 31/12/2018	change in value until 2019	% change until 2019	change in value until 2018	% change until 2018
Income statement							
Sales revenues	15,377.	14,278.	14,635.	1,099.	7.70%	742.	5.07%
Gross profit on sales	11,048.	10,068.	10,329.	980.	9.73%	719.	6.96%
Overheads	3,585.	3,340.	2,979.	244.	7.31%	606.	20.33%
Other operating revenue	1,441.	1,473.	922.	-32.	-2.17%	519.	56.34%
Other operating costs	73.	461.	123.	-387.	-84.09%	-50.	-40.42%
Operating profit	8,832.	7,741.	8,148.	1,091.	14.09%	684.	8.39%
Financial revenue	4,451.	2,560.	5,943.	1,891.	73.88%	-1,492.	-25.10%
Financial expenses	1,866.	904.	508.	962.	106.35%	1,358.	267.26%
Profit before tax	11,417.	9,397.	13,584.	2,020.	21.50%	-2,167.	-15.95%
Net profit	9,614.	7,320.	11,660.	2,294.	31.34%	-2,046.	-17.55%
Statements of the financial position							
Assets	223,769.	191,243.	185,940.	32,526.	17.01%	37,829.	20.34%
Current assets	18,230.	46,410.	22,771.	-28,180.	-60.72%	-4,541.	-19.94%
Fixed assets	205,539.	144,833.	163,169.	60,706.	41.91%	42,370.	25.97%
Long-term liabilities	56,158.	35,153.	30,980.	21,004.	59.75%	25,178.	81.27%
Short-term liabilities	11,650.	5,673.	4,422.	5,977.	105.35%	7,228.	163.45%
Equity	155,961.	150,417.	150,538.	5,545.	3.69%	5,423.	3.60%

In 2020, net sales revenue amounted to PLN 15,377 thousand, and was higher than those achieved in the previous year (PLN 14,278 thousand) and in 2018 (PLN 14,635 thousand). Pekabex S.A. conducts stable operations in the field of real estate lease to companies from the Group and beyond, and generates revenue from trademark. Gross profit from sales amounted to PLN 11,048 thousand and compared to the profit achieved in 2019 (PLN 10,068 thousand), there were no significant changes.

General administration costs amounted to PLN 3,585 thousand and were higher by PLN 244 thousand, i.e. by 7.31% in comparison to the previous year.

Operating profit in 2020 amounted to PLN 8,832 thousand and increased by 14.09% compared to the profit achieved in 2019 (PLN 7,741 thousand). Financial income increased by PLN 1,891 thousand compared to the previous year and amounted to PLN 4,451 thousand at the end of 2020. The increase was due to the recognition, in accordance with the International Financial Reporting Standards, of an option to purchase shares in G+M GmbH in connection with an investment agreement entered into on 10 December 2020, which is described in the Issuer's separate financial statements.

As at 31 December 2020, the Company's assets amounted to PLN 223,769 thousand and were higher by 17.01% in relation to the balance as at 31 December 2019. This was mainly due to the increase in the value of fixed assets at the end

of 2020; they were higher by PLN 60,706 thousand than the year before and amounted to PLN 205,539 thousand at the end of 2020. This is mainly the result of the increase in investments in subsidiaries – an increase of PLN 42,777 thousand in relation to the value as at 31 December 2019. The value of this balance sheet item increased, among other things, by the value of shares purchased in the company incorporated under German law, G+M GmbH.

Current assets as at 31 December 2020 were higher by PLN 28,180 thousand in relation to the balance as at 31 December 2019. The decrease resulted mainly from a decrease in the value of the "other short-term financial assets" item, the value of which as at 31 December 2020 decreased by PLN 10,150 thousand compared to the previous year, as well as a decrease in the value of cash and cash equivalents by PLN 12,065 thousand as at 31 December 2020 compared to the value as at 31 December 2019, which resulted from the capital investments of the Company and loans granted to subsidiaries.

Equity represented 69.70% of the balance sheet total and amounted to PLN 155,961 thousand, which constitutes a nominal increase of PLN 5,545 thousand.

Long-term and short-term liabilities have increased; this is mainly related to the increase in financial liabilities. The Company took out an investment loan for the purchase of shares in the company incorporated under German law, G+M GmbH (PLN 23,074 thousand as at the balance sheet date).

Basic financial indicators for Pekabex S.A.:

	2020.	2019.	2018.	% change until 2019	change in thousands of PLN	% change until 2018	change in thousands of PLN
EBIT [thousands PLN] (operating result)	8,832	7,741	8,148.	14%	1,091	8%	684
EBITDA [thousands PLN] (result increased by depreciation)	11,334	10,534	11,248.	8%	799	1%	86
Profitability indices:							
Return on assets (net financial result / total assets)	4.30%	3.83%	6.27%				
Return on equity (net financial result / equity)	6.16%	4.87%	7.75%				
Net profit margin (net financial result / revenue from sales of products and goods)	62.52%	51.27%	79.67%				
Liquidity ratios:							
Liquidity ratio I (total current assets / short-term liabilities)	1.56	8.18	5.15.				
Long-term liquidity (total assets / short- and long-term liabilities)	3.30	4.68	5.25.				



Construction of a modern Pekabex plant in Gdańsk-Kokoszki

The Group's operations in 2020 were influenced by, among other things, investments increasing the value of property, plant and equipment and real estate development investments in progress. These factors will continue to be influential in the following year.

Completion of the construction of a modern plant in Gdańsk

In January 2018, Kokoszki Prefabrykacja obtained a permit to conduct business activity in the Pomeranian Special Economic Zone. It was amended by a decision of 27 May 2019, the provisions of which extended the deadline for meeting the conditions of the permit by 6 months, i.e. until 30 June 2020. Due to the investment in the Zone, the Company is entitled to a tax exemption. In order to take advantage of the exemption, pursuant to the permit and the amending decision, the Company had to make investment expenditures in the Zone in excess of PLN 29,800 thousand by 30 June 2020, employ at least 15 new employees by 30 June 2020 and maintain their employment until at least 30 June 2025. The maximum amount of investment costs eligible for public aid in the form of a tax exemption is PLN 38,700 thousand.

The test production was commenced in December 2019. On 22 January 2020, a permit to use the newly constructed plant was issued, and the official opening took place on 30 January 2021. The conditions of the decision described

above were fulfilled. The factory is one of the most modern facilities of this type in Europe. It carries out fully automated production of Filigran floor slabs and double Filigran walls. The target production capacity is about 500 thousand m² annually. The elements produced in the new plant are used for housing construction in Poland, but are also exported, especially to Scandinavian countries.

Thanks to the construction of the plant, the Group supplemented its offer with an additional product, namely Filigran-type slab and double Filigran walls, and it has become independent from suppliers, especially within the scope of contracts executed in Scandinavia. Investing in an automated plant is also a strategic response of Pekabex to problems with workforce availability and the progressive increase in employment costs. The value of the investment opened for use in the first quarter of 2020 in Kokoszki Prefabrykacja amounted to PLN 71,392 thousand (excluding the value of the plot).

Logistics hall in Poznań

In 2020, Pekabex S.A. worked on the second stage of the construction of the logistics hall, which is a modern logistics, production and office space intended for lease. The hall was built on land belonging to the Group, in the vicinity of Poznań's main communication routes, on a plot that was previously rented to an external entity. Stage II consisted in adapting part of the hall to the requirements of the tenant.

The real estate development investment – a hall – is divided into two modules which can be further divided or merged together, and flexible, one- or two-storey office modules with the possibility to arrange social and office space. Due to the use of a prefabricated structure, the space of the building was optimised and high parameters of fire resistance and resistance to external factors were achieved.



LIT Polska office building, Zielona Góra

As originally intended, the Company leased the hall space to companies from outside the Group. In the first quarter of 2020, the Company signed a lease agreement for half of the hall, adapted it to the tenant's requirements and received a use permit on 26 March 2020. Due to the above, part of the investment value, in the amount of PLN 4,022 thousand, was recognised as a completed investment in investment properties.

Then, after the balance sheet date, the Company recognised the costs of adjustment of the other part of the hall for the next tenant in investment properties, recognising the value of PLN 4,134 thousand in this item. After the balance sheet date, i.e. on 28 January 2021, it obtained a use permit and on 22 January 2021, a lease agreement for the other part of the hall was signed.

The value of the expenditures on the hall commissioned in January 2021 until the balance sheet date amounted to PLN 4,022 thousand, and after the balance sheet date it increased to PLN 8,210 thousand. The Company does not exclude the possibility of selling the hall to an external buyer. The estimated value of the hall, including the plot area, is approx. PLN 11,000 thousand.

The hall was built on land belonging to the Company, which was previously leased. The Management Board's decision to make this investment is a result of an optimal policy of utilising the Company's resources and assets. At the end of 2020, the Company's Management Board has not identified any indications that would change the adopted plans. Therefore, in the opinion of the Management Board of the Company, there was no need to make any impairment losses on investment properties.

Investments in Mszczonów

On 2 July 2020, an occupancy permit for the extension of the production and storage building was issued, and currently, hall 4 is used for the production of structural elements for the construction of the tunnel, i.e. tubings (performance of the contract of which the Group informed in a current report on 11 May 2020), on a specially installed technological line. The constructed area is 11,700 m², with the area of the hall amounting to 6,900 m², and the area of the finished goods warehouse amounting to 4,800 m². After the completion of the contract with Przedsiębiorstwo Budowy Dróg i Mostów sp. z o.o., the hall will be adapted to the production of other reinforced elements.

The value of property, plant and equipment accepted for use in Q3 2020 in connection with the investment "Hall no. 4 in Mszczonów" recognised in the consolidated financial statements amounted to PLN 9,241 thousand.

On 3 June 2020, the Group received a permit to expand the plant with another production and warehouse hall (hall no. 5). Currently, the expansion is in its early stages and the whole investment is divided into several parts.

JA_SIELSKA in Poznań

The JA_SIELSKA project has been running since 2017 and is being implemented in several stages. In the first stage, the company built two residential buildings – a total of 56 flats. The construction took about 9 months and the assembly took 9 weeks. The assembly of the prefabricated elements of successive floors took 8 working days: it took 4 days to assemble the prefabricated elements, the remaining 4 days were needed to wire the electrical installation and reinforce and fill the joints between the elements. All the



Origin Pekabex complex, Mechelinki

flats in these buildings have been sold. Most of the revenue from this stage were recognised in the second half of 2019.

On 29 August 2019, the company received a building permit for the second stage of the investment from the Poznań City Hall, under which 4 residential buildings with a total of 110 flats were built. On 3 August 2020, an occupancy permit for the second stage of the investment was issued. As at the date of this report, nearly 100% of the residential premises have already been handed over to the property owners.

The success of the first two stages of the JA_SIELSKA investment prompted the Group to decide on the continuation of the investment and to start work on the third stage. In January 2021, a preliminary conditional agreement was signed for the purchase of the plot for the next stage. The planned residential area of the third stage of the investment is to amount to approximately 6,000 m² and of the fourth stage, which has also been planned, to nearly 7,000 m².

The success of the JA_SIELSKA project has greatly facilitated the promotion of prefabricated technology in the residential construction industry. This applies both to projects in which the Group acts as an investor and to cooperation with real estate developers, within the framework of which the Group is the supplier of prefabricated structures or the general contractor. The Group takes advantage of its experience gained in the Scandinavian market and increases the scale of its operations by offering technology that is rarely used in Poland but very promising, especially in the context of rising labour costs. What is particularly important for customers is the short construction time and quality, virtually unattainable in the case of on-site implementation technology.

Terraced houses Osiedlowa 43 in Józefostów near Warsaw

On 29 October 2019, the Group acquired plots of land in Józefostów in connection with the investment consisting in the construction of single-family terraced houses. On 16 December 2019, a building permit was issued. The construction of the estate began in July 2020 and its completion took place after the balance sheet date, in February 2021.

The estate consists of 12 terraced houses with gardens, each with an area of 146.8 m². The investment was carried out in modern prefabrication technology and additionally each house was enriched with a Smart Home system and mechanical ventilation with recuperation and additional F9 filters protecting against smog and pollen. There is also wall heating in the bedroom and underfloor heating on the ground floor as a standard. The houses were designed in BIM technology and built using low-emission concrete. In addition, all building envelopes meet the stringent requirements for insulation (WT 2021) – their parameters are similar to those of passive buildings.

The triple façade walls with Reckli imprints and single walls used in the investment were produced by the plant in Mszczonów and the Filigran elements came from the plant in Gdańsk. One house remained available for sale at the date of publication. The Group plans to recognise revenue from the sale of this project in 2021.

Origin Mechelinki investment

On 29 June 2020, the Group concluded, with Origin Investments sp. z o.o. and Origin Gdynia 1 sp. z o.o. ("Origin"), an investment agreement for the joint implementation of the investment in Mechelinki consisting in the construction of the Origin health complex comprised of holiday suites (106 suites with a total area of 3,620 m²), premises for active seniors (58 premises with a total area of 1,925 m²), and the Origin ReVital rehabilitation centre (with 63 rooms and full infrastructure for health promotion, rehabilitation and revitalisation). Within the scope of this investment, the Group will be responsible, among others, for the development and construction process (the general contractor of the investment will be a company from the Pekabex Group), and Origin, among others, for the operational activities of Origin ReVital and Club Origin programmes.

The estimated cost of implementing the investment will amount to approximately 14% of the revenue of the Pekabex Group according to the last published annual consolidated financial statements rounded to the nearest whole percent.

The Parties will seek to finance the investment with debt capital. The necessary own contribution will be made by the parties in the following proportion: 45% Origin, 55% Pekabex. The return on investment will be split 50/50. The estimated completion date for the project is Q2 2022. Investment exit is planned after the construction of flats and premises for senior citizens through their sale, and in the case of Origin ReVital through its sale to an external investor.

The Group is awaiting the issuance of the building permit. Work has also started on the detailed design and the interior design taking into account the requirements related to its intended use. Parallel to the design work, cost analyses of the finishing work, greenery planting, FF&E and OS&E are being carried out, and the reservation of premises has been launched. As at the date of this Report, nearly 40% of holiday suites and 7% of residential premises for senior citizens were booked.

Casa Fiore estate in Warsaw-Międzylesie

On 3 June 2020, the Group acquired a plot of land for another real estate development project in Warsaw. The investment will consist of 40 independent 2- and 3-storey flats with an area ranging from 59 to 94 m², each with its own garden (a total of over 3,000 m² of usable residential area).

The great advantage of the investment is its location – fast rail transport to the centre of Warsaw and the proximity of public utilities such as educational institutions, service establishments, and health care facilities. Forests, parks and bicycle trails in the vicinity also add to the attractiveness of the investment. The Group has launched reservations for the premises and as at the date of this Report, nearly 25% of the flats have been reserved.

The Group is awaiting a building permit and is working on a detailed design. The Group plans to start construction work in the second quarter of 2021.

Suites in Hel

On 22 July 2020, the Group concluded a preliminary agreement for the purchase of a plot of land located in Hel, at ul. Żeromskiego. The investment will consist in constructing a modern building with 51 (estimated number) holiday suites and one commercial premises. The usable area of the building will be over 3,000 m².

The investment will be located in one of the most touristy seaside resorts in the close vicinity of the beach, commercial establishments and the sea centre. The size of the suites offered will range from 25.2 m² to 94.14 m², and on the top storey there will be suites with entresols with a beautiful view of the sea. The Group is in the process of redesigning and optimising the project. At the same time, interior design and sales and marketing materials are being prepared.

Prefabricated three-layer and single-layer walls and Filigran elements from the plant in Gdańsk will be used for this investment. The Group is waiting for a building permit to be issued.

Other development investments

After the balance sheet date, on 16 March 2021, the Group signed a notarial deed for the purchase of a plot of over 7,600 m² intended for another development project at ul. Katedralna in the centre of Częstochowa. Within the scope of the investment the Group plans to build a residential and commercial building.

Currently, the investment is at the stage of preparing its concept and obtaining the appropriate land development conditions.

Purchase of shares in a company incorporated under German law

Pekabex together with Fundusz Ekspansji Zagranicznej Inwestycyjny Zamknięty Aktywów Niepublicznych (Foreign Expansion Closed Investment Fund for Non-Public Assets), managed by PFR Towarzystwo Funduszy Inwestycyjnych S.A., made its first foreign acquisition. On 15 December 2020, an agreement for the purchase of shares in a company incorporated under German law operating under the name G+M GmbH with its registered office in Marktzeuln (Bavaria), holding 100% of shares in the company incorporated under German law FTO Fertigteilwerk Obermain GmbH, operating in the field of production of prefabricated concrete elements, was signed.

On 28 December 2020, the condition of acquisition by the Issuer and the Fund of 100% shares of G+M GmbH with its registered office in Marktzeuln was fulfilled. Pursuant to the Agreement, the Issuer, in cooperation with the Fund, acquired from Seller 1 and Seller 2, as the sole shareholders of G+M, a total of 100% of shares (together with related rights and obligations) in G+M for the total amount of EUR 12,250 thousand. The Issuer acquired 76% of shares in G+M for the total amount of EUR 9,310 thousand and the Fund acquired 24% of shares in G+M for a total amount of EUR 2,940 thousand. The purchase of shares by the Group was partly financed by an investment loan granted by PKO BP S.A. for the amount of EUR 5,000 thousand.

The Pekabex Group will, among others, manage the companies operationally and develop the competences of G+M and FTO, aiming at building their position on the German market and maximising profits from the joint investment with the Fund. The Fund will act as a minority financial investor.

The acquisition of G+M shares is part of the strategy of foreign expansion on the German market and aims at increasing involvement in this area. In addition, the purpose of the acquisition was the joint implementation by the Issuer and the Fund of a project consisting in the development and maximisation of the value of G+M and its subsidiary and achieving profits from the investment.

The production plant in Marktzeuln (Bavaria) is the sixth plant belonging to the Pekabex Group. It has a production profile similar to production plants located in Poland, as it manufactures both reinforced and prestressed concrete elements. The Group acquired well-managed companies, which in 2020 generated EUR 20,454 thousand in revenue and EUR 195 thousand in net profit. The companies do not require large investments immediately after the acquisition, but ultimately the Group intends to increase their production capacity and expand the scope of operations. The current production potential is about 30,000 m³ of prefabricated elements per year.

3.7.

MANAGEMENT OF FINANCIAL RESOURCES

Liquidity risk

The Pekabex Group has significant financial resources, which it manages with four main objectives in mind:

- securing short- and medium-term cashflows
- stabilising fluctuations in the financial result
- executing financial projections by meeting budgetary targets
- achieving the assumed rate of return on long-term investments and obtaining optimal sources of financing

In order to ensure an appropriate level of working capital, the Group uses multi-purpose credit and guarantee facilities, described in detail in the note to the consolidated financial statements.

Short-term surpluses of the Group's cash are deposited in high-rating banks. In addition, the Group's companies use them to finance their service providers and material suppliers. This has a positive impact on the Group's result (due to the use of a discount mechanism) and on the financial liquidity of suppliers.

The Group monitors financial risks on an ongoing basis and undertakes actions aimed at minimising their impact on its situation. Understanding threats originating from exposure to financial risks and an appropriate organisational structure and procedures allow for better execution of tasks.

The Group does not enter into transactions on the financial markets for speculative purposes. Transactions constitute hedging against specific risks.

In 2018, the Pekabex Group implemented hedge accounting that ensures symmetrical recognition of changes in the values of the hedging instrument and the hedged item in accounting books and financial statements. In this way, both amounts offset each other, thus eliminating the impact of the hedged risk on the financial result.

Exchange rate risk

In relation to currency risk management, the following objectives are of the utmost importance:

- hedging short- and medium-term currency cash flows
- stabilising fluctuations in the financial result of the Group and its subsidiaries
- executing financial projections by meeting budgetary targets

The Group uses financial instruments available to hedge against currency risk.

The Group monitors its currency exposure on an ongoing basis and manages the level of its hedging by:

- regular analyses of its current and expected volume and dates of occurrence (in particular: monitoring changes in payment schedules for construction projects, monitoring the level and dates of occurrence of foreign currency costs of current economic activity)
- reacting to changes in the above-mentioned elements, in particular by using appropriate hedging financial instruments (currency forward contracts)
- regular analyses of current levels of market parameters (in particular the level and volatility of relevant foreign exchange rates)

Interest rate risk

With respect to interest rate risk management, the following objectives are of the utmost importance:

- debt service cost stabilisation
- executing financial projections by meeting budgetary targets

The Group does not conclude any speculative interest rate transactions on financial markets. The Group uses financial instruments available to hedge against interest rate risk.

The Group hedges up to 100% of its exposure to interest rate risk resulting from bank loans with appropriate financial instruments. Depending on market conditions, less than 100% of the exposure may be hedged, and in unusually favourable market conditions the exposure may remain unhedged until the conditions turn unfavourable.

As at the balance sheet date, the Group had four IRS transactions, described in detail in the consolidated financial statements. After the balance sheet date, the Group concluded an IRS transaction with Polska Kasa Oszczędności Bank Polski S.A., consisting in securing a fixed interest rate on an investment loan granted by PKO BP to Pekabex S.A. The fixed interest rate will apply from 1 March 2021 to 8 December 2027. The transaction was concluded for the entire amount of the investment loan which remained outstanding on 1 March 2021, i.e. for the amount of EUR 4,881 thousand.

The Group monitors its exposure to interest rate risk on an ongoing basis and appropriately manages the level of its hedging by:

- analysing the current unsecured balance of credits and repayment dates
- analysing current levels of market parameters (in particular the level and volatility of relevant interest rates and IRS contract prices)
- deciding on hedging or not hedging interest rate risk, and in the case of a decision to hedge, also on the level of hedging, on the basis of the above analyses

Credit risk

The Group's maximum exposure to credit risk is determined mainly by the carrying amount of financial assets such as loans, trade and other receivables, financial receivables and derivative financial instruments. The Group limits the exposure to credit risk related to trade receivables by assessing the reliability of contractors and monitoring their financial condition, the use of securities for debts and the internal system of procedures and reporting.

The Group continuously monitors the payment arrears of customers and creditors, analysing the credit risk individually or within individual asset classes defined for this risk (resulting, for example, from the industry, region or structure of recipients).

Trade credit is granted mainly to proven contractors, and the sale of products to new customers is in most cases made with the use of additional security: advances, bills of exchange, prepayments, bank guarantees and corporate guarantees. In addition, the agreements of most contractors with trade credit include a reservation of the right of ownership of the delivered precast elements until the payment of the amounts due. Additionally, in order to secure receivables due to construction services, the Group exercises its right under Article 6471 § 5 of the Polish Civil Code. It stipulates that the entity concluding the contract with the subcontractor as well as the investor and the contractor shall be jointly and severally liable for the payment of remuneration for construction work performed by the subcontractor. In addition, the Group tries to conclude agreements with reliable contractors. In the opinion of the Management Board of the Company, the financial assets which are not past due and subject to write-down as at individual balance-sheet dates, can be considered as good credit quality assets.

With regard to trade receivables, the Group is exposed to moderate credit risk connected with a single significant counterparty or group of counterparties with similar characteristics. Overdue receivables that are not subject to write-down do not show a significant deterioration thus far – most of them are in the range of up to a month and there are no concerns as to their recoverability.

The credit risk of cash and cash equivalents, market securities and derivative financial instruments is considered insignificant due to the high reliability of entities that are parties to transactions, which include mainly banks and entities known by the Company.

3.8.

DIFFERENCES BETWEEN FINANCIAL RESULTS AND FINANCIAL FORECASTS

Forecasts were not published.

3.9.

STRUCTURE OF MAJOR CAPITAL AND EQUITY INVESTMENTS

Pekabex generates positive cash flows mainly due to the execution of profitable contracts. In 2020, the Group invested its financial surpluses in overnight deposits on a short-term basis; ultimately, these are used as equity contributions to ongoing investments.

During 2020, the Group expanded its operations by establishing the following companies by deed of incorporation: Pekabex Inwestycje III sp. z o.o., Pekabex Inwestycje IV sp. z o.o., Pekabex Inwestycje V sp. z o.o., Pekabex Inwestycje VI sp. z o.o., Pekabex Inwestycje VII sp. z o.o., Pekabex Inwestycje IX sp. z o.o.

On 29 June 2020, Pekabex S.A. and Pekabex Inwestycje VIII sp. z o.o. (formerly: Pekabex Development sp. z o.o.) concluded with Origin Investments sp. z o.o. and Origin Gdynia 1 sp. z o.o. (Origin) an investment agreement concerning



Olivia Business Centre complex, Gdańsk

joint execution of an investment project in Mechelinki consisting in the construction of flats, Senioralne Mieszkania Serwisowane Origin SMS (Retirement Serviced Flats), and Hotel Rehabilitacyjny Origin ReVital (Rehabilitation Hotel). Within the scope of the investment, the companies from the Pekabex Group will be responsible, among others, for the construction process – a company from the Pekabex Group will act as the general contractor of the investment, and companies from the Origin Group, among others, for the operational activities of the Hotel Rehabilitacyjny Origin ReVital and SMS.

In accordance with the investment agreement, Origin Gdynia 1 sp. z o.o. acquired shares in Origin Pekabex Mechelinki sp. z o.o. (formerly Pekabex Projekt sp. z o.o.). It resulted in the establishment of an agreed ownership structure of Origin Pekabex Mechelinki sp. z o.o., in which Pekabex S.A. holds 51% of shares, and Origin holds 49% of shares, with Pekabex having the right to appoint two Members of the Management Board, while Origin – one Member of the Management Board.

Origin Pekabex Mechelinki sp. z o.o. is the general partner of Origin Pekabex Mechelinki sp. z o.o. s.k. (former name TM Pekabex Projekt sp. z o.o. s.k.), which is the owner of the land for the planned investment. The limited partners of Origin Pekabex Mechelinki sp. z o.o. s.k. are Pekabex Inwestycje IV sp. z o.o. (contribution of PLN 4,675 thousand) and Origin (contribution of PLN 3,825 thousand).

Pekabex S.A. is the controlling (parent) entity for Origin Pekabex Mechelinki sp. z o.o. sp.k. The Group fully consolidates the company, i.e. recognises subsequent items of the subsidiary in the Group's statements. As at the balance sheet date, the main asset of the entity was the plot of

land on which the development project will be implemented. The plot was presented under the item “inventories” of the consolidated financial statements of the Group. The Group recognised minority interests in the condensed consolidated financial statements, and in the future it will also recognise the net profit attributable to non-controlling entities.

On 10 December 2020, the Issuer concluded with Fundusz Ekspansji Zagranicznej Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych with its registered office in Warsaw (“Fund”), managed by PFR Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw, an investment agreement regarding a joint investment. The purpose of the Agreement is the joint implementation by the Issuer and the Fund of a project consisting in the development and maximisation of the value of the company incorporated under German law, G+M GmbH, and its subsidiary FTO Fertigteilwerk Obermain GmbH, and achieving profits from the investment. The Issuer, as a professional entity with knowledge of the prefabricated elements industry and of execution of construction projects, will, among others, operationally manage the companies and develop their competences, aiming at building its position on the German market and maximising profits from the joint investment with the Fund. The Fund will act as a minority financial investor. The Agreement provided that the Issuer, in cooperation with the Fund, would acquire a total of 100% of shares in G+M for the total amount of EUR 12,250 thousand; the Issuer would acquire 76% of shares in G+M for the amount of EUR 9,310 thousand, and the Fund would acquire 24% of shares in G+M for the amount of EUR 2,940 thousand. In the Agreement, the Issuer and the Fund defined the principles of further cooperation and the rights and obligations of the Issuer and the Fund as G+M shareholders. The Agreement provides for conditions suspending the implementation of the investment, reserved for the benefit of the Fund, standard for this type of agreements.

The agreement is described in detail in the consolidated financial statements.

On 15 December 2020, Poznańska Korporacja Budowlana Pekabex S.A. together with the Fundusz Ekspansji Zagranicznej Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych with its registered office in Warsaw (the “Fund”), managed by PFR Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw concluded with Weber-GmbH, a company incorporated under German law with its registered office in Ebersdrof b. Coburg (“Seller 1”) and Bernhard Göhl Hoch- und Tiefbau GmbH, a company incorporated under German law with its registered office in Burgkunstadt-Mainroth (“Seller 2”), a share purchase agreement (“Agreement”) concerning the purchase of shares in a company incorporated under German law, operating under the name G+M GmbH with its registered office in Marktzeuln (“G+M”), which holds 100% of shares in a company incorporated under German law, operating under the name FTO Fertigteilwerk Obermain GmbH with its registered office in Marktzeuln (Bavaria) (“FTO”), whose business is the production of prefabricated concrete elements.

The Agreement was concluded with economic effect from 1 January 2020, in particular in the scope of the right to profit distribution for the financial year beginning on 1 January 2020.

On 28 December 2020, the condition of acquisition by the Issuer and the Fund of 100% shares of G+M GmbH with its registered office in Marktzeuln was fulfilled. Pursuant to the Agreement, the Issuer, in cooperation with the Fund, acquired from Seller 1 and Seller 2, as the sole shareholders of G+M, a total of 100% of shares (together with related rights and obligations) in G+M for the total amount of EUR 12,250 thousand. The Issuer acquired 76% of shares in G+M for the total amount of EUR 9,310 thousand and the Fund acquired 24% of shares in G+M for a total amount of EUR 2,940 thousand.

The acquisition of G+M shares is part of the strategy of foreign expansion on the German market and aims at increasing involvement in this area. In addition, the purpose of the acquisition was the joint implementation by the Issuer and the Fund of a project consisting in the development and maximisation of the value of G+M and its subsidiary and achieving profits from the investment.

Pekabex S.A. is the controlling (parent) entity for the companies incorporated under German law. The Group fully consolidates the company, i.e. recognises subsequent items of the subsidiary in the Group's statements. The impact of the recognition of companies on the Group's financial data is described in more detail in note 2 of the supplementary information and explanations to the consolidated financial statements.

3.10.

CREDITS AND LOANS TAKEN OUT AND TERMINATED

In 2020, new loan agreements were concluded or annexes were signed to increase the value of the financing, which are detailed in note 9.5 to the consolidated financial statements.

Investment loan agreement of Pekabex Inwestycje VIII S.A. (PKO BP S.A.)

On 26 February 2020, Pekabex Inwestycje VIII S.A. signed an investment loan agreement with Powszechna Kasa Oszczędności Bank Polski S.A. for PLN 6,440 thousand to refinance and finance the net costs of the construction of 12 terraced houses on the property located in Józefosław at ul. Osiedlowa.

Annex to the credit limit agreement of Pekabex Bet S.A. (PKO BP S.A.)

On 4 March 2020, Pekabex Bet S.A. signed with Powszechna Kasa Oszczędności Bank Polski S.A. an annex to the multi-purpose credit limit agreement (“Credit Limit”) of 6 March 2017, extending the current period of credit availability until 6 March 2023.

Annex to the multi-purpose credit line agreement of Pekabex Bet S.A. (BNP Paribas S.A.)

On 23 March 2020, Pekabex Bet S.A. signed with BNP Paribas Bank Polska S.A. an annex to the multi-purpose credit line agreement (“Credit Line”) of 26 March 2013, extending the current period of credit availability until 30 November 2021.

Annexes to credit agreements with Kokoszki Prefabrykacja S.A. (BNP Paribas S.A.)

On 24 March 2020, Kokoszki Prefabrykacja signed with BNP Paribas Bank Polska S.A. annexes to (i) the non-revolving credit agreement (“Annex to the non-revolving credit agreement”), (ii) the multi-purpose credit line agreement (“Annex to the multi-purpose credit line agreement”) and (iii) the framework agreement on currency and derivative transactions (“Annex to the framework agreement”). The Annex to the non-revolving credit agreement increases the credit amount to PLN 61,400 thousand. Due to the joint collaterals, annexes to the multi-purpose credit line agreement and to the framework agreement were also signed.

Multi-purpose credit line limit agreement of Pekabex Bet S.A. (mBank S.A.)

On 1 September 2020, Pekabex Bet S.A. signed with mBank Spółka Akcyjna a multi-purpose credit line limit agreement in the amount of PLN 20,000 thousand (“Credit”), intended for use by issuing bank guarantees or taking out an overdraft facility. The limit shall be available by 26 August 2022.

Non-revolving credit agreement of Pekabex Inwestycje II S.A. (BNP Bank Polska S.A.)

On 30 November 2020, Pekabex Inwestycje II S.A. signed with BNP Bank Polska S.A. an agreement for a non-revolving credit of PLN 10,800 thousand for refinancing and financing of the investment related to the expansion of the production plant in Mszczonów. Financing period end date: 84 months from the signing of the agreement.

Convertible currency investment loan agreement of PKB Pekabex S.A. (PKO Bank Polska S.A.)

On 9 December 2020, Poznańska Korporacja Budowlana Pekabex S.A. signed with Powszechna Kasa Oszczędności Bank Polski S.A. an agreement for an investment loan

in convertible currency up to EUR 5,000 thousand for the purchase of shares in G+M GmbH, a company incorporated under German law with its registered office in Industriestra e 1, Marktzeuln (Germany). Financing period end date: 08 December 2027.

Annex to the multi-purpose credit line limit agreement of Pekabex Bet S.A. (DNB Bank Polska S.A.)

On 23 December 2020, Pekabex Bet S.A. signed with DNB Bank Polska S.A. an annex to the multi-purpose credit line limit agreement of 29 September 2008, to be used by issuing bank guarantees or taking out an overdraft facility or a letter of credit. The annex extends the current credit availability period until 29 November 2022.

In 2020, the Group did not take out a credit and the credit agreement was not terminated by the other party thereto. In the presented period, no credit agreements were violated.

After the balance sheet date of 31 December 2020, the Group concluded the following agreements and annexes to existing agreements:

Credit limit agreement of Pekabex Bet S.A. (DNB Bank Polska S.A.)

On 12 January 2021, Pekabex Bet S.A. signed with DNB Bank Polska S.A. an agreement for a credit limit of PLN 20,000 thousand for financing of the company's current business operations. Financing period end date: 24 months from the date of signing the agreement.

Annex to the credit limit agreement of Pekabex Bet S.A. (PKO BP S.A.)

On 15 February 2021, Pekabex Bet S.A. signed an annex to the multi-purpose credit limit agreement (“Credit Limit”) of 6 March 2017 with Powszechna Kasa Oszczędności Bank Polski S.A., increasing the limit to PLN 90,000 thousand.

Multi-purpose credit limit agreement of Pekabex Bet S.A. (PKO BP S.A.)

On 24 March 2021, Pekabex Bet S.A. signed with the Powszechna Kasa Oszczędności Bank Polski S.A. bank an agreement for a multi-purpose credit limit of PLN 20,000 thousand intended for use by issuing bank guarantees or taking out an overdraft facility. The limit shall be available by 23 March 2023.

3.11.

GRANTED LOANS

In 2020 and 2019, Pekabex Group companies did not grant any loans to related parties outside of the Group. Loans granted within the Group are described in the separate financial statements.

3.12.

SIGNIFICANT TRANSACTIONS CONCLUDED WITH RELATED PARTIES ON TERMS OTHER THAN ARM'S LENGTH TERMS

In 2020, neither the Parent Company nor its subsidiaries entered into significant transactions with related entities on terms other than arm's length terms.

Revenue generated and costs incurred by the Company and the Group in transactions with related entities in 2020 and the balance of liabilities to and receivables due from related entities as at 31 December 2020 were presented in supplementary information and explanations to the separate and consolidated financial statements, respectively.

3.13.

AGREEMENTS PROVIDING FOR COMPENSATION FOR MANAGEMENT BOARD MEMBERS IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL

No such agreements were in force in 2020.



3.14.

GRANTED AND RECEIVED SURETIES AND GUARANTEES

Value of sureties and guarantees (in thousands of PLN) as at 31 December 2020 was as follows:

Sureties for the repayment of liabilities relate to contracts

	31/12/2020	31/12/2019
To other entities:		
Surety for repayment of liabilities	10,133	1,471
Guarantees granted	-	-
Guarantees granted to construction contracts	234,669	157,478
Guarantees granted by companies incorporated under German law	22,894	-
Disputes and litigations	-	-
Disputes and litigations with the Tax Authority	-	-
Other contingent liabilities	-	-
Total contingent liabilities	267,696	158,949

of surety which are granted only to companies from the Group and secure the commercial liabilities of companies belonging to the Group.

The values of the guarantees granted to construction contracts constitute the total amount of performance bonds issued to contracting parties and costs of remedying defects and flaws resulting from the performed construction contracts. None of the guarantees granted exceeds the materiality threshold set at 10% of the Group's equity.

As at 31 December 2020, the value of bank and insurance guarantees received by the Group in relation to the contracts with subcontractors amounted to a total of PLN 10,243 thousand. As at 31 December 2019, it amounted to PLN 9,760 thousand.

In addition, the Group's companies issued promissory notes as collaterals for their lease liabilities, the carrying amount of which as at 31 December 2020 amounted to PLN 19,213 thousand.

The loan sureties granted, effective as at 31 December 2020, are presented below:

Entity to which the guarantee was granted	Total amount of the loan guarantee	Contract subject	Value of the liability as at 31/12/2019	Effective date of the contract	Validity date of the collateral	Entity for which the guarantee was granted	Guarantors	Value of the guarantee
DNB Bank Polska S.A.	120,000.	Multi-purpose line of credit to be used on:	Sublimit for guarantees – PLN 66,249 thousand* Overdraft facility – PLN 0 Revolving credits – PLN 0	29/11/2022	30/11/2033	Pekabex Bet	Pekabex S.A., Pekabex Pref, Centrum Nowoczesnej Prefabrykacji	180,000.
		• guarantees up to the amount of PLN 120,000 thousand						
		• letter of credit line up to the amount of						
PKO BP S.A.	60,000.	• PLN 25,000 thousand	Sublimit for guarantees – PLN 43,364 thousand* Multi-purpose line of credit to be used on:	06/03/2023	06/03/2027	Pekabex Bet	Pekabex S.A.	60,000.
		• overdraft up to the amount of PLN 30,000 thousand						
		• guarantees up to the amount of PLN 60,000 thousand						
PKO BP S.A.	8,131.	Investment credit	6,656.	30/03/2022	30/03/2025	Pekabex S.A.	Pekabex Bet	12,197.
		Investment credit						
		Investment credit						
PKO BP S.A.	30,000.	Investment credit	18,783.	31/12/2026	31/12/2028	Kokoszki Prefabrykacja	Pekabex S.A. Pekabex Bet	30,000.
		Investment credit						
		Investment credit						
PKO BP S.A.	6,440.	Investment credit	0.	31/12/2021	31/12/2024	Pekabex Inwestycje VIII	Pekabex S.A. Pekabex Bet	9,660.
		Investment credit						
		Investment credit						
BNP Paribas S.A.	78,000.	Multi-purpose line of credit to be used on:	Sublimit for guarantees – PLN 47,443 thousand* Overdraft facility – PLN 0 Revolving credits – PLN 0	30/11/2021	14/12/2034	Pekabex Bet	Pekabex S.A., Pekabex Pref, Pekabex Inwestycje II, Centrum Nowoczesnej Prefabrykacji	85,800.
		• guarantees up to the amount of PLN 78,000 thousand						
		• overdraft up to the amount of PLN 11,000 thousand						
BNP Paribas S.A.	61,400.	• revolving credit up to the amount of PLN 4,000 thousand	Non-renewable credit	14/03/2029	14/03/2032	Kokoszki Prefabrykacja	Pekabex S.A. Pekabex S.A.	67,540.
		• letter of credit line up to the amount of PLN 5,000 thousand						
		Non-renewable credit						

Entity to which the guarantee was granted	Total amount of the loan that was guaranteed	Contract subject	Value of the liability as at 31/12/2019	Effective date of the contract	Validity date of the collateral	Entity for which the guarantee was granted	Guarantors	Value of the guarantee
BNP Paribas S.A.	7,000.	Multi-purpose line of credit to be used interchangeably on: <ul style="list-style-type: none">• guaranteees up to the amount of PLN 7,000 thousand• overdraft up to the amount of PLN 7,000 thousand	0.	30/06/2021	14/03/2032	Kokoski	Pekabex S.A.	7,700.
						Prefabrykacja	Pekabex BET S.A.	
BNP Paribas S.A.	30,000.	Investment credit	11,589.	16/12/2022	18/12/2025	Pekabex Inwestycje II	Pekabex S.A.	45,000.
							Pekabex Bet Pekabex Pref Centrum Nowoczesnej Prefabrykacji	
BNP Paribas S.A.	10,000.	Non-renewable credit	9,646.	06/04/2026	31/03/2029	Pekabex Inwestycje II	Pekabex S.A.	11,000.
							Pekabex Bet Pekabex Pref Centrum Nowoczesnej Prefabrykacji	
BNP Paribas S.A.	10,800.	Non-renewable credit	6,152.	30/11/2027	09/11/2030	Pekabex Inwestycje II	Pekabex S.A.	11,880.
							Pekabex Bet Pekabex Pref Centrum Nowoczesnej Prefabrykacji	
BNP Paribas S.A.	37,200.	Non-renewable credit	7,437.	31/04/2022	31/07/2025	Pekabex Inwestycje VIII	Pekabex S.A.	26,400.
							Pekabex Bet Pekabex Pref Centrum Nowoczesnej Prefabrykacji Pekabex Inwestycje II	

* Off-balance sheet liability

After the balance sheet date, the Group concluded an annex affecting the sureties in force:

Annex to the credit limit agreement of Pekabex Bet S.A. (PKO BP S.A.)

On 15 February 2021, Pekabex Bet S.A. signed an annex to the multi-purpose credit limit agreement ("Credit Limit") of 6 March 2017 with Powszechna Kasa Oszczędności Bank Polski S.A., increasing the limit to PLN 90,000 thousand. The Annex provides for an increase in securities resulting from the concluded agreement, in particular by submitting a new blank promissory note by the company together with a new promissory note declaration of the company as the issuer of the promissory note and a new declaration of the Issuer as the note guarantor.

4.0.

Statement on the implementation of corporate governance principles



Przedsiębiorstwo Handlowe A-T S.A., Krotoszyn

4.1.

THE SET OF PRINCIPLES TO WHICH PEKABEX S.A. IS SUBJECT

The Management Board of Poznańska Korporacja Budowlana Pekabex S.A. hereby declares that in 2020 the Company and its bodies applied the principles of corporate governance set out in the document entitled "Best Practice for GPW Listed Companies 2016", adopted by resolution No. 27/1414/2015 of the Supervisory Board of Warsaw Stock Exchange (GPW) of 13 October 2015, with the exception of the following:

Recommendation I.Z.1.3. – diagram presenting the division of tasks and responsibilities between members of the Management Board, drawn up in accordance with principle II.Z.1.

The principle is not applied. No internal division of responsibility for particular areas of the Company's activity has been developed. The entire Management Board of the Company is responsible for all areas of its activity.

Recommendation I.Z.1.11. – information about the content of the company's principle concerning changing the entity authorised to audit financial statements, or about the lack of such a principle.

The principle is not applied. The Company does not publish information in this respect on its website. The selection of entities authorised to audit financial statements each time depends on independent decisions of the Company's bodies and applicable laws.

Recommendation I.Z.1.15. – information containing a description of the company's diversity policy with respect to the company's governing bodies and its key managers; the description should take into account such elements of the diversity policy as gender, field of study, age, profes-

sional experience, as well as indicate the objectives of the applicable diversity policy and the manner in which it was implemented in the given reporting period; if the company has not developed and does not implement a diversity policy, it shall publish an explanation of such a decision on its website.

The principle is not applied. The Company does not have a diversity policy in place. The Company employs persons with appropriate qualifications and professional experience, regardless of age or gender.

Recommendation I.Z.1.16. – information on the planned transmission of the General Meeting – no later than 7 days before the date of the General Meeting.

The principle is not applied. The Company does not broadcast the proceedings of the General Meeting. The Company observes the provisions of the Articles of Association and provisions of law in this respect and implements an appropriate information policy.

Recommendation I.Z.1.19. – shareholders' questions addressed to the management board pursuant to Article 428(1) or (6) of the Commercial Companies Code, and the answers of the management board to the questions asked, or detailed information on the reasons for a lack of answer, in accordance with principle IV.Z.13.

The principle is not applied. The Company complies with the above principle to the extent provided for by law. The Company does not keep a detailed record of the course of talks, questions asked during General Meetings or answers given.

Recommendation I.Z.1.20. – a record of the General Meeting, in audio or video form.

This principle is not applied. Currently, the Company does not have the technical and organisational means to record the proceedings of the General Meeting in audio or video form.

Recommendation II.Z.1. – the internal division of responsibility for particular areas of the company's activity between the members of the Management Board should be formulated in a clear and transparent manner, and the division diagram should be available on the company's website.

The principle is not applied. The Management Board is responsible for all of the Company's activities.

Recommendation II.Z.2. – membership of the members of the Management Board of the company in the management boards or supervisory boards of companies outside the company's group requires the consent of the Supervisory Board.

The principle is not applied. The Articles of Association and the Company's internal documents in force do not impose any information obligations on the members of the Management Board in this respect.

Recommendation II.Z.7. – with regard to the tasks and functioning of committees operating within the supervisory board, the provisions of Appendix I to the Recommendation of the European Commission referred to in principle II.Z.4 apply. If the function of the audit committee is performed by the Supervisory Board, the above rules shall apply accordingly.

The principle is partially applied. Within the Supervisory Board of the Company, a separate Audit Committee has been established, whose principles of operation are specified in the Articles of Association, Supervisory Board Regulations and legal regulations. The principles of operation of the Audit Committee are generally consistent with the "common features of the Committees" indicated in Appendix I. The Supervisory Board did not appoint a Nomination Committee, Remuneration Committee or Review Committee.

Recommendation IV.Z.3. – media representatives shall be given the opportunity to attend general meetings.

The principle is not applied. If questions concerning General Meetings of Shareholders are asked by representatives of the media, the Company immediately provides relevant answers. The presence of the media during the debates is decided upon by the shareholders and the Chairman of the Meeting.

Recommendation VI.R.1. – remuneration of members of the company's governing bodies and key managers should be based on the adopted remuneration policy.

Remuneration policy regarding the members of the Management Board and Supervisory Board of Poznańska Korporacja Budowlana Pekabex S.A.

On 21 July 2020, the Ordinary General Meeting adopted the remuneration policy for the Members of the Management Board and the Supervisory Board of Poznańska Korporacja Budowlana Pekabex S.A.

The Policy systematises the principles of remunerating the Management Board and the Supervisory Board in force in the Company and increases the transparency of the Company's operations, which contributes to the implementation of the business strategy, long-term interests and stability of the Company and has a positive impact on the Company's market position.

Basic principles for determining the remuneration of Management Board members and Supervisory Board members:

Members of the Supervisory Board

Members of the Supervisory Board are entitled to remuneration for appointment in the form of a fixed monthly amount. The remuneration of a member of the Supervisory Board is not related to the results of the Company. The Company does not grant the members of the Supervisory Board variable remuneration components. The Company does not grant members of the Supervisory Board remuneration in the form of financial instruments. The body authorised to determine the principles of remunerating members of the Supervisory Board is the General Meeting.



Origin Pekabex complex, Mechelinki

Members of the Management Board

Members of the Management Board are entitled to a fixed remuneration, which is a specific, invariable amount paid to a given member of the Management Board every month. In addition, Management Board members may be entitled to variable remuneration, which is a variable amount paid annually to a given Management Board member depending on the fulfilment of criteria and objectives by this Management Board member. Apart from the above, members of the Management Board may also be granted bonuses and other cash or non-cash benefits, in particular due to extraordinary circumstances, financial results or exceptional involvement of a member of the Management Board. The Company may award remuneration to the members of the Management Board in the form of financial instruments. The body authorised to determine the principles of remunerating members of the Management Board is the Supervisory Board.

The full remuneration policy is available on the Company's website.

Recommendation VI.R.2. – the remuneration policy should be closely linked to the company's strategy, its short- and long-term objectives, long-term interests and results, and should include measures to avoid discrimination on any grounds.

The Company does not apply the above recommendation – the remuneration policy adopted by the Company regulates the general principles of determining remuneration based on various criteria, not only those indicated in the recommendation. The provisions of the policy do not discriminate against anyone on any grounds, but at the same time do not provide for any specific measures to avoid discrimination.

The full text of the set of rules is available on the website of Warsaw Stock Exchange: https://static.gpw.pl/pub/files/PDF/RG/DPSN2016__GPW.pdf.

4.2.

SHAREHOLDERS OF PEKABEX S.A. HOLDING SIGNIFICANT BLOCKS OF SHARES

The shareholding structure of Pekabex S.A. as at 31 December 2020 was as follows (information on shareholders holding more than 5% of shares in the Company's share capital):



Waterfront office building, Gdynia

Shareholder	Number of shares held (items)	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Share in basic capital	Nominal value of shares (in PLN)
STE sp. z o.o.	9,784,585	9,784,585	39.41%	39.41%	9,784,585
Cantorelle Limited	2,958,170	2,958,170	11.92%	11.92%	2,958,170
Fernik Holdings Limited	2,029,382	2,029,382	8.17%	8.17%	2,029,382
Nationale Nederlanden	1,360,000	1,360,000	5.48%	5.48%	1,360,000
Others in total	8,694,375	8,694,375	35.02%	35.02%	8,694,375
Total	24,826,512	24,826,512	100%	100%	24,826,512

On 31 August 2020, 246,804 shares with a par value of PLN 1 each, entitling to 246,804 votes at the Parent Company's General Meeting in total, were issued within the scope of the conditional increase in the share capital adopted by Resolution no. 3 of the Extraordinary General Meeting of the Company on 11 October 2016. On 18 September 2020, the registry court registered an increase in the share capital of the Company.

After the registration of shares, the Parent Company's share capital amounts to PLN 24,826,512, which is tantamount to 24,826,512 shares with a par value of PLN 1 per share, carrying 24,826,512 votes at the General Meeting of the Company.

All shares are non-preference bearer shares and are divided into:

- 21,213,024 series A shares
- 3,000,000 series B shares
- 613,488 series C shares

In 2020, the majority shareholder of the Company changed – the previous majority shareholder, Opoka II FIZ, made a contribution in kind in the form of 9,784,585 shares in the Company to its subsidiary, i.e. STE sp. z o.o. with its registered office in Gdańsk, to cover shares in the increased share capital of STE sp. z o.o. As a result, STE sp. z o.o. became a shareholder of the Company in place of OPOKA II FIZ. Detailed information in this respect is presented in the Company's current reports and in the consolidated financial statements in note 31.2.

The table below presents the share of managing and supervising persons in the total number of votes and shares in accordance with the received declarations at the end of each year:



Olivia Business Centre complex, Gdańsk

Managers and supervisors	Number of votes at the General Meeting of Shareholders as at 31.12.2020	Number of votes at the General Meeting of Shareholders as at 31.12.2019
Robert Jędrzejowski (indirectly through Fernik Holdings Limited) – President of the Management Board of Pekabex S.A.	8.18%	8.18%
Maciej Grabski (indirectly through Pekabex Wykup Managerski S.A. and STE sp. z o.o.) – Member of the Supervisory Board of Pekabex S.A.	40.73%	40.73%
Przemysław Borek (directly) – Vice-President of the Management Board of Pekabex S.A.	0.67%	0.61%
Beata Żaczek (directly) – Vice-President of the Management Board of Pekabex S.A.	0.37%	0.32%
Tomasz Seremet (directly) – Member of the Management Board of Pekabex S.A.	0.22%	n/a

All shares of the Company are ordinary shares, each of which entitles to exercise one vote at the General Meeting. Major shareholders have no voting rights other than those attached to the shares held. Shares are ordinary bearer shares and do not involve any special rights or obligations other than those resulting from the provisions of the Code of Commercial Companies.

There are no limitations as to the exercise of voting rights or the transfer of ownership rights to the Company's shares.

The Company is not aware of any agreements (including agreements concluded after the balance sheet date) which may result in future changes in the proportions of shares held by the existing shareholders and bondholders.

4.3.

APPOINTMENT AND DISMISSAL OF MANAGING PERSONS AND THEIR COMPETENCES

The Management Board has between one and four members. The Supervisory Board may appoint an elected member of the Management Board to the position of President of the Management Board. Members of the Management Board are appointed for a joint three-year term. They are appointed and dismissed by the Supervisory Board in a secret ballot. Members of the Management Board may also be dismissed or suspended in their activities by the General Meeting. The Supervisory Board may dismiss individual or all members of the Management Board before the end of its term of office. Each member of the Management Board may resign before the end of their term of office by submitting a written resignation to the Chairman of the Supervisory Board or, if there is no Chairman, to any member of the Supervisory Board, to the Company's address.

The competences and working principles of the Management Board of Pekabex S.A. are set out in the following documents: (i) Articles of Association of Pekabex S.A. (available on the Company's website), (ii) Regulations of the Management Board (available on the Company's website), (iii) Commercial Companies Code. The competence of the Management Board includes all matters not reserved for the competence of other bodies of Pekabex S.A. The Management Board is not entitled to make decisions on the issue or redemption of shares. Decisions in this respect are taken by the General Meeting.

The competences and working principles of the Supervisory Board of Pekabex S.A. are set out in the following documents: (i) Company's Articles of Association, (ii) Regulations of the Supervisory Board (available on the Company's website), (iii) Commercial Companies Code.

4.4.

PRINCIPLES OF AMENDING THE PEKABEX S.A. ARTICLES OF ASSOCIATION

Amendments to the Articles of Association require a resolution of the General Meeting and registration by a competent registry court.

4.5.

THE GENERAL MEETING AND SHAREHOLDERS' RIGHTS AND METHODS OF EXERCISING THEM

The principles of operation, competences and organisation of the General Meeting are regulated by:

1. Articles of Association of Pekabex S.A.,
2. Regulations of the General Meeting,
3. Commercial Companies Code.

Convening the General Meeting of Shareholders

- The General Meeting of Shareholders convenes as an Ordinary or Extraordinary Meeting.
- The General Meeting of Shareholders may be held at the Company's registered office in Poznań, in Warsaw or in Gdańsk.
- An Ordinary General Meeting of Shareholders is held annually within six months after the end of a trading year.



Olivia Business Centre complex, Gdańsk

- The fact of convening the General Meeting together with the date (day, time) and venue is announced by the Management Board on the Company's website and in the manner specified for providing current information in accordance with the provisions on public offering and conditions for introducing financial instruments to organised trading and on public companies.
- The announcement of convening the General Meeting should be published 26 days before the date of the meeting and include all the elements required by the Commercial Companies Code.

Powers of the General Meeting

- Examination and approval of the Company's financial statements for the previous financial year and of the Management Board's report on the activity of Pekabex S.A.
- Granting discharge to members of the Company's governing bodies from the fulfilment of their duties.
- Deciding on profit distribution or loss coverage.
- Postponing the dividend payment date or dividing the dividend payment into instalments.
- Adopting resolutions on the appointment or dismissal of members of the Supervisory Board.
- Adopting resolutions on the suspension of the members of the Management Board in their activities and their dismissal.
- Adopting resolutions on the disposal and outlease of the company or its organised part and establishing a limited property right on them.
- Adopting resolutions on increasing or decreasing the share capital.
- Adopting resolutions on the issue of convertible bonds and subscription warrants.
- Adopting resolutions on the creation, use and liquidation of reserve capitals.
- Adopting resolutions on the use of supplementary capital.
- Adopting resolutions on the merger, division or transfor-

- Adopting resolutions on the redemption of shares.
- Adopting resolutions on amendments to the Articles of Association and the Company's object of activity.
- Deciding on other matters reserved for the competence of the General Meeting in the Commercial Companies Code and the provisions of the Company's Articles of Association.

Session of the General Meeting of Shareholders

- The General Meeting is opened by the Chairman of the Supervisory Board and, in their absence, by any member of the Supervisory Board. In the event of the absence of Supervisory Board members, the General Meeting is opened by any member of the Management Board.
- From among those entitled to vote, the General Meeting elects a Chairman who directs its work and ensures that the meeting proceeds smoothly and properly.
- The General Meeting adopts resolutions only in matters included on the agenda, unless the entire share capital is represented at the Meeting and none of those present objects to holding the General Meeting or placing particular matters on the agenda.
- Resolutions of the General Meeting are included in the minutes prepared by a notary public.
- The General Meeting is valid regardless of the number of shares represented.

Voting

Votes at the General Meeting are open. A secret ballot is ordered for the election of the Company's bodies or its liquidator and for motions for dismissal of the members of the Company's bodies or liquidators, for holding them liable, as well as in personal matters. In addition, a secret ballot is ordered at the request of at least one shareholder or their representative.

4.6.

PEKABEX S.A. BODIES AND THEIR COMPOSITION

As at 31 December 2020 and as at the date of this report, the Management Board was composed of:



- **Robert Jędrzejowski**
President of the Management Board
- **Przemysław Borek**
Vice-President of the Management Board
- **Beata Żaczek**
Vice-President of the Management Board
- **Tomasz Seremet**
Member of the Management Board

In the period from 1 January 2021 to the date of approval of the financial statements for publication, the composition of the Company's Management Board did not change.

As at the date of approval of the financial statements for publication, the Company's Supervisory Board was composed of:



- **Piotr Taracha**
Chairman of the Supervisory Board
- **Maciej Grabski**
Vice-Chairman of the Supervisory Board
- **Ryszard Klimczyk**
Member of the Supervisory Board
- **Piotr Cyburt**
Member of the Supervisory Board
- **Stefan Grabski**
Member of the Supervisory Board
- **Marcin Szpak**
Member of the Supervisory Board
- **Lesław Kula**
Member of the Supervisory Board

As at the balance sheet date and as at the date of publication of the financial statements, the Audit Committee appointed by the Company's Supervisory Board was composed of:



- **Piotr Cyburt**
President
- **Piotr Taracha**
Member of the Committee
- **Stefan Grabski**
Member of the Committee

More detailed information on the individual members of management bodies of Pekabex S.A. can be found in Chapter 1 of this Report.

The tasks of the Audit Committee include in particular:

- monitoring the financial reporting process,
- monitoring the effectiveness of internal control, internal audit and risk management systems,
- monitoring the performance of a financial audit,
- monitoring the independence of the statutory auditor or audit firm, including receiving from the statutory auditor or audit firm annual written confirmation of their independence and discussing its risks, and in the event of doubt as to whether the statutory auditor or audit firm has become excessively dependent on the Company – deciding whether the statutory auditor or audit firm may continue to carry out statutory audits,
- supervision over the organisational unit dealing with the internal audit,
- ensuring compliance with the procedure for selecting the entity authorised to perform audit activities, including auditing financial statements, in accordance with Article 16(3) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014,
- recommending to the Supervisory Board at least two entities authorised to audit financial statements, indicating a duly justified preference for one of them,
- approving, after carrying out an assessment of the threats and safeguards related to independence, the performance of services other than auditing the financial statements by the statutory auditor or audit firm.

Two of the three members of the Audit Committee, Piotr Cyburt and Piotr Taracha, meet the independence criteria in accordance with Article 129(3) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

Piotr Cyburt is the member of the Audit Committee who has knowledge and skills in accounting or auditing financial statements. He is a Doctor of economic sciences associated with Instytut Gospodarki Narodowej (Institute of National Economy) in Warsaw, President of the Management Board of one of the banks in Poland and Member of the Board of the Polish Bank Association. In the years 1990-1992 he was one of the founders and first employees of Deloitte and Touche in Poland.

Stefan Grabski, a member of the Audit Committee, has experience, knowledge and skills in the field of broadly understood construction industry. He is a construction engineer who graduated from the Gdańsk University of Technology (General Construction Department), worked, among others, as a Head of the Construction Team, for several years leading the so-called Start-up Group, dealing with the start-up of technological installations in industrial facilities in northern Poland.

The Audit Committee held 2 meetings in 2020.

The auditing firm auditing the financial statements of Pekabex S.A. and the consolidated financial statements of the Pekabex Group, Grant Thornton Polska sp. z o.o. sp.k., did not provide the Group with any services other than an audit or review of the financial statements.



Panatonni Hall, Bielsko-Biała

The main principles of the policy on the selection of the auditor in Pekabex S.A., adopted by the Audit Committee, are as follows:

- The Audit Committee submits a recommendation to the Supervisory Board including the identification of the audit firm to which it proposes to entrust the performance of the statutory audit.
- If the selection of the audit firm does not concern the extension of the contract for the audit of financial statements, the recommendation of the Audit Committee indicates at least two entities to choose from and duly justifies the preference for one of them.
- The recommendation regarding the selection of an audit firm is drawn up in accordance with the procedure described in the "Procedure for selecting the Poznańska Korporacja Budowlana Pekabex S. A. audit firm".
- Before making the recommendation referred to above, and before accepting or continuing the commission of a statutory audit, the audit firm and the key statutory auditor shall submit to the Audit Committee a written statement confirming their independence and the required powers and competences.

When issuing a recommendation, the Audit Committee takes into account whether the audit firm, the key statutory auditor and the members of the audit team have experience in auditing individual and consolidated financial statements of companies operating in the construction or manufacturing sector with a scale of activity similar to that of Pekabex.

The recommendation concerning the selection of the auditing company for the 2020 report met the applicable conditions.

The main principles of the policy of Pekabex S.A. regarding the provision by audit firms and their affiliates of permitted

non-audit services, adopted by the Audit Committee, are as follows:

- Neither the statutory auditor nor the audit firm carrying out statutory audits of Pekabex, nor any of the members of the affiliated companies to which the statutory auditor or audit firm belongs may, during the period from the beginning of the audited period until the issuance of the audit report, provide directly or indirectly to the Pekabex Group, Pekabex S.A. or entities controlled by it within the European Union any services that are not audits of financial statements, except for the unprohibited services referred to in Article 136(2) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision. Providing unprohibited services is possible only with the consent of the Audit Committee, after the Audit Committee has carried out an assessment of the threats and safeguards to the independence referred to in Articles 69-73 of the Act.
- The key statutory auditor, the audit firm, its staff involved in carrying out the audit and the natural person directly involved in the audit activities, whose services are used or supervised by the key statutory auditor or audit firm, as well as persons closely associated with them, may not participate in providing bookkeeping services for Pekabex and in the preparation of Pekabex accounting records or financial statements in the financial year preceding the audit period, during the period covered by the audit report and during the audit period.
- The Management Board of Pekabex monitors the amount of fees paid for the services of the audit firm and promptly notifies the Audit Committee accordingly.

4.7.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company's Management Board is responsible for the implementation and functioning of the internal control system in the process of preparing financial statements. The risks are described in detail in Chapter 5.4.

The Company's Management Board is responsible for the implementation and functioning of the internal control system in the process of preparing financial statements. The risks are described in detail in Chapter 5.4.

Financial statements are prepared by qualified staff of the Accounting Department and the Finance and Controlling Department under the supervision of the Vice-President of the Management Board acting as the Chief Financial Officer of PKB Pekabex. Financial statements are prepared on the basis of accounting books maintained with the use of the Symfonia financial and accounting program, operated by employees with relevant competences.

The correct implementation of accounting principles by individual companies is monitored on an ongoing basis by the Chief Accountant, the Accounting Department and the Finance and Controlling Department.

Financial statement preparation is a planned process that includes the appropriate division of tasks between the employees of the financial division, suitable with respect to their qualifications. Accounting books are the basis for individual financial statement preparation.

Preparation of consolidated financial statements is carried out on the basis of uniform consolidation packages. The financial statements of the Issuer and the Pekabex Group are prepared in accordance with the International Financial Reporting Standards. The companies belonging to the Group and subject to consolidation also follow the International Financial Reporting Standards or (if not applicable) convert the financial data compliant with the applied standards (Polish Accounting Standards "PAR" and the Accounting Act or German Accounting Standards "HGB") in order to prepare a consolidation package subject to consolidation at the level of the Pekabex Group. Control activities applied in financial statement preparation include:

- assessment of significant unusual transactions in terms of their impact on the Group's financial position and the manner in which they are presented in the financial statements,
- verification of the adequacy of adopted assumptions for valuation of estimated values,
- comparative and substantive analysis of financial data,
- verification of the arithmetic correctness and consistency of the data,
- an analysis of the completeness of disclosures,
- verification of the compatibility of data with reports resulting from the management reporting system.

The annual financial statements are prepared by the Chief Accountant and the Deputy Financial Officer and submitted for verification to the Chief Financial Officer and then to the entire Management Board for final verification and authorisation.

Annual financial statements are audited by an independent statutory auditor who, having completed the audit, presents their conclusions and observations to the Audit Committee or the entire Supervisory Board.

In addition, the basic elements of internal control include:

- ongoing analysis of financial results and key indicators significant for the conducted business activity based on the estimated financial budget and legacy data,
- participation of senior management in the planning phase, and then in the analysis of budget deviations,
- procedures for warehouse management and periodical inventories,
- ongoing monitoring of contract execution in material and financial terms, with the involvement of individual project managers,
- a document workflow procedure to ensure the conformity of entries in the account records with accounting evidence and the correct allocation of system costs,
- analysis of current financial reports.

The basic external audit in the process of preparing financial statements consists in:

- verification of data by an independent statutory auditor,
- direct supervision of the Audit Committee and the Supervisory Board.

5.0.



Principles of governance – non-financial data statement

Kielecka 2 office building, Gdynia



5.1.

EMPLOYEES OF THE PEKABEX GROUP

The Pekabex Group employs a team of professionals with expertise and extensive experience. The Group's policy is to attract the best specialists and to retain them at the Group for a long period of time, which allows to build high organisational competence. The Group is open to diversity in terms of form of employment, age, gender, nationality and degree of fitness.

As a large employer, the Pekabex Group offers development opportunities for both high-class engineers, specialists, physical workers, and young people entering the employment market, who are offered the possibility to combine work and learning. Young workers gain experience and learn from older workers, while, in turn, their energy and fresh ideas stimulate innovation in the Group.

GRI: 401-2

5.1.1.

POLICIES APPLICABLE TO EMPLOYEES

Employees employed by the Group under the employment relationship are entitled to the following wage and non-wage benefits:

- appreciation bonuses, awards,
- functional allowances,
- financing of accommodation, in particular for employees coming from abroad to Poland or delegated to projects abroad,
- benefits resulting from the provisions of the Labour Code, e.g. severance pay, overtime and night work allowances,
- benefits paid for the settlement of domestic and international business trips,
- energy meals, OHS clothing.

Within the Group, employees can participate in a group insurance scheme and medical care on favourable terms.

The Group provides its employees with the necessary working tools, in accordance with their position – pliers and hammers, as well as business phones, laptops and cars.

In 2020, within the framework of the Company's Social Benefits Fund, the Group allocated PLN 1,907 thousand (PLN 1,759 thousand in 2019) for hardship and holiday benefits, loans, sports cards and recreational and sports activities (including ski competitions, mushroom picking, employee participation in marathons).



5.1.2.

EMPLOYMENT STRUCTURE AND REMUNERATION POLICY

The Pekabex Group strives to provide its staff with the greatest possible comfort and safety. The Group complies with the provisions of the Labour Code and the provisions on delegating workers abroad.

Statistics on permanent employees of the Group are presented in Chapter 9 of this Report.

In 2020, the Pekabex Group had no collective labour agreements in force.



5.1.3.

RELATIONS WITH EMPLOYEES

Employees are valued for their individuality, innovative approach to tasks, commitment, loyalty, identification with the Group and building its positive image.

The Group supports its employees in developing their passions and interests; the curiosity about the world and the diversity of employees from different cultures and countries translates into their potential, as well as the potential of the entire Group.

5.1.4.

REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES

The key management personnel of the Group includes members of the Pekabex S.A. Management Board and management boards of its subsidiaries. Benefits (including salaries) paid to key personnel in 2020 and other information on the value of salaries, awards and benefits are presented in Chapter 4 of this Report and in note 26.1 of the supplementary information and disclosures to the consolidated financial statements of the Pekabex Group. Pekabex does not have any liabilities resulting from pensions or benefits of a similar nature for former managers, supervisors or former members of administrative bodies.

5.1.5.

ETHICS

The Management Board of Pekabex S.A. pays special attention to ensuring that the companies belonging to the Group, their employees and associates act ethically, both in external and internal relations. Any employee or associate who discovers corrupt practices may bring them to the attention of their supervisor or the Management Board. All such reports are considered individually and are the basis for preventive and corrective actions. In 2020, the Company's Management Board did not record any cases of ethical misconduct in the Group.

Panattoni Hall, Bielsko-Biala



5.1.6.

OHS

In 2020, the Pekabex Group implemented a health and safety management system based on ISO 45001:2018. It covers employees of Group companies as well as persons who do not have this status, but whose work or workplace is controlled by the Group.

The implemented system includes, among others: hazard identification, accident cause investigation, emergency situations, legal requirements and contractor safety management. In 2020, the system did not include employees of the companies incorporated under German law, integrated into the Group as of 28 December 2020. The values given in this chapter apply to the Pekabex Group, excluding G+M and FTO.

The Group has an Occupational Health and Safety Service composed of 8 employees, with a coordination function at the headquarters in Poznań.

Accidents at work and near misses

The Group has defined the procedure to be followed during the process of determining the circumstances and causes of accidents or events that may be classified as near misses. A procedure for corrective and preventive actions has also been established. This guarantees a thorough analysis of all accidents in order to avoid similar incidents in the future.

Hazard identification, risk assessment and control

The Group identifies and assesses health and safety risks. This process consists in verifying the adequacy of existing control measures regarding acceptable risk levels as defined in the applicable legislation. This enables effective management of occupational health and safety risks.

Occupational health and safety consultations

Any changes related to occupational health and safety management require consultation with stakeholders. This involves the employees of the OHS Service presenting the scope of changes, their causes and detailed procedures for new processes. Apart from this, stakeholders, including department managers, are obliged to inform the affected

employees about the scope of changes and the need for appropriate training.

The Group has established principles of consultation on and participation of employees in, among others:

- hazard identification, risk assessment and determination of protection measures,
- representing their views on health and safety matters,
- stakeholder health and safety needs and expectations,
- assigning appropriate roles, responsibilities and powers regarding health and safety,
- means of supervision over outsourcing, purchasing and contractors,
- planning and implementation of the annual internal audit plan,
- initiating improvement activities in the field of health and safety (issues reported by employees),
- setting requirements for competences, training needs, training and training evaluation,
- incidents (accidents at work and near misses) and non-conformities, as well as determining corrective actions.



Assembly of the Panattoni hall structure, Bielsko-Biala

Monitoring the performance of the occupational health and safety system

The Group has established rules for monitoring the effectiveness of the OHS management system, which makes it possible to determine the areas which do not give rise to concern and those in which corrective and preventive measures need to be implemented. Ongoing supervision of working conditions is possible thanks to the monitoring of key parameters of the occupational health and safety management system. In addition, occupational risk assessment and supervision of harmful factors in the work environment are carried out periodically.

Assessment of compliance with applicable legal and other OHS requirements

The Group follows certain rules for periodic inspections of compliance with legal regulations and other OHS requirements. The OHS Service analyses the results of the checks, which is the basis for taking corrective actions. The assessment of the compliance of the OHS management system with applicable legal and other requirements is documented.

Emergency identification and response

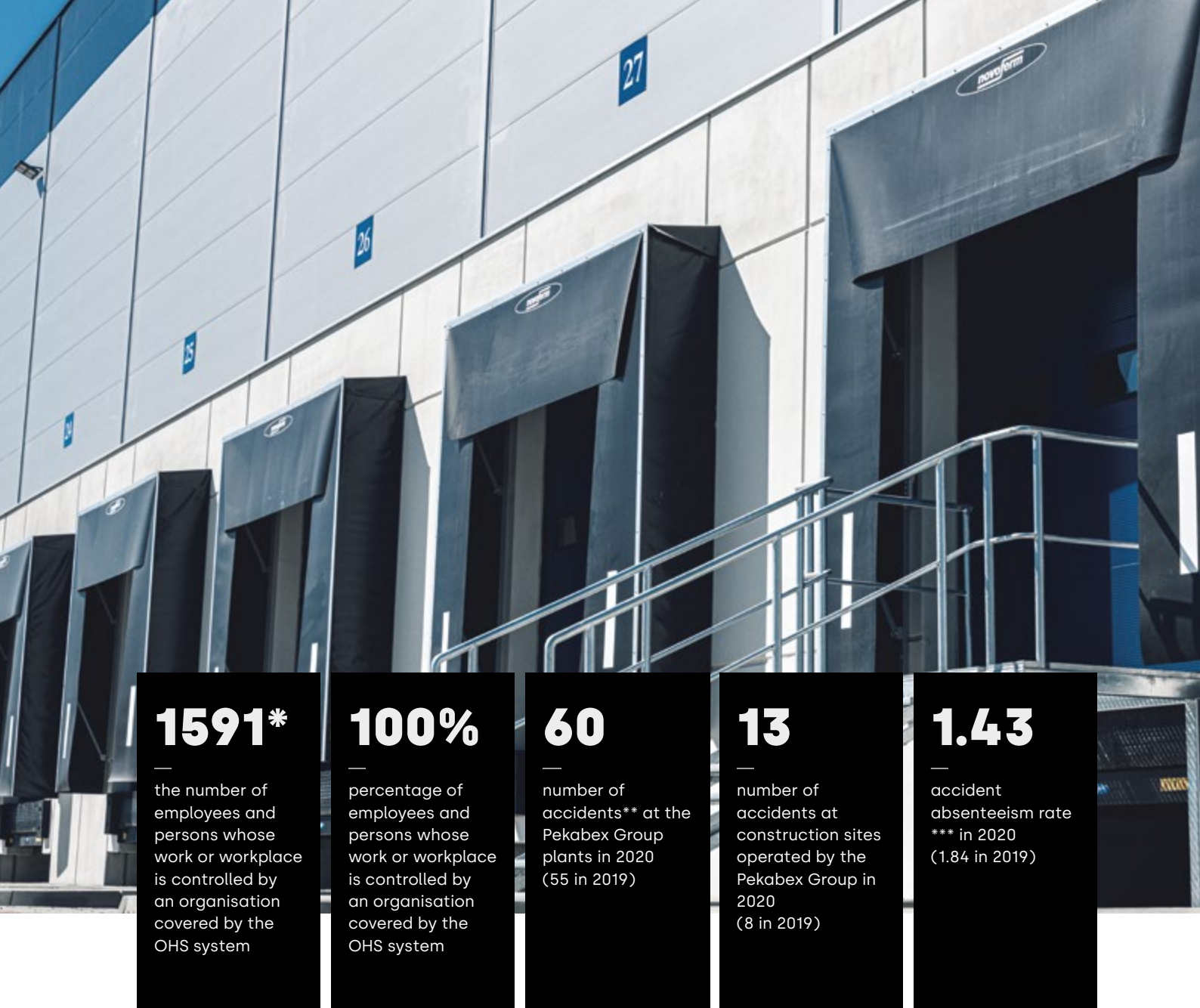
The Group identifies potential emergency situations that may have an impact on occupational health and safety. The basis for predicting and recognising such situations

is determining the probability of occurrence of previously defined hazards. The Group has introduced certain rules for responding to situations that may have a negative impact on safe and sanitary working conditions. Employees report health and safety issues to their immediate supervisor or an OHS officer during one-on-ones, training sessions or regular meetings with the crew within the framework of "Minutes for Safety".

Occupational health and safety during the COVID-19 pandemic

In terms of the safety and health protection of people working during the COVID-19 epidemic, the Group implemented the procedures required by law and fulfilled the recommendations of state administrative bodies. Preventive measures introduced by the Group include:

- conducting awareness campaigns among workers on reducing the risks associated with exposure to SARS-CoV-2 infection at work,
- measures to prevent the spread of the SARS-CoV-2 virus in the Group's workplaces, i.e.: ensuring social distancing, remote work where possible, limiting direct contact with people from outside the workplace, strict observance of hygiene rules in the workplace, introduction of appropriate disinfection rules,



Panattoni Hall, Bielsko-Biala

At the beginning of 2020, as part of the thematic training conducted in the Group, a special two-day training course for employees of the Assembly Department was held, which included, among others, exercises on safety rules for working at heights and providing first aid.

Construction sites run by Pekabex are among the safest in Poland, one of the reasons for which is the fact that pre-fabrication technology requires small assembly teams. The teams are also very well equipped and thoroughly trained in safe assembly.

The Group raises the occupational safety awareness of all persons involved in investments (and employees in plants) through:

- induction training at the construction site / in the production plant,
- regular OHS and fire safety training (initial, periodic),
- practical evacuation drills,
- first aid training,
- regular meetings of employees and management within the scope of the "Minutes for Safety",
- daily briefings prior to commencement of work,
- thematic safety campaigns (e.g. working in excavations, working at heights, working with chemicals).

In order to improve occupational health and safety, the principle of joined forces is applied, which requires the involvement of employees, the engagement of persons supervising work and the determination of the Management Board, which sets strategic objectives in this area and accounts for their implementation.

The level of safety is significantly affected by:

- the developed safe working methods, especially in areas of increased risk,
- daily workplace inspections, weekly health and safety audits and monthly reviews of working conditions,
- personal and collective protective equipment, appropriate to the parameters of given hazards,
- certified work equipment/tools in good technical condition,
- safety information board and accident rate board,
- security mirrors,
- legally prescribed information, warning, mandatory/prohibition signs and pictograms on machines.

The Group has implemented a health and safety management procedure for subcontractors of external contractors. It guarantees that the developed security principles will be respected by any entity with which a cooperation agreement is to be signed. It is ensured that the employees of contractors and subcontractors have the same health and safety conditions as employees of the Group. Each contractor has an appointed OHS Coordinator, who collaborates with the Legal Department and the OHS Service.

The standard health and safety information package provided by the potential contractor in the bidding process includes:

- safety policy,

- accident history of the last three years,
- instructions for carrying out planned work, including particularly hazardous work (IBWR – safe working instructions),
- procedure to be followed in the event of an accident or other local danger.

Meeting the above requirements is one of the conditions that determine the selection of the contractor.

Agreements with contracting parties include:

- provisions ensuring the contractor's responsibility for compliance with the Pekabex Group's OHS requirements and relevant laws and regulations,
- a clause allowing designated persons to suspend work carried out in violation of safety regulations and rules,
- a statement that all public law receivables are paid by the contractor in accordance with applicable regulations, in particular those governing the employment of staff (ZUS – Social Insurance Institution, US – Tax Office).

* As at 31 December 2020
 ** Defined as work-related emergencies with an external cause and resulting in injury
 *** Average number of hours of absence caused by accidents per 1,000 hours worked

- provision of personal protective equipment and appropriate workwear,
- installation of dispensers with hand disinfectant in the workplaces and at the construction sites where the Group's employees are present,
- additional disinfection of common areas – handles, doors, furniture in dining rooms,
- decision to disable air conditioning, which could become a potential source of SARS-CoV-2 spread, in all company buildings,
- decision to design and manufacture, with the participation of ReBuild start-up, an automated line for sewing protective masks to be distributed among employees.

In 2020, compared to 2019, the Group recorded a higher number of accidents at work at both production and construction sites. This is justified by the increase in employ-

ment and in production volumes. However, the accident absenteeism rate has decreased. In 2020, compared to 2019, the average number of hours of absenteeism due to accidents per 1,000 hours worked was lower, indicating less serious consequences of accidents at work.

The Group organises initial and annual periodic training on occupational health and safety and fire protection, thematic training, training sessions within the scope of safety campaigns conducted within the Group, toolbox talks when new equipment is purchased, and meetings with the staff within the framework of the "Minutes for Safety". Once a year, the OHS Service organises a "Safety Month", which includes actions aimed at raising awareness of the hazards and harmful factors occurring in the working environment, and improving working conditions.

GRI: 103-1, 103-2

5.1.7.

INTERNAL COMMUNICATION

The Group's staff is employed both in offices and plants belonging to Pekabex, as well as on construction sites throughout Europe, as the Group carries out investments at home and abroad.

Appropriate internal communication is one of the aspects necessary to achieve full effectiveness. The COVID-19 pandemic and the related lockdown have been a unique challenge for the existing internal communication system. The Pekabex Group has been operating in dispersed locations for many years and over time, it has developed internal procedures and rules of internal communication which allowed the organisation to quickly adapt to new working conditions during the pandemic, enabling not only the smooth functioning of the company and maintaining work productivity at an unchanged level, but also maintaining bonds between employees.

In 2020, ensuring a smooth flow of information has become a key aspect of internal communication. Therefore, communication activities aimed at employees have been strengthened by using the following tools: electronic messages (e-mail, online communicators), quarterly employee newsletter (paper and electronic forms), website, social media. These communication channels are used not only to provide employees with the best possible access to information related to their current responsibilities, but also to information related to company life, including organisational changes, as well as to knowledge about important employee and social issues and matters connected with the prevention of COVID-19 infections and response in the event of symptoms.

Despite the change in the organisation of work caused by the pandemic, the Group has continued to hold standard business meetings on operational issues, which are attended by persons from various organisational levels. A several-hour-long video conference for the Management Board and senior and mid-level managers (over 50 persons) is also held periodically. This is where important current events are discussed and new initiatives presented, both by the Management Board and lower-level managers.

The company has a communication unit, which cooperates with the Management Board and the Human Resources Department, prepares communications and initiates and executes tasks concerning employee integration.

Transparency of activities and employee involvement in the Group's life is one of its important objectives.

GRI: 103-1, 103-2

5.1.8.

INTERNAL INTEGRATION

Integration events build positive relations between employees and increase the efficiency of their cooperation.

The time of the pandemic was not conducive to organising such events. However, we did not give them up completely and some events were held online. Examples of events/competitions which were held for the employees and their families in 2020 include:

- "Pekabex Giant Slalom" skiing competition
- Builders' Day celebration in company branches
- company Christmas party for employees in all company branches
- Saint Nicholas' Day Competition "Prefabricated Gingerbread"
- mushroom picking
- board game meetups
- Gaszyn Challenge
- Cycling excursion at the Sulejowski Reservoir
- Runmaggdon

The Group supports grassroots employee initiatives by financing and co-financing them. These include the participation of an accounting department employee in the Warsaw Marathon and the RunPoland 2020 Independence Run.



GRI: 103-1, 103-2, 401-2

5.1.9.

EMPLOYEE DEVELOPMENT

The most valuable resource of the Pekabex Group are people, which is why the Management Board focuses on their development and helps them acquire the necessary qualifications.

The Group itself is also constantly developing, so that every employee can find an area in which they can satisfactorily achieve their professional goals. The construction industry is undergoing constant changes, which is why the Group's employees participate in specialist conferences, both as speakers, who share their experience, and as participants, who update their knowledge and draw inspiration for further work.

Due to the pandemic, many training sessions in 2020 moved online. Our employees had the opportunity to participate in webinars, also organised by the Pekabex Group.

Depending on the demand in particular departments, training sessions both on technical expertise and focusing on strengthening the so-called soft skills are organised.

Pekabex Group subsidises its employees' post-graduate studies and other courses and training courses that enhance their development path.

The main group of training courses in the Group are technical courses for employees working in plants and on construction sites. These are primarily training sessions authorising the participants to operate handling equipment, electrical and welding equipment. The Group takes advantage of the opportunities offered by Krajowy Fundusz Szkoleniowy (National Training Fund) and acquires funds for training for employees of all its plants.

Because the Group is present on foreign markets, it offers foreign language courses. Employees learn English and German at various levels of proficiency. In 2020, all the classes were moved to an online platform to comply with the applicable restrictions.

In 2020, the Group spent approximately PLN 393 thousand on training.

Pekabex organises annual evaluation and development meetings for all its employees. Their purpose is to summarise the previous year and verify the set objectives and progress in the development of various areas of employee competence. During these meetings, a list of goals for the following year is also established together with the supervisor.



GRI: 405-1

5.1.10.

DIVERSITY AND SOCIAL INCLUSION

Diversity is one of the important characteristics of the Group. Construction is a male industry, but Pekabex also has a female "side".

We employ 306 women in the Group, most of whom work in the General Contracting Department (45). The smallest number of women work in the concrete plant. In total, the company employs 100 female engineers.

The Group employs people of various nationalities, including citizens of Ukraine, Belarus, Georgia, Russia, Afghanistan, Azerbaijan, Egypt and Nepal. They work most often in prefabrication plants.

The Group creates a friendly workplace for people with disabilities. Currently, two people with mild disabilities work in its structures.

Social inclusion also consists in supporting social rehabilitation. The Group's factory employs convicts from the facility in Koźiegłowy (plant in Poznań). On a yearly average, 25 prisoners were employed in the plant in Poznań. Convicts constitute about 3.4% of the total number of plant workers.

5.1.11.

CONTROL SYSTEM FOR EMPLOYEE PROGRAMMES

On 11 October 2016, the Extraordinary General Meeting of Shareholders adopted a resolution on the issue of A-series subscription warrants, with the pre-emptive rights of the existing shareholders waived, and granting the consent to the implementation of the Management Options Programme in the Company.

The purpose of the MO Programme is to identify, motivate and retain persons in an employment relationship in the Group whose work creates the greatest value for the Company and its shareholders. Therefore, such persons were allowed to participate in the profit from the increase in the market value of the Company's shares. Such a mechanism creates optimal conditions for the improvement of the Company's financial results and long-term increase in its value, thanks to close connection of the economic interests of the persons covered by the MO Programme and the interest of the Company. The Programme was carried out until 31 December 2020 and consisted in the issuance of warrants for eligible persons. When determining the eligible persons, the Supervisory Board took into account the Management Board's recommendations approved by the General Meeting. According to the rules of the Programme, warrants were issued and delivered in three tranches – until 30 May 2017, 30 May 2018 and 30 May 2019.

The total number of persons covered by the Employee Capital Plan (PPK) is 216.

5.1.12.

RECRUITMENT

The Pekabex Group implements a recruitment policy aimed at attracting the best engineers and specialists from the market.

Their knowledge, experience and professionalism guarantee the best results and implementation of all planned business processes.

The Group is committed to internal recruitment: it promotes the initiative and ambitions of current employees, giving them the opportunity to climb the career ladder and thus strengthen their conviction that it is worthwhile to be engaged. The Group has a candidate recommendation system, for which employees are additionally remunerated.

The Group is active on the external market and has developed a number of ways to reach candidates, from announcements on recruitment websites, industry forums and career offices, to actions aimed at attracting people who are not currently looking for a job.

The Pekabex Group actively cooperates with universities. Within the framework of cooperation with Universities of Technology (Poznań, Silesian, Wrocław and Cracow), the Company organises annual summer internships in its units.

One of the Group's partner companies is the Poznań School of Logistics, with which it cooperates in the organisation of professional internships and dual studies. This form of education allows students to combine the knowledge gained during their studies with practical experience.

The construction industry is faced with a shortage of suitably qualified personnel, especially manual workers. Therefore, the Pekabex Group engages in activities promoting vocational education, including cooperation with vocational and technical schools. Our flagship collaborations within the scope of formwork worker vocational training classes are carried out in the State Construction Schools in Gdańsk and the Technical School of Construction No. 1 in Poznań.



5.2.

ENVIRONMENT

The Group conducts its business based on an appropriate relationship between the development of the company and care for the natural environment and human health.

The issues related to responsible environmental management are regulated primarily by the Environmental Policy adopted by the Group, which is taken into account when making business and operating decisions. The principles of the Environmental Policy include

- rational use of resources and optimal energy management
- reducing pollution emissions to the air
- rational waste management aiming at minimising the amount of generated waste and subjecting it to recycling and recovery processes
- reducing noise emissions
- increasing the environmental awareness of the company's employees and care for the environment at every stage of the technological process
- cooperating with local communities in order to protect the natural environment

The Group is working intensively on a comprehensive climate strategy taking into account global climate challenges. The Group's Management Board is aware of the great importance of changes related to the transformation of the economy of Poland and the whole of Europe towards a low-carbon economy in the context of the climate crisis. The developed climate strategy will determine the directions of adaptation of the business model to accommodate both the potential risks and economic benefits of this transformation. One of the most important objectives of the Group's future climate strategy will be to reduce the fixed level of greenhouse gas emissions while ensuring the further development of the company.

In 2020, the Group obtained EDPs (Environmental Product Declarations) for some of its products. The declaration is a document detailing the environmental impact of a product during its entire life cycle (LCA). The certified products are: prefabricated Filigran panels, prefabricated structures (single-, double-, three-layer walls), prefabricated rein-

forced elements and prefabricated prestressed elements. The EPD certification system is a worldwide environmental programme in which an independent organisation (Instytut Techniki Budowlanej (Institute of Construction Technology) in Poland) assesses, on the basis of ISO 14025, the sustainable use of resources and the impact of products and subsequent structures on the environment.

The Group complies with applicable environmental law. The Pekabex Group does not carry out projects in areas of particular natural value or in their immediate vicinity. In 2020, there were no significant incidents resulting in environmental damage and no penalties were imposed on Group companies on this account.

The Group is engaged in a number of green initiatives, gathered under the common motto "Pekabex GoesGreen", and in innovative research on more environmentally friendly products. The "Pekabex System – Residential Buildings" developed by the Group was appreciated for its innovative and ecological design solutions and was among the finalists of the Ministry of Climate's 2020 "Product in Circulation" competition.

The Group has an environmental management system team that has identified the environmental aspects of the conducted activity. They are monitored on an ongoing basis (in accordance with ISO 14001). Additionally, a register of the environmental impact of the company and its products and services is maintained. If employees or team members identify additional environmental impacts, the register shall be updated. The Company also has periodically updated emergency procedures. The team also verifies the assumed environmental objectives and the related procedures. Conclusions from its audits are reported periodically to the Group's Management Board.

In 2020, the position of Environmental Specialist was created and filled within the Pekabex Group. The main responsibilities assigned to this position include ongoing monitoring of environmental issues, initiating pro-environmental activities and issuing binding recommendations.

The register of environmental aspects of the Group's activities is as follows:

No.	Environmental aspect	Source of aspect: process/activity/service	Location
1.	Non-hazardous waste generation	Production processes, administrative management of the company	Plants, administration and office buildings
2.	Hazardous waste generation	Production processes	Plants
3.	Electricity consumption	Production processes, administrative management of the company	Plants, administration and office buildings
4.	Emission to the air	Production processes	Plants
5.	Natural resource consumption	Production processes, administrative management of the company	Plants, administration and office buildings
6.	Noise emission	Production and storage processes	Plants in areas where machinery and equipment emit noise
8.	Vibration emission	Production processes	Plants in areas where machinery and equipment emit mechanical vibrations
9.	Exhaust emission	Transport, administrative management of the company	Plants, administration and office buildings (diesel-powered industrial trucks, dump truck, gas boiler room)
10.	Water consumption	Production processes, administrative management of the company	Plants, administration and office buildings
11.	Discharge of waste water	Production processes, administrative management of the company	Plants, administration and office buildings

The Group's Research and Development Centre conducts research aimed at improving design technology and introducing organisational and production changes that will contribute to reducing steel and concrete consumption, while maintaining or improving product properties.

the basis of objective criteria, including clearly defined technical parameters. The assessed aspects include: the origin and characteristics of the building materials used, energy and water consumption, proximity to public transport stops and the impact on biodiversity.

As part of its investments, Pekabex works with clients to obtain BREEAM and LEED environmental certification. These are the two most popular tools for assessing buildings on

The most important environmentally friendly investments carried out by the Group include Olivia Business Centre and halls built in cooperation with Prologis and Panattoni.

The table below presents the share of revenue from the execution of investments covered by the BREEM and LEED environmental certification in the operating revenue of Pekabex Bet S.A., the Issuer's largest subsidiary.

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
% share of revenue	7.8%	15.7%	6.1%	8.8%	9.9%	15.6%	17.3%	24.4%	19.8%	14.9%

Prefabricated elements are modern, functional, durable and environmentally friendly. Prefabrication offers the possibility of using lighter structures, which implies lower cement consumption and thus reduces the carbon footprint, i.e. the total greenhouse gas emissions, by up to 20% compared to emissions that would occur using traditional methods. In addition, a sufficiently high load capacity of prefabricated reinforced concrete roofs enables the installation of photovoltaic farms on production and storage halls, which enables the production of green energy.

Concrete is made from local raw materials (cement, aggregates, water, admixtures and mineral additives). It is characterised by a lower carbon footprint compared to other construction materials such as steel, wood or plastics. Importantly, concrete is 100% recyclable.

The Group's activities in the field of reducing environmental impact:

- production waste/disassembled structural elements: concrete sent to the crushing plant, aggregate used e.g. as a road base
- reinforcement bars sent to the steel recycling point
- recycled water from the processes of washing concrete tanks and mixers used for the production of concrete
- concrete from cleaning feeders and mixers goes to the separator, where aggregate is mechanically separated and can later be used
- reheating of aggregates with flue gases from gas combustion (from the boiler room)
- bar residues joined by means of a sealing station into full-value bars
- stressing string waste used as slings for the transport of components
- reuse of wooden formwork components

The Pekabex own development investments are also carried out in the most environmentally friendly way possible. The Group considers the environmental aspect at the conceptual stage, taking into account the environmental impact during the entire operating period. An example of this is the investment at Osiedlowa 43 in Józefów near Warsaw, started in 2020 and completed in the first quarter of 2021. It consisted in constructing some of the first buildings with walls and ceilings with thermal insulation compliant with the strictest requirements of the European Union (Technical Specifications 2021) in Poland. The houses were built using low-carbon concrete, the carbon footprint of which is 48% lower than in the case of traditional concrete.

In addition, thanks to the use of prefabricated elements in housing construction, it is possible to:

- significantly shorten the implementation time (even by half compared to traditional technologies) and reduce hindrance in the neighbourhood of the construction site
- reduce the amount of resources necessary on the construction site (workforce, storage space)
- achieve greater safety at the construction site
- reduce the volume of concrete used for a given residential area



A three-layer prefabricated wall, Poznań

- significantly reduce transport-related emissions through the use of materials produced within a 30 km radius

In 2020, the Group completed construction of and launched a modern production plant in Gdańsk. Thanks to the robotisation of work and the precision technology used in the factory, material efficiency will be significantly improved: the equipment precisely measures the amount of raw materials required to produce a given component.

The Group continuously modernises the existing machinery and equipment and purchases modern equipment for the production of prefabricated elements. Each investment decision of the Management Board takes into account the impact of the Group on the environment, thanks to which it is being continually reduced.

5.2.1.

USE OF RESOURCES AND ENVIRONMENTAL PROTECTION

The Group pays particular attention to the optimisation of processes in terms of reducing the use of resources and the negative impact of the Group on the environment.

All activities aimed at achieving the set goals are carried out taking into account the dynamics of the company's development.



Prefabricated balcony, Poznań

GRI: 301-1, 301-2, 306-2

Materials and raw materials

Pekabex conducts activities aimed at further automation of the reinforcement departments in all its plants, which will significantly reduce the amount of prestressed and reinforced steel waste. Unused steel is sold as scrap to contractors cooperating with the Group.

Steel	2020	2019.	2018
Consumption in production and on site (thousand kg)	30,950.	25,000	32,000
Waste (thousand kg)	2,384	1,693	2,110
Percentage of waste (%)	7.70%	6.77%	6.59%
Production volume (m³)	203,846	143,492	181,688
Waste as percentage of production volume (%)	1.17%	1.18%	1.16%

Ninety percent of the steel purchased comes from recycling.

Energy

Companies from the Pekabex Group are implementing further projects aimed at improving energy efficiency, such as the thermo-modernisation of the buildings used and replacement of machines and equipment with more modern and energy-efficient ones. Information and education campaigns are also undertaken to instil good practices in employees, which translates into lower electricity and fuel consumption. The Group's 2020 vehicle fleet also includes hybrid vehicles.

In previous years, the interior lighting of production halls in all Group plants was replaced.

The following table shows the electricity consumption during the production of 1 m³ of the product in individual plants of the Group:

Electricity consumption (MWh)	2020.	Consumption per 1 m³ of production	2019.	Consumption per 1 m³ of production	2018.	Consumption per 1 m³ of production
Poznań	3,006.	0.046	1,950	0.043	2,166	0.034
Mszczonów	2,382.	0.031	2,089	0.039	2,151	0.033
Gdańsk I	1,437.	0.036	1,500	0.048	1,652	0.045
Gdańsk II	568.	0.060	-	-	-	-
Bielsko-Biała	671.	0.045	553	0.037	593	0.039
Total	8,064	0.044	6,092	0.042	6,562	0.036

In April 2018, the Group completed an investment consisting in replacing the boiler house at the plant in Poznań, which heats the water used in production processes and in office space. The new boiler house is based on innovative technology – it makes it possible to use the flue gases generated in the process of heating the aggregates, which allows to achieve the optimum temperature of the concrete mix.

The new facility meets the highest environmental standards and contributes to the reduction of gas consumption. At the same time, it eliminates heat transfer losses, which increases efficiency. In 2020, gas consumption decreased by more than 80% compared to the year before the modernisation of the boiler house (2017).

The following shows gas consumption before and after commissioning the installation:

	Amount of gas [kWh] 2020	Amount of gas [kWh] 2019	Amount of gas [kWh] 2018	Amount of gas [kWh] 2017
Total	806,738	1,102,371	3,572,841	5,090,867

The Group is aware of the benefits of using green energy and has therefore launched a programme for the installation of solar panels. In 2020, the Group completed the first such investment and launched a photovoltaic installation at its production plant in Mszczonów. More such investments are planned in other locations.

Water

Water is a key raw material in the production of concrete mix. The use of water for production purposes is monitored on an ongoing basis. The process is completely automated, which affects both the quality of the offered product and the optimisation of water use. Post-production washing of equipment and machines results in large amounts of wastewater. The Company undertakes activities aimed at water reclamation. It is currently being reused in technological processes at two of the Group's plants.

The plants in Mszczonów and Poznań benefit from a system of almost complete reclamation and utilisation of water from the technological process. Aggregate is separated and reused, while post-process water is returned to production and reused. There are sedimentation tanks in other plants, but similar investments are planned for the coming years.

The following tables show the water consumption and the amount of wastewater discharged by each plant. The water comes entirely from the water supply network – the Group does not consume groundwater or surface water.

Water consumption in m³	2020.	Consumption per 1 m³ of production	2019.	Consumption per 1 m³ of production	2018.	Consumption per 1 m³ of production
Poznań	23,647	0.364	14,270	0.318	12,177	0.190
Mszczonów	13,366	0.176	10,227	0.196	11,464	0.174
Gdańsk I	12,854	0.325	11,525	0.365	13,405	0.368
Gdańsk II	1,564	0.165	-	-	-	-
Bielsko-Biała	6,200	0.414	5,450	0.370	3,949	0.258
Total	57,631	0.288	41,472	0.289	40,995	0.226

Amount of wastewater discharged in m³	2020.	Consumption per 1 m³ of production	2019.	Consumption per 1 m³ of production	2018.	Consumption per 1 m³ of production
Poznań	15,715	0.242	11,265	0.251	8,632	0.135
Mszczonów	3,724	0.015	1,976	0.038	2,796	0.042
Gdańsk I	4,655	0.118	5,609	0.178	6,281	0.172
Gdańsk II	854	0.090	-	-	-	-
Bielsko-Biała	4,084	0.273	3,410	0.231	2,081	0.136
Total	29,032	0.147	22,260	0.155	19,790	0.109

Transportation

Centralised planning and coordination of deliveries throughout the Group enables efficient management of the process, which also contributes to reducing negative environmental impact. The Group aims at making greater use of semi-trailer loading capacity, which translates into fewer deliveries and less involvement of the truck fleet.

Analysed values	2020	2019	2018
Average load weight [t]	21.12	21.00	20.55
Permissible load [t]	24.00	24.00	24.00
Utilisation of semi-trailer load capacity [%]	88.0	87.5	85.6

Centralisation also makes it easier to combine smaller loads into full-truck loads. As a result, the Group uses the load capacity of semi-trailers and the truck fleet more effectively. The table below shows how the number of transports has been reduced by proper load picking.

Analysed values	2020	2019	2018
Number of orders received	2,635	2,323	2,287
Number of loads prepared	1,586	1,463	1,600
– Reduction in the number of transports thanks to load picking	40%	37%	30%

GRI: 103-1, 103-2, 306-2

Waste management

The Group attaches great importance to the rational use of resources and generating the least possible amount of non-recyclable waste in its production facilities. The Group's activities in the field of waste management are based on the circular economy and waste hierarchy, which can be divided into the following stages:

- Waste prevention
- Preparing for reuse
- Recycling
- Other recovery methods
- Disposal

Waste is first sent for recovery, especially recycling. Passing waste for disposal takes place only where its recovery is not possible for technological reasons or is not justified for environmental or economic reasons.

The Group stores its waste in compliance with legal regulations concerning protection of the environment* and safety of human life and health, in particular in a manner that takes into account the chemical and physical properties of waste, including its state of matter, and the hazards it may cause. The generated waste is stored selectively in appropriate bins or containers at designated locations.

Waste, including hazardous waste, is stored in accordance with the following principles:

- technical equipment for waste storage is provided
- adequate waste storage capacities are provided
- the waste storage area is protected against unauthorised access
- the waste is secured against spreading beyond the labelled locations
- the waste storage site is protected against waste release into the soil, surface water and groundwater

In addition, spillage containers are used in the hazardous waste storage facility as an additional safeguard against unwanted environmental impacts.

* Ordinance of the Minister of Climate of 11 September 2020 on detailed requirements for waste storage under Article 25(7) and (8) of the Act of 14 December 2012 on waste (Journal of Laws of 2020, items 797 and 875).

GRI: 103-2, 203-1, 203-2

5.3.

PEKABEX FOR SOCIETY



Pekabex Annual Giant Slalom, February 2020, Szczyrk

5.3.1.

LOCAL COMMUNITIES AND SOCIAL ENGAGEMENT

The Pekabex Group cares about the development of the communities in which it operates: it cooperates with local suppliers and subcontractors, pays taxes and fees to local budgets and collaborates with local governments.

The Group cooperates with public institutions and NGOs in solving important socio-economic problems. Pekabex creates jobs directly, as an employer and an ordering party, but also indirectly, by building production plants and offices.

The Group's operations contribute to the improvement of housing conditions and the development of infrastructure. Not only for people: in 2020, the company continued the construction of an animal shelter in Poznań, which started last year.

The Group has been engaged in social initiatives, employee volunteering and NGO support for years. The numerous activities in this area undertaken in 2020 include:

- employee involvement in the "Gaszyn Challenge" charity event for the "Zupa na Głównym" Foundation,
- annual participation of employees from Bielsko-Biała in a charity beach volleyball tournament,
- support for the "Train to Dreams" campaign of Głos Wielkopolski, aimed at organising holidays for children from poor families, and for the "Benefactor Christmas Tree" campaign organised by Gazeta Wyborcza, which transferred the raised funds, among others, to the "Pomorze Dzieciom" Hospice in Gdańsk and to the nursing home in Poznań,
- cooperation with the WOŚP (the Great Orchestra of Christmas Charity) headquarters in Radziejowice and long-term support for the Zoo in Gdańsk Oliwa – as part of employee initiatives.

However, 2020 was mainly devoted to tackling the social and economic impact of the COVID-19 pandemic. Pekabex has not only joined big corporate aid campaigns such as "Jesteśmy Razem. Pomagamy" or "Posiłek za Wysiętek", but also donated FFP2 masks, medical overalls and disinfectants directly to hospitals. In the second half of the year, after several months of hard work of the engineering team together with the REbuild start-up, a line producing approx. 17 masks per minute was constructed. This has solved a previous problem with access to a large number of masks, necessary on a daily basis for our employees. Since then, thousands of masks could also be delivered to local communities – we handed them over to schools, parishes and foundations, among others.



Visiting the new Pekabex plant in Gdańsk during the opening ceremony

GRI: 406-1

5.3.2.

RESPECT FOR HUMAN RIGHTS

Pekabex respects human rights and condemns any violations thereof. Any employee or associate who becomes aware of such violations can bring them to the attention of their supervisor or the Management Board. The e-mail address rzecznik@pekabex.pl has also been set up for this purpose. All such reports are considered individually and are the basis for preventive and corrective actions. In 2020, the Management Board of the Company did not record cases of human rights violations in the Pekabex Group.

In order to minimise the risks associated with observance of human rights, the Management Board creates an atmosphere of mutual respect, fights all forms of discrimination, promotes diversity and implements projects to prevent social exclusion.

5.3.3.

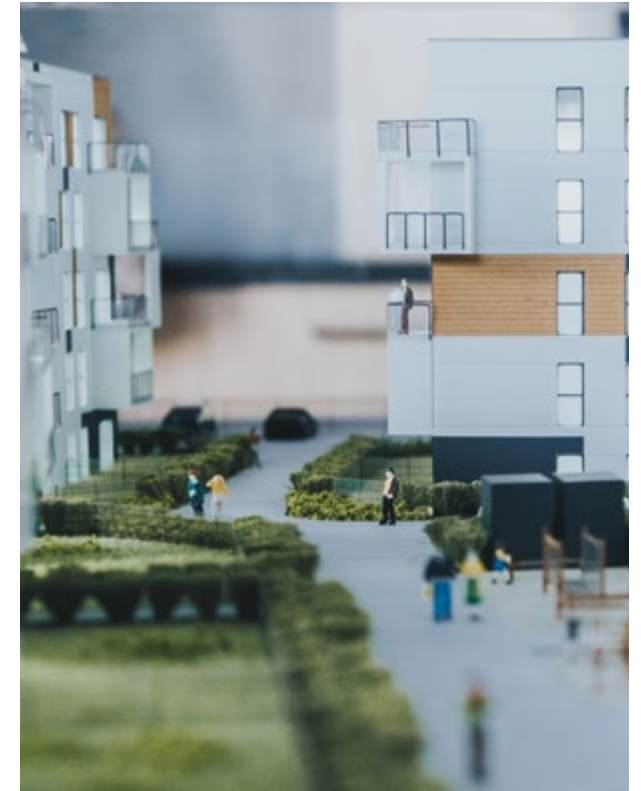
SCHOOL AND ACADEMIC ENVIRONMENTS

The Pekabex Group is engaged in the development of social and intellectual capital of Poland by supporting youth education, participation in scientific conferences and sponsoring educational events.

The Group cooperates with all technical universities in Poland by offering:

- the possibility of practical training during plant and construction site visits for students,
- their experts' presentations and lectures,
- support in the preparation of master's and doctoral theses,
- admission of interns and apprentices, also from abroad.

Pekabex has been cooperating with the Poznań School of Logistics for years, e.g. by participating in the dual studies programme (logistics, production, transport and logistics), organising study visits and preparing educational materials.



Mock-up of JA_SIELSKA housing estate in Poznań

The Group also actively cooperates with the State Construction Schools in Gdańsk, the Construction Schools and the Technical School of Construction No. 1 in Poznań, where it offers vocational training classes.

Since 2014, the company has been organising a competition for the best thesis. Winners are awarded cash prizes and paid internships.

Pekabex analyses and continuously improves the process of introducing new employees to the organisation. Feedback from new hires is obtained during their meetings with the person responsible for employee development in the Group. The Group offers great development opportunities for young people who are choosing a profession and taking the first steps in their professional career. It has the best engineers on the market, who can share their knowledge and experience with interns and apprentices.

The Pekabex Group is in continuous contact with secondary schools and universities. Each year, the Group organises internship and apprenticeship programmes for secondary school and university students, and the best participants are offered employment. There were 118 interns or trainees in 2019, decreasing to 71 in 2020 due to sanitary restrictions related to the COVID-19 pandemic that prevented the admission of more interns and trainees. Despite difficulties related to the sanitary regime, the Group continued its internship and apprenticeship programmes, aware of the important role of acquiring knowledge and professional experience in activating young people on the labour market.

5.4.

RISK MANAGEMENT

Implementation and operation of the risk management system is the responsibility of the Company's Management Board.

The Management Board of the Parent Company continuously monitors the development of the situation related to the spread of SARS-CoV-2 coronavirus and the pandemic of COVID-19 caused by this virus. Detailed information on the possible impact of the COVID-19 pandemic on the Group's operations is provided in the introduction to the Pekabex Group's consolidated financial statements.

5.4.1.

RELEVANT RISK AND HAZARD FACTORS

The Pekabex Group is exposed to risks related to its operations. It actively manages them, placing an emphasis on the management of market risk, credit risk and liquidity risk.

A description of the significant risk factors and risks associated with the Group's activities which may adversely affect policies applied in relation to employee, social and environmental issues, as well as risks associated with products and relations with the external environment, together with a description of the management of all these risks, can be found in the table below.



Installation of walls at the JA_SIELSKA housing estate, Poznań



Installation of walls at the JA_SIELSKA housing estate, Poznań



Installation of walls at the JA_SIELSKA housing estate, Poznań

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk of engineering error		
The Company offers comprehensive design services provided by internal and external engineers. Execution and design involve the risk of engineering error, resulting in significant costs or even the demolition of a facility.	4.	Careful selection of engineering staff with appropriate qualifications and experience, as well as constant training of designers mitigate the above-mentioned risk. Additionally, the Group applies internal quality control procedures.
Risk of accidents at work		
The activities of the Group's companies, as it is with any other enterprise whose main activity is the production and provision of construction and assembly services, are subject to the risk of occupational accidents. This applies mainly to employees operating machinery and equipment in plants and on construction sites.	4.	In order to minimise this risk, the Company undertakes actions to improve occupational health and safety. Before they are allowed to work, each employee must receive health and safety training and training for work at a given position, and each employee in the production area must wear protective clothing and personal protective equipment. The Group monitors this risk on an ongoing basis and takes appropriate actions.
Risk related to the macroeconomic situation		
The achievement of the Group's strategic objectives and financial results is affected by, among other things, macroeconomic factors whose effects are independent of the company's actions. These include the stability of the political situation, inflation, the general condition of the Polish economy, changes in the economic situation, the level of gross domestic product, tax policy, changes in interest rates and national real estate market policy. The Group's business activity is primarily closely dependent on the construction industry situation, investment demand, enterprises' development plans and plans concerning infrastructure expenditure. In connection with the current economic situation, the development of industries in which the Group operates or intends to operate, may be slowed down due to, for instance, suspension of investment processes, incomplete implementation of investment assumptions, abandonment of the implementation of investment programmes and changes in the investment conception, often after the completion of two-stage tendering procedures, which are costly for bidders. The construction industry is highly sensitive to the macroeconomic situation and its development is highly dependent on the economic cycle. From the point of view of the Company's strategic decisions, the ability to adapt the organisation and its operations to the changing economic situation in the country and in the regions where the Group companies implement projects is of key importance for the Group.	3.	In order to minimise the risk, the Group monitors the market situation and cooperates with recognised external advisers. The Company conducts activities aimed at cost optimisation and development on new markets. The actions undertaken are aimed at preparing the financial and organisational side of the Group for changing business cycles.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk of slowdown in the development of the industries in which the Group operates		
In connection with the current economic situation, the development of industries in which the Group operates or intends to operate, may be slowed down due to, for instance, suspension of investment processes, incomplete implementation of investment assumptions, abandonment of the implementation of investment programmes and changes in the investment conception, often after the completion of two-stage tendering procedures, which are costly for bidders. If the development of industries in which the Group operates is halted, its operations, financial position, results of operations or prospects may be adversely affected.	3.	The Group diversifies its revenue sources, also by operating on foreign markets, which allows it to mitigate the risks associated with slower growth in particular industries. Moreover, in order to minimise the risk, the company monitors the market situation and conducts activities aimed at cost optimisation and development on new markets. The actions undertaken are aimed at preparing the financial and organisational side of the Group for changing business cycles.
Risk related to strategic objectives		
The strategic objectives of the Group may not be achieved. The market on which the Group companies operate is subject to constant changes, therefore its financial situation depends on developing an effective, long-term strategy and adapting it to changing conditions. All wrong decisions taken as a result of inability to adapt to changing market conditions may have a material adverse impact on the Group's operations, financial position, results or development prospects.	2.	In order to minimise this risk, the Management Board monitors and directs the implementation of the Group's strategy on an ongoing basis.
Risk related to the nature of construction activities		
Construction activity is based on the execution of individual contracts, and the results obtained from it often depend on external factors not attributable to the contractor. Delays and downtimes in the implementation of construction projects may be caused by, among others: (i) deficiencies or errors in the design documentation prepared by the contracting party; (ii) exceeding the legal deadlines for obtaining appropriate decisions and approvals necessary to execute the construction work contract; (iii) adverse weather conditions; (iv) unfavourable ground conditions; (v) the effects of the ongoing COVID-19 pandemic; (vi) other factors that are unforeseeable at the stage of preparing the design and related works. Delays and work downtimes may hinder the effective management of operating costs, which may result in a temporary reduction in the Group's production potential and have a negative impact on its financial results.	3.	The Group makes every effort to ensure that the agreements concluded do not contain any provisions sanctioning disadvantageous situations for the Group. At the same time, it employs highly qualified staff.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk related to the loss of capability to execute contracts as a result of failure, destruction or loss of assets		
In the event of the failure of machines used by the Group companies, their damage or loss, there may be a risk of temporary suspension of execution of the concluded contracts, in whole or in a substantial part. Significant downtime may lead to failure to meet agreed contract execution deadlines and may result in contractual penalties, which may have a negative impact on the Group's operations, financial position or results.	2.	The Group monitors the machinery park on an ongoing basis, carries out modernisations and expansions, and has appropriate insurance at an adequate level. Additionally, in the event of a failure, production may be transferred to other Group plants.
Risk related to changes in the market prices of raw materials		
The economic effectiveness of the production conducted by the Group companies is largely dependent on fluctuations in raw material prices, including in particular steel, cement and aggregates. An increase in raw material prices may result in an increase in the Group's production costs. There is a significant risk that in the future the prices of strategic raw materials it uses will increase which will cause the prices of the offered products to increase and, as a result, their sale will decrease. It should be noted that an increase in raw material prices should apply equally to all manufacturers, including the Company's competitors, which increases the chances of passing on these costs to customers. The Group analyses raw material markets and service prices on an ongoing basis. Offers submitted to the commissioning parties take into account current market prices and the anticipated price volatility. Due to the average contract execution periods, the aforementioned risk has so far been limited. The Group does not use derivatives to hedge prices of goods and services.	2.	This risk is minimised by, among others, cooperation with reliable suppliers on the basis of long-term contracts, monitoring the market of raw materials used by the Company, not being dependent on a single supplier, executing contracts with a relatively short execution period and ongoing monitoring of raw material prices and reacting to price changes by adjusting valuations and offers for customers.
Risk related to possible claims for damages from contractors		
Group companies execute orders and construction projects for a diverse group of customers. Contracts concluded with them contain clauses obliging the Group companies to execute the subject of the contract in accordance with specified technical requirements and within specified timeframes. The parties also include provisions regulating liability for damages and contractual penalties. In particular, delays at any stage of the production process may cause delays in the delivery of products manufactured at the request of customers, and thus result in an obligation to pay contractual penalties to them. This may contribute to a decrease in the profitability of a given contract, and consequently have a negative impact on the Group's financial situation. Moreover, failure to execute or the improper execution of contracts or other events causing liability on the part of the Group companies result in the risk of raising significant claims for damages and claims for contractual penalties against them. It cannot be ruled out that claims will result in the loss of contracting parties, deterioration of financial conditions for service provision or weakening of the Group's competitive position. The occurrence of any of the above circumstances may have a material adverse impact on the Group's operations, financial position, results or development prospects.	3.	The Group applies internal procedures for monitoring and controlling the production process, and the execution of contracts. This means that its reaction to events is immediate.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk related to the execution of development projects		
Due to their complex legal and technical nature, there are many significant risks associated with the implementation of development projects. These include in particular, failure to obtain the required permits necessary to use the land in accordance with the Group's plans or to deliver the building ready for use, delays in completion of construction, costs exceeding budget assumptions due to adverse weather conditions, insolvency of contractors or subcontractors, labour conflicts with contractors or subcontractors, shortage of material or construction equipment, accidents or unforeseen technical difficulties, and changes in the regulations governing the use of land. The occurrence of any of these risks may result in a delay in the completion of the development project, increase of costs or loss of profit, a freeze of the funds invested in the purchase of real estate for the project and in some cases, the Group's inability to complete the investment, which may have a material adverse impact on the Group's operations, financial position or results.	3.	The Group has an organisational-ly separate team of specialists in real estate development projects. The Group applies internal procedures for monitoring and controlling the production process, and the execution of contracts. This means that its reaction to events is immediate.
Risk related to liability under warranty for physical defects and guarantee of quality of manufactured products		
The Group companies are responsible for any warranty for physical defects in their products, unless excluded on the basis of the concluded agreement and under the guarantee of quality of performed work in cases where it was granted. There is a risk that, should any defects or faults be discovered during the warranty or guarantee periods, the contracting authorities will raise claims against the Group companies, which may result in additional costs and, consequently, have a material adverse effect on the Group's operations, financial position and results of operations. This risk is lower in relation to prefabricated constructions manufactured by the Group than in the case of comprehensive services.	3.	The Group applies internal procedures for quality control and contract execution, and employs suitable, trusted subcontractors. The level of defectiveness of pre-fabricated elements is very low in relation to traditional construction. The Group has a separate department dealing with post-contract services, which reacts to any comments made by the ordering party on an ongoing basis.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk related to the insolvency of contracting parties		
Applied assessment systems, monitoring of the financial standing of contracting parties, receivables collateral and the internal system of procedures and reporting may not be suitable and appropriate for each type of contracting party. In addition, there is a possibility of underestimating the risk related to the financial standing of contracting parties.	3.	The Group continuously monitors arrears by analysing credit risk individually or within particular asset classes defined on the basis of this risk (e.g. by industry, region or customer structure). Trade credit is granted to reliable contracting parties, and the sale of products to new customers is usually carried out with the use of additional collateral in the form of advances, bills of exchange, prepayments, bank guarantees, and corporate guarantees and sureties. In addition, most contracting parties with trade credit in contracts have a reservation of the right of ownership of the delivered precast elements until the payment of receivables.
Risk related to new investments		
Investments implemented by the Group mainly concern the acquisition of investment land, construction of new plants and increasing production capacity. There is a risk that the planned investments will not be completed and that they will not yield a satisfactory return on capital employed. The occurrence of these risks may result in a slowdown in the Group's development and strategy implementation.	2.	If new plants are constructed or production capacity increases, the Group carries out market analysis and discerns possible scenarios in order to make an optimal decision and secures the financing of the investment in question in advance. Additionally, the Group prepares plans for its operations after the expansion of operations.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk related to the development of the Group based on mergers and acquisitions		
The Management Board of the Company does not exclude that in order to strengthen its primary business, further development of the Group or entering into complementary activities may take place through mergers and acquisitions. A merger or acquisition transaction may give rise to a number of significant risk factors, the intensity of which may increase as the scope of the target company's activities differs from the Group's business profile. There is a risk that the future results of acquired entities and synergy effects will be worse than expected or the occurrence of the planned synergies will be significantly delayed. It also cannot be ruled out that events adversely affecting the results of the acquired entities (e.g. undisclosed liabilities towards third parties) will be disclosed after the transaction has been completed. Therefore, even exercising the utmost diligence may not allow to protect against the occurrence of the risk factors described above. Any deviation from the assumed transaction objectives, as well as the disclosed liabilities, may have a material adverse effect on the Group's future financial results. In addition, the execution of mergers and acquisitions involves the succession of rights and obligations of the acquired entity on a formal basis. The scope of responsibility for the liabilities of an entity participating in the consolidation process is determined by the provisions of law. Therefore, in the event that certain liabilities are disclosed after the transaction has been finalised, there is a risk that this may adversely affect the Group both in terms of financial results and formal legal position.	3.	In order to minimise the risk of acquiring an entity burdened with risks (ranging from equity to legal and organisational risks), the Group performs a legal, functional and organisational audit of the entity to be acquired before making any financial commitments. Before making an investment decision, the Group also considers the possibility of carrying out a transaction together with a partner and the impact of such a solution on reducing the Group's risk. Additionally, the Group prepares plans for its operations after the expansion of operations.
Credit risk		
There is a possibility of insufficient monitoring of customer and creditor arrears. The applied analysis of individual credit risk or credit risk within individual asset classes determined for specific risk factors may overestimate or underestimate the real risk level.	3.	The Group reduces exposure to credit risk by assessment and monitoring of the financial condition of contracting parties, the application of collaterals of receivables and the internal system of procedures and reporting. In addition, the Group tries to make transactions with reliable contracting parties.
Interest rate risk		
The Group is exposed to interest rate risk in connection with the following categories of financial assets and liabilities: loans, borrowings, debt securities (other financial assets), other debt instruments, financial leasing. The Group companies use loans to finance their operating and investment activities. These liabilities bear interest at variable interest rates. In the case of an increase in WIBOR interest rates, there is a risk of an increase in financial costs, which will adversely affect the Group's profitability.	1.	The Group assesses the risk on a case-by-case basis, depending on the credit agreement. In the case of investment/long-term credits, the Group enters into interest rate hedging transactions (IRS). In 2018, the Group implemented a hedge accounting policy in order to limit the risk of result fluctuations caused by changes in the valuation of the derivative instrument, i.e. the IRS.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risks related to guarantees		
In connection with their business activity, the Group companies commission insurance companies and banks to issue guarantees concerning, among others, payment of the bid bond, proper execution of the contract, proper removal of flaws and defects, and reimbursement of advance payments, which are required by investors, ordering parties and other contracting parties. If the contracting party is satisfied with guarantees granted by insurance companies and banks at the request of the Group companies, the guarantors will be entitled to a return claim against the Group companies for the repayment of the amount paid, increased by the costs of the guarantee execution, with interest. In addition, in the event of breach of the Group companies' obligations under agreements with insurance companies and banks, on the basis of which guarantees are issued, these entities will be able to satisfy their claims through the performance of collaterals indicated in the agreements.	2.	The Group applies internal procedures for monitoring and controlling the production process, and the execution of contracts. This means that its reaction to events is immediate.
Risk related to concluding contracts with related parties		
The Group companies enter into transactions with other entities that belong to the Group, including related entities within the meaning of the Corporate Income Tax Act. These transactions ensure effective conduct of business activity within the Group and include, among others, mutual rendering of services, including design services, execution of works and sale of goods. Due to the specific nature of transactions between related parties, the complexity and the ambiguity of legal regulations concerning the methods of examining the prices and the difficulties in identifying comparable transactions, it cannot be excluded that the methods of determining arm's length conditions adopted by the Group entities will be challenged by tax authorities or tax inspection authorities. This may have a material adverse effect on the Group's operations, financial position, results or prospects.	2.	As a general rule, the Group does not conclude agreements with related entities on terms other than arm's length terms. The Group employs qualified staff and monitors changes in regulations and judicial decisions on an ongoing basis, cooperating with recognised external advisers, and applies for individual interpretations.
Risk related to the possibility of breach of obligations under financial contracts by Group companies		
Financial agreements concluded by the Group companies as part of their business activities impose on them, among others, obligations to maintain specific financial ratios at agreed levels, and to provide information, including information on their financial position. Non-compliance with these obligations and breaches of prohibitions may result in the termination of the agreement and the obligation to repay the credit early. In addition, the financing entity may be entitled to satisfaction through the exercise of rights related to the established collaterals, including the acquisition of ownership of the encumbered assets of the Group or an order to sell them. Additionally, the Group companies use parts of their car fleets, computer hardware, machines and devices under lease agreements. Non-execution of obligations under lease agreements or other breach of their provisions may result in termination of the agreements by the financing parties and the obligation to return the leased assets, which may affect the Group companies' ability to conduct business activities and, consequently, the possibility of performing obligations under contracts.	3.	The Group applies internal procedures for monitoring and reporting obligations arising from financial agreements and fulfils them in a timely manner. The Group monitors and adjusts its financial policy to operational needs on an ongoing basis.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Bonds risk		
The benefits from the bonds consist in the redemption of bonds through payment of their nominal value and payment of interest and, in some cases, also of bonuses. Such services will not be provided or may be delayed if, as a result of the deterioration of the financial standing, the Company does not have sufficient funds at its disposal on the due dates. In the event of failure to meet the obligations under the Bonds when due, in whole or in part, the bondholder shall be entitled to make a written demand for immediate early redemption of all the bonds held by it. In addition, failure to meet obligations associated with the bonds may result in the risk of the Company's bankruptcy and, consequently, the risk of losing all or part of the funds invested in the bonds. The bonds do not constitute a bank deposit and are not covered by any deposit guarantee scheme.	2.	The Group monitors its obligations under the concluded agreements and fulfils them in a timely manner. Moreover, it monitors and adjusts its financial policy to operational needs on an ongoing basis.
Risk of insufficient insurance protection		
Insurance policies held by the Group may not protect it against all risks and losses it may incur in connection with its operations. Certain types of insurance may be entirely unavailable or unavailable on commercially reasonable terms, for example in the case of risks related to natural disasters, terrorist attacks or wars. Other factors, including in particular inflation, changes in construction law and environmental issues, may also make insurance proceeds insufficient to repair the damage suffered. Additionally, the Group may incur significant losses or damages for which it is impossible to obtain full or any compensation. This means that the Group may not be covered by sufficient insurance protection against all damages it may incur. Nor can it ensure that in the future there will be no material losses exceeding the limits of insurance protection.	2.	The Group periodically verifies the level of insurance protection, and in the case of implemented agreements, analyses the adequacy of insurance held in relation to operational risks and customer requirements on an ongoing basis. The Group cooperates with an experienced insurance broker. The Group has property, civil liability (including personal liability), transport, construction and assembly risks, machinery and equipment, electronic equipment, cyber risk and employee accident insurance.
Risk related to administrative and legal proceedings		
The Group companies are parties to administrative and legal proceedings, including ones related to receivables and liabilities under trade agreements. There is a possibility that an outcome may be unfavourable for the Group. Moreover, it is possible that in the future other proceedings may be instituted against the Group companies or by the Group companies in connection with its business activity, whose outcomes might be unfavourable for the Group. Some of the unfavourable decisions made in legal, arbitration or administrative proceedings may have a material adverse effect on the Group's operations, financial performance, financial condition or development prospects.	3.	The Group employs qualified staff and monitors changes in regulations and judicial decisions on an ongoing basis, cooperating with recognised external law firms. When regulations change, the Group adjusts to the new rules and obligations.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk related to the Poznań plant's location in the vicinity of single-family housing and the proceedings in connection with the determination of the permissible noise level		
One of the Group companies, Pekabex Bet, is a party to administrative proceedings to determine the maximum permissible level of noise emitted to the environment by the Poznań plant. As at the date of publication, there are no longer any proceedings in this matter, however, the Group cannot exclude that any future proceedings, should they occur, will result in a final decision unfavourable to Pekabex Bet. In such a case, the company will be obliged to comply with reduced noise emission standards. Moreover, in accordance with environmental protection regulations, in the event that the noise level specified in the decision is exceeded, the Regional Inspector for Environmental Protection may impose a fine on Pekabex Bet, and in particular cases, i.e. threat to life or health or a significant deterioration of the environment, it may suspend the operation of the plant to the extent necessary to prevent the deterioration of the environment. The above may have a significant negative impact on the activities, financial situation and results of the Group.	4.	Wherever possible, the Group reduces noise emissions by using a special self-consolidating mix in production. The Group has implemented and is implementing further investments aimed at reducing noise emissions (for example, silencing the operation of overhead cranes). The Group installed information boards on the plant premises, reminding employees to observe silence at night. There are also training courses for employees, as well as for employees of external companies, on preventing inconveniences in the area.
Risks related to competition		
The Group's operations are exposed to the risk of competition from entities that offer services in the same markets. In particular, the Group is exposed to significant competition on the construction market, where it offers the execution and assembly of prefabricated constructions. Due to strong competition on the Polish construction and prefabrication market, the Group also accepts orders from foreign customers, geographically diversifying its sales revenue.	2.	The Pekabex Group reduces the competition risk by ensuring the high quality of services provided, systematic improvement of knowledge and qualifications in the field of modern technologies, diversification of revenue sources (product and geographical), comprehensive services and customer service, innovativeness, investing in highly qualified engineers and specialists, systematic improvement of efficiency and effectiveness.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk related to loss of liquidity		
Like any other business entity, the Group is exposed to the risk of loss of liquidity, i.e. the ability to settle its financial liabilities in a timely manner.	2.	The Group actively manages the liquidity risk by monitoring payment due dates of both receivables and liabilities, and demand on cash with respect to handling short-term payments (current transactions monitored weekly) and long-term demand on cash, based on cash flow forecasts updated monthly. The demand for cash is compared with available sources of funds (in particular by evaluating the ability to obtain credits) and collated with investments of free funds.
Risk related to foreign exchange rate changes		
The majority of the Group's transactions are conducted in PLN. The Group's exposure to currency risk results from foreign sale and purchase transactions, which are executed primarily in EUR and SEK, as well as from construction contracts executed in Poland, in particular as a comprehensive contractor, denominated in EUR. Therefore, significant fluctuations in the exchange rates of EUR or SEK to PLN may, in particular, reduce the value of the Group's receivables or increase the value of its liabilities. Changes in foreign exchange rates may therefore have an adverse effect on the Group's operations and financial position.	1.	Revenue and costs in Scandinavia are earned and incurred mainly in PLN. Revenue and costs earned and incurred by the branch in Germany in EUR are, to a large extent, in balance. For significant contracts denominated in foreign currencies (in particular in EUR), the Group minimises the risk by entering into currency transactions (forwards). In order to limit the impact of changes in the exchange rate to PLN on the results achieved by the Group in 2018, a hedge accounting policy was implemented.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk related to inability to find new employees and retain qualified employees		
The development of the Group, in line with the adopted assumptions, depends on the possibility to retain staff and recruit employees with appropriate qualifications and experience, in particular in the area of prestressed concrete and reinforced structures. The Group may have difficulty in acquiring personnel with appropriate knowledge, experience and qualifications. The loss of appropriately qualified personnel may significantly delay or prevent the implementation of the Group's strategy and limit its capabilities during the implementation of individual projects. The Group may also be forced to propose higher salaries and additional benefits to attract suitable employees or retain current ones. The above circumstances may have a material adverse effect on the Group's operations, financial position, results or development prospects.	4.	The market for qualified employees is complex and the Group faces difficulties in attracting them. In order to recruit a sufficient number of appropriately qualified people the Group has an internal recruitment department and internal motivational schemes, and cooperates with employment agencies. The Group also hires employees from Ukraine.
Risk related to the loss of key employees		
The Group's success depends on key employees, including the management staff. These individuals have skills and experience related to the construction and building industry, as well as in the field of obtaining financing, organising the production and construction process, marketing and project management. Temporary or permanent loss of the ability to provide services by key and qualified employees may have a material adverse effect on the Group's operations, financial position, results or prospects for development and price of shares.	4.	The Group strives to mitigate this risk by building long-term relationships with its employees and providing an attractive working environment. The status of a public company listed on the WSE additionally contributes to building a good image.
Risks related to employees working in Germany		
Pekabex Pref hires Polish employees and delegates them to Germany to work for the clients of the local branch of the company. The accounts with these employees are settled in accordance with the rules applicable to employees temporarily delegated to perform work in another EU Member State, i.e. e.g. social security contributions on their salaries are paid to ZUS (the Polish Social Insurance Institution). Consequently, it cannot be ruled out that the actual circumstances in which the employees work may be grounds for the conclusion that their permanent place of work is Germany, and the delegation rules are not applicable in their case. In addition, it cannot be ruled out that the company may be covered by collective labour agreements applicable to workers in the construction industry in Germany. This creates a risk of employees demanding that their working conditions and pay be shaped in accordance with the provisions of these collective agreements.	3.	At the date of the report, to the best of the Group's knowledge, there are no grounds for questioning the practice adopted by the Group. The status of a public company listed on the WSE should additionally limit the risk, as it builds a good image of the Company.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Environmental protection risks		
The provisions of the law on environmental protection in Poland impose obligations pertaining to the remediation of land contaminated with hazardous or toxic substances on owners. It should be noted that if the so-called historical pollution of the land surface (damage that occurred by 30 April 2007, as well as damage that was caused by activities completed before 30 April 2007) is revealed in the areas for which the entity in charge are the Group companies, they may be required to remediate the land, regardless of who caused the damage and when it was caused, and the costs of pollution removal or remediation may be significant.	2.	In the Group's assessment the risk is small, however, its occurrence may have a material adverse impact on the Group's operations, financial position and results. The Group strives to reduce the use of raw materials needed for production processes by using new technologies, and implements procedures to reduce the environmental impact of the company. The Company holds all the permits required by law.
Risk related to the change of tax law regulations and its interpretation, and to the change of individual interpretations of tax law regulations received by the Group companies		
Tax law regulations are complicated and opaque, and subject to frequent changes. There is a risk that with the introduction of new regulations, the Group companies will have to incur significant costs related to their compliance and/or non-compliance with the new regulations. Additionally, tax authorities apply tax law in a non-uniform manner, and there are significant discrepancies in the judicial decisions of administrative courts in the area of tax law. The Company cannot guarantee that tax authorities will not interpret tax regulations implemented by the Group companies in a different way, one that is unfavourable for the companies. It cannot be ruled out that individual tax interpretations obtained and applied by the Group companies will be challenged. In view of the above, there is a possibility of potential disputes with tax authorities, and the resulting questioning of the correctness of the Group's companies' tax settlements in the area of non-time-barred tax liabilities and determination of tax arrears of these entities. Moreover, due to the fact that the Group operates in various jurisdictions, it is also affected by double taxation avoidance agreements concluded by the Republic of Poland with other countries. A different interpretation of these agreements by tax authorities, and amendments to these agreements, may also have a material adverse effect on the Group's operations, financial position or results. In addition, in 2017, regulations on VAT reverse charge were introduced with respect to the specified types of construction services (as at the balance sheet date no longer in force). Due to the lack of practice and judicial decisions regarding the implementation of new regulations, there is a risk of misinterpretation by the Group companies, and consequently issuing invoices with an incorrect VAT rate, which will result in the necessity to make corrections and possible refunds of underestimated tax.	4.	The Group employs qualified staff and monitors changes in regulations and judicial decisions on an ongoing basis, cooperating with recognised external advisers, and applies for individual interpretations.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk related to changes in foreign law		
The Group also operates abroad, mainly in Germany and Scandinavia. Foreign law provisions may be subject to different interpretations and may be applied in a non-uniform manner. In addition, the laws of the jurisdictions in which the Group operates are subject to change. It is impossible to rule out the risk that the introduction of new regulations will lead to significant costs associated with the need to adapt to them and to possible costs associated with non-compliance. The Group cannot guarantee that its interpretations of regulations in force in the countries in which it operates will not be questioned, which may result in corresponding legal consequences for the Group. This may have a material adverse effect on the Group's financial position or results.	3.	The Group employs qualified staff and cooperates with recognised external advisers. When regulations change, the Group adjusts to the requirements resulting from the new rules and obligations.
Risk related to operations on markets other than the Polish market		
The Group also operates in Germany, Sweden and Denmark. Statutory law is the foundation of civil law. The regulations in force in the countries mentioned are subject to various interpretations and may be applied in a non-uniform manner. The Company cannot ensure that its interpretation of the laws of the countries in which it operates will not be questioned, and any such questioning may result in a penalty or fine or a necessity to change its practice. All this may have a material adverse effect on the Group's financial position or results.	2.	The Group employs qualified staff and cooperates with recognised external advisers.
Risk related to the internal control system in the Company's structures		
It cannot be ruled out that the procedures existing in the Company will not be fully suitable for the Company and Group activities, and consequently will not become a source of reliable information about the Company and the Group. This may have a negative impact on the effectiveness of the way the Company is managed and, consequently, on the Group's development prospects and financial results.	2.	The Group reviews and updates its procedures in accordance with changes in regulations and ongoing internal processes.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk factors related to the capital market		
<p><i>Risk related to suspension of trading</i></p> <p>Pursuant to the provisions of § 30 of the Rules of the Warsaw Stock Exchange ("WSE"), trading in the Company's shares may be suspended by the Management Board of the WSE for a period of up to three months if a Company violates the regulations governing the WSE, if the safety and interests of trading participants so require or upon the request of the Company.</p> <p><i>Exclusion risk</i></p> <p>Pursuant to § 31 of the WSE Rules, the WSE Management Board excludes the Company's shares from stock exchange trading in certain cases.</p> <p><i>Risk related to share price volatility</i></p> <p>Securities issued by public companies periodically experience significant changes in their trading price and volume, which may have a material adverse effect on the share price. Fluctuations in the securities market may also have an adverse effect on the share price, regardless of the Group's business, financial condition and results of its operations or prospects. Therefore, the execution of purchase and sale orders for shares might not take place at the expected level.</p> <p><i>Risk of limited liquidity of shares</i></p> <p>The admission and introduction of shares to trading on the WSE does not guarantee their sufficient liquidity. Companies listed on stock exchanges experience periodic, significant fluctuations in the trading volume of their securities, which can also have a material adverse effect on the market price of the shares.</p> <p><i>Risk related to administrative sanctions for violation of the Public Offering Act and the Act on Trading in Financial Instruments</i></p> <p>If the Company fails to perform or improperly performs the obligations referred to in the Acts and in Regulation 809/2004, the Financial Supervision Authority may issue a decision on excluding the securities from trading on the regulated market, for a definite period or indefinitely, or apply other sanctions.</p> <p><i>Risk associated with publishing reports on the Company or changing the recommendation to a negative one</i></p> <p>Reports on companies published by stock analysts have an impact on the stock price and liquidity of shares.</p>	2.	<p>The Group employs qualified staff and cooperates with recognised external advisers. When regulations change, the Group adjusts to the requirements resulting from the new rules and obligations. The Group reviews and updates its procedures in accordance with changes in regulations and ongoing internal processes.</p>

GRI: 205-3

5.4.2.

COMBATING CORRUPTION

The considerable value of contracts executed by the Group companies generates the risk of corrupt behaviour. The Management Board of Pekabex S.A. has a zero-tolerance policy in this respect.

Any employee or associate who discovers corrupt practices may bring them to the attention of their supervisor or the Management Board. All such reports are considered individually and are the basis for preventive and corrective actions. In 2020, the Company Management Board did not record any corruption practices in the Pekabex Group.

The risks involved relate to the Group's reputation, deterioration of relationships with counterparties, legal liability and other areas which are described in the table in this section. In order to minimise risks, the Management Board creates an atmosphere of mutual trust and rejects all manifestations of lack of transparency in actions taken within the Group.

6.0.

Outlook

Construction of the car park at ul. Sienkowskiego, Poznań

6.1.

MARKET POSITION

The Group is the largest manufacturer of prefabricated concrete elements in Poland; it offers comprehensive services in the field of prefabricated concrete structures, from design, through production and delivery, to assembly of prefabricated elements and reinforced concrete and prestressed elements.

In addition, the Group offers general contracting services, mainly for buildings, including halls and production and warehouse facilities, but also housing estates. Since recently, Pekabex has also been carrying out development activities on its own account, an example being the JA_SIELSKA estate in Poznań.

As at the balance sheet date, the Group had five plants in Poland and one in Germany. In addition, the Group has a branch in Germany belonging to Pekabex Pref and a branch in Sweden belonging to Pekabex Bet. Implementation of contracts is carried out in Poland, Germany, Sweden, Denmark and Iceland, while production services are carried out in Poland and Germany.

The demand for prefabricated construction products: reinforced and prestressed concrete elements is closely correlated with the development of the construction sector and this is strongly linked to the macroeconomic situation in the country concerned, including in particular the economic situation.

Prefabricated constructions are currently used for the erection of virtually all types of structures.

Many of the problems currently faced by construction companies can be solved with prefabrication technology:

- lower demand for human labour thanks to the automation of processes in the plant and professional assembly,
- high quality – production in the controlled environment of the production hall,



White concrete architectural elements for the Am Tacheles residential complex, Berlin

- possibility of obtaining very high parameters (e.g. load-bearing capacity, span, fire protection), speed of investment implementation, and thus lower costs, e.g. financial costs or costs of maintenance of the construction site,
- lower operating costs of buildings, e.g. due to large load capacity of girders – no need to remove snow from roofs or use additional reinforcements when installing solar panels,
- ecology – prefabrication reduces the carbon footprint of the structure, and concrete, like few other building materials, is 100% recyclable.

Poland is the main market for the Group. The largest domestic customers of its products include general contractors and direct investors implementing large-scale structures, residential facilities and infrastructure investments. Another large market is the Scandinavian market, on which the Group has been operating for several years and is developing its competences in the field of providing the highest quality solutions for housing construction. On the other hand, the purchase of shares in the company incorporated under German law at the end of 2020 gives the Group the opportunity to expand on this promising market, not only by increasing the sales of manufactured elements, but also thanks to the possibility to develop the provision of services in the general contractor's role.

According to the Spectis report published in 2020, the Pekabex Group is the largest manufacturer on the heavy concrete prefabrication market in Poland. According to the report, Pekabex's share in the total production volume of

50 analysed companies is 21%. Thanks to the revival in railway construction, the next three places in the ranking are occupied by manufacturers of pre-tensioned prestressed concrete sleepers – Track Tec, Betard and Poz Bruk. Other important manufacturers include: WPS, Strunbet, Strunobet-Migacz and Goldbeck Comfort. A total of 10 companies are responsible for 62% of the production volume of 50 entities.

GRI: 102-6, 102-15

6.2.

DETERMINANTS OF FURTHER DEVELOPMENT OF THE GROUP

Construction market in Poland

According to a preliminary estimate by Statistics Poland (GUS), gross domestic product (GDP) in 2020 was 2.8% lower in real terms than in 2019, compared to an increase of 4.5% in 2019 (in basic prices of the previous year). The decline in gross domestic product dynamics is also reflected in the construction market in Poland. Gross value added in construction in 2020 decreased by 3.7% compared to 2019. In 2019, it decreased by 4.1%. Based on preliminary data published by GUS for individual segments of this market, in the period from January to December 2020 (compared to the same period of 2019), there was an increase in the value of construction and assembly production in enterprises performing specialised construction work (by 1.3%), while a decrease was recorded by entities engaged in the erection of civil engineering structures (by 2.0%) and construction of buildings (by 4.9%). In the period from January to December 2020, in relation to the same period of 2019, there was a decrease in the value of investment work (by 1.1%) and renovation work (by 4.0%) compared to an increase in similar work by 3.0% and 2.1% in 2019.

Despite the decline in the dynamics of gross domestic product, especially in the fourth quarter of 2020, economists forecast that in the medium term a gradual recovery of the economy should be expected and economic growth in Poland should come back to the previous rates (according to the base forecast it may reach 3.3% YOY). As in previous years, economic growth will be driven mainly by private consumption. However, a significant burden on the economy may turn out to be a reduction in companies' investment expenditures resulting from the prevailing market uncertainty as to the development of the situation.

The Polish construction market has been in an upward trend in recent years, according to the report on the analysis of the construction sector in Poland prepared by PMR Market Experts. In 2020, the period of growth which lasted from mid-2017 came to an end. The last months of 2020 were characterised by a lower level of capacity utilisation among companies from the construction sector and it amounted to 78.7% compared to 80% in the previous period. The end of 2020, with another wave of COVID-19, has reinforced this trend.

In the segment of engineering construction, a slight increase in construction and assembly output was recorded in 2020 compared to 2019. Experts forecast that in the coming years, this growth will be maintained thanks to road construction investments. The structure of non-residential construction in Poland in 2020 shows that the segment of industrial and warehouse facilities is leading in terms of growth. It has been in great shape for some time thanks to the dynamic development of e-commerce. On the other hand, commercial and service construction may be past its prime.

The year 2019 closed with a 2% decrease in construction and assembly output and 2020 brought another decrease of 2.2% (preliminary data). The still strong demand for office space results in continued high investment activity in this segment, but due to a smaller number of new investments in 2020, a gradual decrease in the scale of activity of office space developers is forecast in the long term. The analysis of the implemented investments in the hotel construction segment indicates that despite significant problems of the industry, in 2020, construction and assembly output in this segment has not yet shown drastic decreases (thanks to the completion of the previously started hotel construction investments). However, halting a significant number of new projects will be reflected in the results of the segment in 2021. Construction of public utility facilities is experiencing a strong decline. The peak of investments in this area was recorded in previous years, especially in the case of local government investments. Despite numerous risks and uncertainties, housing construction has proved very resilient to the negative effects of the COVID-19 pandemic. The deficit of premises on the housing market is still high in Poland, which is why the further development of this segment is forecast.

A potential factor that can have a positive impact on the situation in the construction sector are public utility projects within the framework of the European Recovery Fund. In the longer term, public investments are expected to be one of the drivers of the economy recovery, already generating a large part of construction and assembly output.

Construction market in Poland – prefabrication

According to the Spectis report entitled "Rynek ciężkiej prefabrykacji betonowej w Polsce 2020-2025" (Heavy Concrete Prefabrication Market in Poland 2020-2025), the total forecast revenue of the 50 largest manufacturers of prefabricated elements in 2020 will exceed PLN 5 billion for the first time in history, with 70% being attributed to the

production of reinforced or prestressed concrete elements. This means that the value of the heavy concrete prefabrication market will reach an estimated PLN 3.5 billion, which is twice as much as five years ago. Experts predict that in the coming years the prefabrication market will experience further growth. In the longer term, the development of the prefabrication market will largely depend on the consistent implementation of government investment declarations, especially in the area of improving the Mieszkanie Plus programme, the timely start of the next major rail investments co-financed from the EU budget for the period 2021-2027, and the implementation of the Central Communication Port, which has a very large potential for widespread use of prefabrication solutions.

The factors that contribute to the increase in the share of prefabrication in the construction market are primarily:

- the possibility of using prefabricated elements in virtually every segment of the construction market,
- a significant reduction in the duration of the investment process compared to traditional methods,
- the possibility of reusing recycled prefabricated elements, which is in line with the trend of sustainable construction,
- reduction of the number of employees on construction sites, which reduces costs and increases work safety,
- resistance to sudden and unexpected increases in raw material prices, resulting from short lead times.

Comparing the share of prefabrication in the construction market in Poland to Western European and Scandinavian countries, it is forecast that the prefabrication sector in Poland still has great potential for further growth. Additionally, opportunities for the development of prefabrication in the construction industry consist also in its wider use, e.g. in housing construction, which is still not common in Poland. Lower staff requirements and shorter lead times, and therefore lower labour costs, are the advantages of prefabrication. The forecast further increase of labour costs in the construction industry, concerning both skilled engineers and blue-collar workers (taking into account the increase in the minimum pay to PLN 4 thousand gross in 2023, announced by the government), will increase the price competitiveness of precast units.

A great advantage of the Group, which has considerable impact on its results, is the fact that it has five production plants in Poland, which allows for significant optimisation of transport costs.

The Group takes advantage of emerging market opportunities, among others, by offering comprehensive services, also as the general contractor, in the field of prefabrication (i.e. design, consulting, production, delivery, assembly), which is particularly important in the case of large projects. In addition, the Group focused its offer on the housing market, seeing a great potential for the development of prefabrication in this segment of the construction industry. It develops cooperation with real estate development companies and expands its activities in the implementation of independent development projects. The Management

Board of the Group also sees great potential in investments in modern technological lines, which significantly increases the quality and efficiency of production. An example is the plant in Gdańsk, opened in 2020, which is one of the most modern facilities of its kind in Europe.

Development of non-residential construction – industrial and warehouse facilities

A report by PMR Market Experts shows that industrial and warehouse construction is the largest, but also the most prospective segment of non-residential construction. Due to the characteristic features of this type of structures (among others, the size of buildings), this category of buildings constitutes almost half of all non-residential buildings constructed in Poland. The growth of the e-commerce industry observed in the economy and trade contributes to the increase in the activity of investors who build logistics centres. Such facilities are slowly replacing typical large shopping centres. Although the supply of modern warehouse space increased by more than 2 million m² in 2020 (an increase of 10% compared to 2019), unrelenting demand could make it challenging for the market to provide sufficient facilities providing large spaces of 20-40,000 m². Currently, industrial and warehouse facilities account for about 50% of the total investment volume in the country, and Poland is the second most active warehouse market in Europe (data until the end of September 2020) both in terms of net demand and space delivered. This is a segment in which the Group has executed and continues to execute multi-million contracts as a general contractor for the largest developers of warehouse space in Europe.

The Group has developed the "Pekabex Hall System" in response to the growing demand in this segment of the construction industry. The system incorporates the latest legally protected* construction solutions to provide customers with the optimum combination of the lowest possible price, quality, performance and speed of construction. The "Pekabex Hall System" offers a reduced carbon footprint thanks to the lower use of cement in the construction and, thanks to the high load-bearing capacity of the roof structures erected, it allows for the installation of solar systems that produce green energy.

* Patents and utility models – filed and obtained in the Patent Office

Residential construction market – prefabrication

The report entitled "Rynek ciężkiej prefabrykacji betonowej w Polsce 2020-2025" (Heavy Concrete Prefabrication Market in Poland 2020-2025) published by the Spectis research company indicated that housing construction has been the most stable sector for prefabricated unit manufacturers over the last decade. The economic turmoil associated with the COVID-19 pandemic did not have a significant impact on the residential construction market in Poland. In 2020, a total of nearly 222,000 flats were built. This result is 7% better than in the already good 2019. It is the largest number of flats built in a given year in 41 years (since 1979). This trend is expected to continue in the coming years as a shortage of residential premises is still visible on the Polish

market. The increasing popularity of prefabricated housing solutions in Poland is in line with this demand, mainly due to the speed of construction and repeatability of solutions. Low interest rates and the purchase of residential premises for investment purposes are also conducive to demand. Facilities constructed in the prefabricated technology are completed in half the time necessary to erect them in a traditional manner. Although traditional construction will remain the dominant technology for the construction of residential buildings for many years to come, the share of prefabrication technology is forecast to increase from 1-2% in the last few years to 8-10% in 2020-2025.

The Group sees great potential for the development of prefabrication in the housing segment and plans to further develop its activities in the area of development projects. The interest in modular construction among other developers is very high, especially due to the pace of work. Reducing construction time translates into lower costs and lower financing needs for developers. It is also very attractive for customers who want to live in their dream flats as soon as possible. According to GUS data, the average construction time for a residential building by a developer is currently about 20 months, while buildings in prefabrication technology can be constructed in less than a year. The Group also carries out development projects as a general contractor and builds flats within the framework of the Mieszkanie Plus programme in Toruń and for other investors, e.g. in Włocławek and Poznań.

The prospects for the development of residential housing in Poland and the success of the JA_SIELSKA pilot project implemented by the Group on its own account determined the development plans of this segment of activity and involvement in further projects. The projects currently being implemented by the Group include the Osiedlowa 43 investment (Józefosław), consisting in construction of single-family terraced houses, another stage of the JA_SIELSKA II investment, construction of the Origin ReVital complex in Mechelinki, and construction of a mansion block in Hel. A broader description of the Group's investments can be found in section 3.6 of this Report.

Responding to the demand of the housing market, in 2020 the Group developed the "Pekabex System – Residential Buildings". The system is mainly dedicated to multi-family housing construction, but it is also used in public utility and collective living facilities. The technology used in the System makes it possible to erect buildings at a rate unattainable in traditional construction, which translates into a reduction of investment costs and faster return on investment. In addition, buildings constructed on the basis of the System also allow to obtain a higher usable area rate, which translates into higher revenue from investment. The System is a practical solution that allows for combining it with other elements available on the market.

The Group's latest solution in the field of residential construction is the offer addressed directly to individual customers, "P.HOMES". It is a system for the construction of single-family houses in prefabrication technology. The

technology used to build P.HOMES houses significantly exceeds the load-bearing and strength parameters of wooden, LECA and concrete, as well as brick houses. The technology of prefabricated elements allows for quick and effective assembly of the house structure in less than a month, while ensuring the extraordinary durability of the building. P.HOMES is a sustainable construction solution in which environmental aspects play a leading role. The constructed low-energy buildings are warm and have a low humidity. Within the scope of P.HOMES, the Group offers comprehensive construction of turnkey or builder's finish buildings.

6.3.

SHORT-, MEDIUM- AND LONG-TERM PERSPECTIVE

The Management Board of the Group, as well as independent experts agree that prefabricated units may be applied in any segment of the construction industry market.

They allow to significantly shorten the investment process, which is best illustrated by industrial and warehouse building projects. Prefabricated construction enables precise implementation of complex structures and their easy expansion.

Key internal factors relevant for the competitiveness and development of the company

High quality of products

Thanks to the use of modern technical and technological solutions, prefabricated structures manufactured by the Group are of very high quality. They offer very high parameters e.g. in terms of load-bearing capacity, span and fire resistance.

The Group has certificates confirming that its products comply with the regulations and standards in force in the European Union. In addition, the Company has a certified Quality Management System based on the requirements of ISO 9001:2018, as well as an Occupational Health and Safety Management System based on ISO 45001:2018.

Adequate intellectual resources and production capacity to carry out the most difficult projects

The Group has highly qualified staff, whose knowledge and competences it intends to strengthen through external courses and training, and through participation in internal processes.

Geographic diversification

The Group has been gradually increasing its production capacity through organic growth and acquisitions (acquisition of the plant in Bielsko-Biała in 2012, of the plant in Gdańsk in 2015, the plant in Mszczonów in 2016, the plant in Marktzeuln, Germany, in 2020), as well as through the construction of a modern production plant in Gdańsk and investments and solutions to increase the efficiency of the use of the existing production facilities. Currently, the total annual production capacity of the Pekabex Group amounts to approximately 178 thousand m³ of structural elements and 1,055 thousand m² of floor elements.

Automation and digitisation

Automation and digitisation are the Group's response to the development of new technologies and related new business models. In 2020, production started in a modern production plant, where an innovative technological line for automated production of prefabricated Filigran floors slabs and walls was installed.

In 2020, the Group also continued the implementation of ERP-class systems integrating most of the processes in the Group.

Cost competitiveness

Thanks to its competences, the Group is able to continue to increase efficiency using its know-how in the field of management, achieve cost synergies, primarily related to the costs of administration, logistics and the purchase of raw materials and consumables (e.g. by increasing purchasing power in relation to its suppliers), and increase its bargaining power in contacts with customers. Having

plants in different parts of Poland and abroad gives the Group greater flexibility in the supply of prefabricated elements, which reduces the unit cost of their transport to the contract execution sites. Location was the primary criterion in the selection of plants to be acquired. The Group is working on further increasing cost competitiveness based on economy of scale with regard to production, specialisation, standardisation and experience.

In 2020, steel prices increased by nearly 40% compared to the average of recent years. This was mainly due to the decrease in the supply of steel on European markets. The Group executes contracts in a short-term perspective, so it directly adjusts valuations prepared for customers to the increased material costs. In the long term, the Group's products will continue to gain in terms of price competitiveness. Steel structures, which can be an alternative to prefabricated structures in certain situations, will become more expensive compared to the prefabricated ones, because the cost of steel per cubic metre of prefabricated element is significantly lower than in the case of steel structures.

The market expects cost increases also in other product groups such as cement (3-5%), insulation (10-15%), aggregates (2-3%), plywood (15-20%), concrete chemicals (3-5%). The Group's purchasing strategy is based on long-term orders, which to a certain extent limit the risk of sudden price rises and allow for securing the liquidity of supplies.

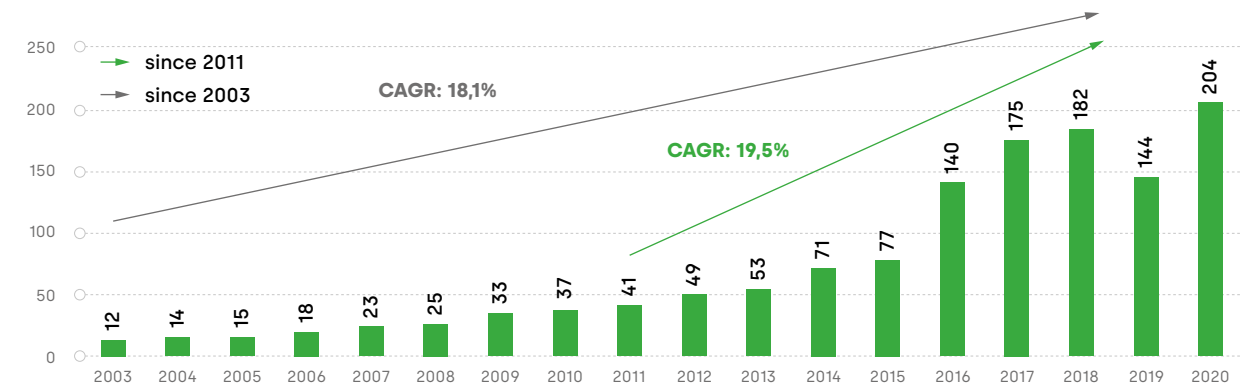
Strong financial position

The Pekabex Group has significant financial resources which it manages with a view to, among other things, fulfilling its financial forecasts by meeting budget assumptions and achieving the assumed rate of return on long-term investments.

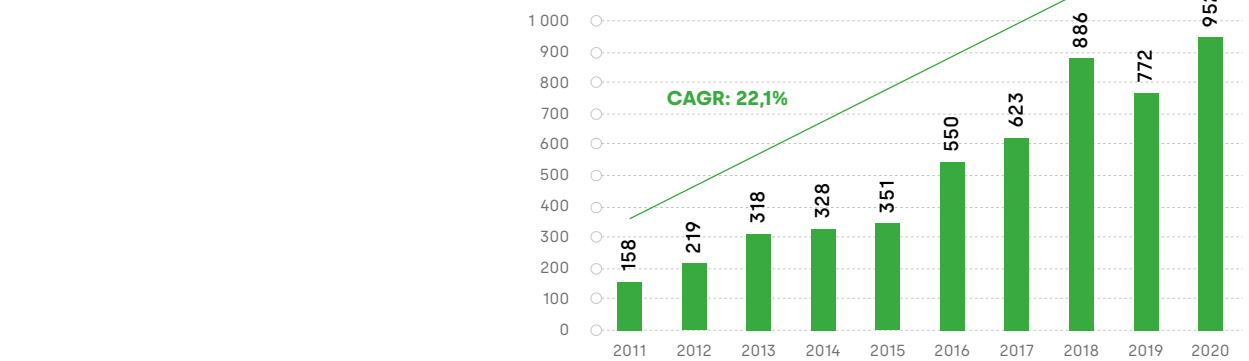
Decisions taken by the Management Board strengthen the market position of the Pekabex Group and allow long-term implementation of investment plans in the periods forecast by the Group.

The charts below present the basic values and indicators showing the development of the Group in recent years.

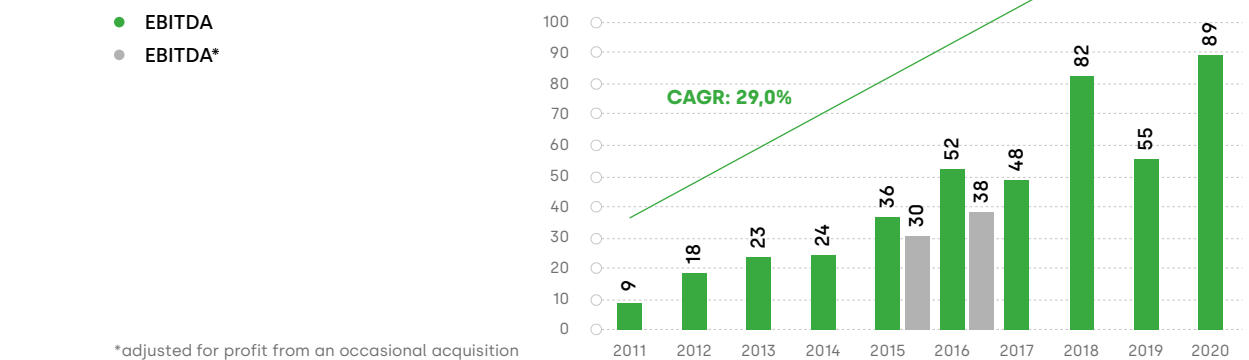
Production volume in the years 2003-2020 (in thousand m³)



Sales revenue (in PLN million)

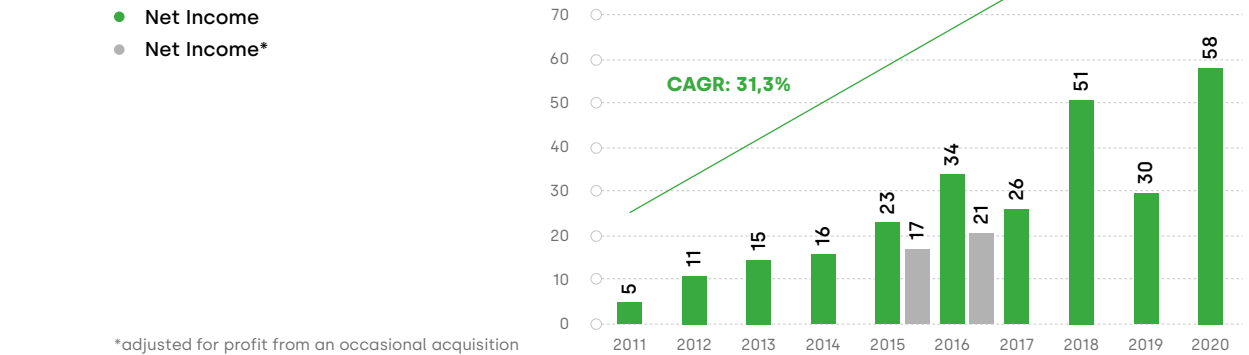


EBITDA (in PLN million)



*adjusted for profit from an occasional acquisition

Net result (in PLN million)



*adjusted for profit from an occasional acquisition

General contractor service costs

After a period of relative stability in material and service prices for most of 2020, the end of the year saw a significant increase in reinforcement and structural steel prices with a reduced supply of steel products on the market. This situation resulted in a significant increase in the prices of all construction components containing steel. What is more, in the first quarter of 2021, an increase in the prices of raw materials and construction materials was observed, including a very significant increase in the prices of insulating materials (styrofoam, mineral wool, PIR, sandwich panels). At the same time, the Group observes strong investor activity on the market and the supply of new projects for implementation in 2021.

The dynamic increase in the prices of raw materials and consumables and their insufficient supply translates into uncertainty of delivery of key scopes of work in the segment of production and warehouse halls. The Group anticipates a possible increase in the prices of subcontracting services and a reduction in the availability of subcontracting companies. The Group updates its tender cost estimates on an ongoing basis and secures the necessary materials and services in response to changing market conditions.

In the housing segment, the contracts are executed over a longer time span (1-2 years), however, the Group makes extensive use of the products manufactured at its own plants and executes a large portion of the contracts using its own workforce. Therefore, the situation in the housing segment remains stable with much less pressure to increase costs compared to the hall segment.

The Group has identified major challenges related to the increase of costs of raw materials, supplies and services. It has provided the necessary volumes of deliveries and subcontracting services and it updates the costs of performing individual scopes of work. There is a growing pressure to increase salaries of employees, however, from the point of view of the Group's strategy, this is a positive trend due to the use of serial products and automation of production in the Group's plants. Taking into account the current market situation, the Group anticipates increasing pressure on margins in the general contractor service segment.

Product diversification and comprehensive services

The operating activities of the Group can be divided into several business segments (a broader description can be found in the note on segments). Thanks to this diversity, the Group can take advantage of the economic situation both as (i) a subcontractor – manufacturer of prefabricated elements, including for warehouse (industrial) and residential buildings, (ii) as a general contractor, successfully making use of its comprehensive knowledge and experience, and (iii) as a developer, carrying out residential projects on its own account.

In the opinion of the Management Board, ordering parties in Poland have an increasing appreciation of innovative and comprehensive solutions, including both consultancy in the area of precast technology, and design, production,

transport and assembly of precast units, as well as comprehensive development of facilities as a general contractor. For Pekabex, the coordination of the entire construction process increases the flexibility of the production processes thanks to the possibility to more precisely plan the demand for prefabricated products within a given period. The Group intends to continue to work on developing its product portfolio, including more technologically complex, higher-margin products.

Technological and product innovation

According to experts, the innovations that will enable the construction industry to develop in the long term are augmented reality and software for the sector, and data management systems. Building Information Modelling (BIM), which is the basis for the further digitisation of implemented projects, will have a significant impact on the increase in the efficiency and productivity of construction companies. However, digitisation in the industry should not only be limited to BIM, but also include digitisation of all process chains. Digitisation is most profitable in the areas where the most mistakes are made. Experts jointly distinguished the key directions of implementation of innovations in the construction industry, including the use of artificial intelligence, drone systems and robotisation.

At the turn of 2020, the Group created a modern design service centre (Shared Services Centre) in Gdańsk, where the Group's activities in the field of design services for prefabricated concrete elements and modular structures used both in industrial, office space, and residential construction will be developed.

The Group supplements its offer of prefabricated products with complementary services in the form of consulting on this technology, which will strengthen its competitive advantage within the scope of more technologically complex products and construction solutions.

In the opinion of the Management Board, the above-mentioned market factors and trends significantly influenced the Group's results in 2020. The Management Board also anticipates that they will have a significant impact on future results.

Sustainable construction

In the opinion of the Management Board, the environmental (ecological) aspect of the business is becoming increasingly important. This is due to the necessary transformation of the economy of Poland and the whole of Europe towards a low-carbon economy. The expectations and preferences of contractors regarding the offered products and services are changing; today, more attention is paid mainly to the carbon footprint of products and the amount of non-recyclable construction waste. The process of transformation and adaptation requires far-reaching changes in the construction industry. The changes will cover every aspect of the activity – from contract management processes to the range of materials used for production.

In the opinion of the Management Board, the changes may

affect the Group's future financial results. The Management Board estimates that the competitiveness of prefabricated products will increase compared to traditional technology. Prefabrication uses waste materials, in particular steel (90% of the purchased steel is recycled), and recycled waste from the prefabrication process (concrete is 100% recyclable). Prefabrication technology uses lighter structures than traditional construction, which implies lower carbon dioxide consumption and the lower carbon footprint of the product. Low carbon concrete with a reduced carbon footprint is increasingly being used in the production of prefabricated elements.

The Management Board is working intensively on a comprehensive climate strategy taking into account global climate challenges. The developed climate strategy will determine the directions of adaptation of the business model to accommodate both the potential risks and economic benefits of this transformation.

Order portfolio

The Group started 2021 with a strong and diversified order portfolio (backlog). It contains the aggregated value of contracts signed by the Group until 31 December 2020, which are/will be implemented and recognised in sales revenue after the balance sheet date.

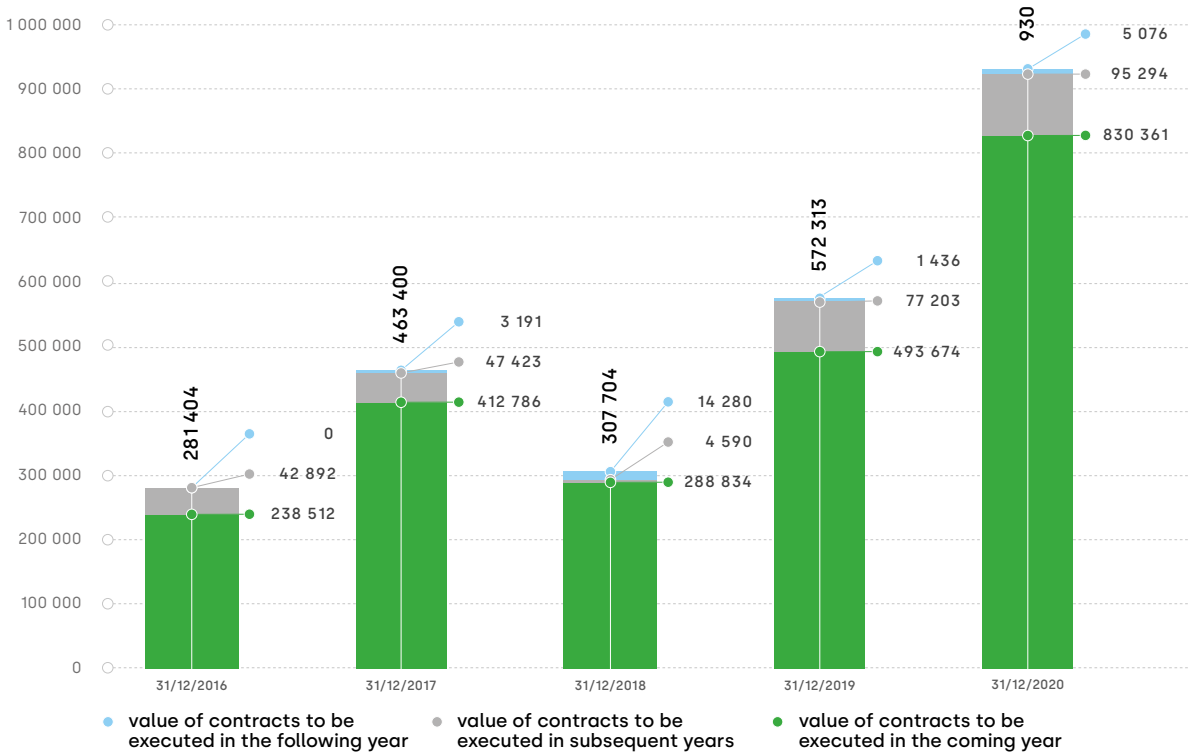
The values of the order portfolio for individual periods/years result from the schedules indicated in the contracts and assume their timely implementation.

In connection with the acquisition of companies incorporated under German law on 28 December 2020, the order portfolio includes, within the "execution of contracts – prefabrication" segment, also a portfolio of contracts signed before the balance sheet date by FTO Fertigteilwerk Obermain GmbH in the amount of PLN 42,619 thousand.

Within the "execution of real estate development projects on the Group's own account" segment, the order portfolio also includes, among others, the planned revenue from the JA_SIELSKA II investment and Osiedlowa 43 investment (Józefów). Recognition of revenue, in accordance with the Group's accounting policies and the International Financial Reporting Standards, takes place on the date of signing the notary deed transferring ownership of the property. By the balance sheet date, nearly 80% of revenue from the JA_SIELSKA II investment has already been recognised in the consolidated statements of results. Other planned* revenue from the sale of flats in the JA_SIELSKA II estate and houses built within the scope of the Osiedlowa 43 investment (Józefów), as well as estimated revenue** from the sale of flats (including parking spaces and storage areas) and houses were included in the backlog in the amount of PLN 19,532 thousand.

* Planned revenue – based on signed developer agreements
** Estimated revenue – based on the Group's budget assumptions

Order portfolio in 2016-2020 (in PLN thousand)



As at 31 December 2020, the value of signed contracts amounted to PLN 930,731 thousand, including PLN 830,361 thousand to be implemented in 2021, whereas at the

end of 2019, the value of signed contracts amounted to PLN 572,313 thousand, including PLN 493,674 thousand to be implemented in 2020.

7.0.

Additional information

Prologis Hall, Ruda Śląska

7.1.

POSSIBILITIES OF IMPLEMENTING INVESTMENT PLANS AND INFORMATION ON THE GROUP'S CONNECTIONS WITH OTHER ENTITIES

With effect from 28 December 2020, the Group acquired shares in G+M GmbH, a company incorporated under German law, which owns FTO Fertigteilwerk Obermain GmbH. In 2021, Pekabex will focus on the integration of the acquired companies with the Group.

Further information on the intentions is described in chapter 6 of the Report. The scope of investments will depend on the development of the economic situation in the country and its impact on the financial situation of the Group.

The structure of the Company's Group is described in chapter 1 of this report.

Information on organisational or capital relations of the Company is described in note 1 of supplementary information to the consolidated statements of the Group.

7.2.

UNUSUAL EVENTS AFFECTING THE RESULT OF ACTIVITIES

In 2020, apart from the market situation caused by the COVID-19 pandemic and events described in the Report, there were no other unusual factors and events having a significant impact on the financial results achieved and on the financial results that the Group will achieve in the future.

7.3.

DISPUTES AND LITIGATIONS

As at 30 December 2021, the Group was not a party to any material (i.e. where the value of the subject of the dispute exceeds 10% of the value of consolidated equity) legal proceedings for which it would be reasonable to create a reserve. The Group recognises the following other open and significant disputes in 2020:

Pekabex Pref – employee claim from 2016

In 2016, Pekabex Pref received an employee claim for redress and compensation in the amount of approx. PLN 2,500 thousand in connection with an accident at the production plant in Poznań that took place on 22 March 2016. The claims have been transferred to the insurer, which conducts liquidation proceedings. The Company is covered by insurance policies. The competent authorities are currently investigating the causes of the accident and the possible liability of the various parties involved, in particular the possible contribution of the victim to the accident. The claimant filed a lawsuit against the insurance company, and in December 2018 Pekabex Pref was summoned to participate in the proceedings. The value of the employee's claim is over PLN 1,900 thousand. The Management Board's risk assessment has not changed, however, as part of prudent risk valuation, the Management Board decided to create a reserve in the amount of PLN 1,900 thousand in the second quarter of 2020.

Pekabex Bet – a court dispute with Marathon International

On 31 May 2016, Pekabex Bet concluded a contract for the execution of construction work with Marathon International sp. z o.o. sp.k. for the total net value of PLN 18,157 thousand. On 25 May 2017, in connection with the ordering party's failure to submit a payment guarantee, pursuant to Art. 6494 of the Civil Code, the company terminated the contract. The contracting party failed to pay part of the receivables on time, justifying this, inter alia, by the fact that Pekabex Bet failed to present final declarations on no arrears with respect to subcontractors, and by defects. The Management Board of the company is of the opinion that payment suspension is unjustified. As at the balance sheet date, receivables invoiced due to the settlement of completed work amounted to a gross value of PLN 22,333 thousand.

In addition, on 30 May 2017, the contracting party drew a bank guarantee in the amount of PLN 1,640 thousand justifying it by the necessity to cover the penalties imposed on Pekabex Bet. The Management Boards of Pekabex Bet and Pekabex S.A. analysed the grounds for imposing



Construction of a modern Pekabex plant in Gdańsk-Kokoszki

penalties by the contracting party and decided that they were not justified. Pekabex Bet has filed a lawsuit against Marathon International, with total value of the object of litigation exceeding PLN 5,281 thousand. The claims relate to receivables resulting from the construction work performed by Pekabex Bet on the premises of the investment carried out for Marathon International and the return of the unduly drawn and paid bank performance bond. Despite the fact that Pekabex Bet performed the investment task and provided the ordering party with the permission to use the investment, the ordering party incorrectly charged contractual penalties and failed to pay the remaining part of remuneration due under the construction work agreement.

The maximum possible level of penalties under the agreement amounts to 12% of the net remuneration. Despite the penalties not being justified, a write-down within the prudent valuation of the Management Board was created to update receivables in the amount of the maximum level of penalties that the contracting party may impose on the company, i.e. in the amount of PLN 2,179 thousand. Additionally, in 2018, the Group increased the amount of write-downs for receivables under the contract with Marathon International by PLN 2,000 thousand. As at the balance sheet date, the total amount of write-downs for receivables under the aforementioned contract is PLN 4,179 thousand. The evidentiary proceedings are currently pending in both cases.

On 27 March 2020, in the case involving the drawing of a bank guarantee, in which Pekabex Bet claimed the amount of over PLN 1,640 thousand, the Regional Court in Poznań awarded it PLN 1,313 thousand with interest. The judgement is not final, the contracting party has appealed.

On 11 August 2020, the Regional Court in Poznań delivered to Pekabex Bet S.A. a statement of claim dated 29 June 2020 filed by Marathon International sp. z o.o. sp.k. for

the amount of PLN 6,612 thousand with default interest from 15 July 2020. Pekabex Bet S.A. prepared a response to the claim, with the entire amount claimed being disputed. Despite the claim being unfounded, as part of prudent risk valuation, the Management Board decided to create a reserve in the amount of PLN 3,000 thousand in the second quarter of 2020.

As at the date of publication of this Report, the Group companies are not parties to any proceedings involving claims or liabilities which, individually or jointly, exceed 5% of the Group's equity. In the reporting period, there were no other significant settlements due to court cases not described in the report.

8.0.

About the report



Euroklimat office building, Suchy Las

GRI: 102-45, 102-46, 102-47, 102-50, 102-52, 102-53, 102-54, 102-56

8.1.

METHODOLOGY AND SCOPE OF THE REPORT

The document covers the Pekabex Group, where Pekabex S.A. is the Parent Company.

It was prepared as an integrated report, meeting the requirements for integrated reporting set by the International Integrated Reporting Council (IIRC). The financial data was prepared in accordance with International Financial Reporting Standards (IFRS). Non-financial data was pre-

pared in accordance with the guidelines of the Global Reporting Initiative in the GRI Standards version (core level). The report is published on an annual basis, i.e. it covers the period from 1 January to 31 December 2020. The financial part was audited externally, the non-financial part was not verified externally.

The content of the report (relevant topics) was defined on the basis of the results of a meeting with the management held in Poznań, and taking into account the context of stakeholders – based on PN-ISO 26000 standard and competition analysis. The most important topics for Pekabex and stakeholders are: occupational health and safety, diversity and equal opportunities, employees, reducing energy consumption, indirect economic impact, consumption of raw materials, consumables and water, reducing wastewater production, compliance with environmental and socio-economic regulations, economic performance, reducing emissions and customer health and safety. Key stakeholder groups in Pekabex include its employees, customers, investors, suppliers, media, local communities and business partners. Application of the PN-ISO 26000 standard helps maintain the context of sustainable development.

If you have any questions about the report, please contact Ms Beata Żaczek:

beata.zaczek@pekabex.pl

8.2.

APPROVAL FOR PUBLICATION

This Report of the Pekabex S.A. Group, prepared as at and for the period ended 31 December 2020, was approved for publication by the Management Board of the Parent Company on 21 April 2021.

Date	Full name	Function	Signature
21/04/2021	Robert Jędrzejowski	President of the Management Board	Robert Jędrzejowski
21/04/2021	Beata Żaczek	Vice-President of the Management Board	Beata Żaczek
21/04/2021	Przemysław Borek	Vice-President of the Management Board	Przemysław Borek
21/04/2021	Tomasz Seremet	Member of the Management Board	Tomasz Seremet



Brandörrén housing estate in Stockholm, Sweden

9.0.

Tables with GRI numerical indicators



Prologis Hall, Ruda Śląska

Employment:

As at 31 December 2020, Pekabex had a total of almost two thousand employees, both employed under contract and in other forms of close cooperation.

The following figures refer to the number of employees employed at the end of December 2020 only under an employment contract.

This does not include persons employed under civil law contracts, self-employed or convicted persons assigned by the State Treasury or the staff of subcontractors.



Installation of a prefabricated structure, Gdynia

a. Total number of employees by type of contract and gender	IN TOTAL	Pekabex Group	
		women	men
Type of employment contract:			
fixed period	726	161	565
Indefinite period	865	145	720
FTO (no breakdown by type of contract)	126	4.	122
ALL EMPLOYEES	1,717	310	1,407

b. Total number of employees broken down by place of employment	IN TOTAL	Pekabex Group	
		women	men
Poznań	722	173	549
Mszczonów (Badowo Mściska)	241	47	194
Łódź	10	2	8
Gdańsk	248	64	184
Bielsko-Biała	161	19	142
Marktzeuln (Bavaria)	126	4	122
Germany Branch	166	1	165
Germany (construction sites)	8	0	8
Denmark (construction sites)	10	0	10
Sweden (construction sites)	25	0	25
TOTAL	1,717	310	1,407

c. Total number of employees broken down by type of employment and gender	IN TOTAL	Pekabex Group	
		women	men
full-time	1,700	304	1,396
part-time	17	6	11
TOTAL	1,717	310	1,407

GRI: 405-1

Organisational supervision bodies			
Breakdown by structure and age:	IN TOTAL	Women	Men
Management Board of Pekabex and its subsidiaries			
under 30 years of age	-	-	-
30 to 50 years of age*	9	2	7
over 50 years of age	2	-	2
IN TOTAL	11	2	9
Supervisory Board			
under 30 years of age	-	-	-
30 to 50 years of age	2	-	2
over 50 years of age	5	-	5
IN TOTAL	7	-	7
Employee categories			
Breakdown by structure and age:	IN TOTAL	Women	Men
senior management*			
under 30 years of age	-	-	-
30 to 50 years of age	22	8	14
over 50 years of age	6	-	6
IN TOTAL	28	8	20
mid-level management**	IN TOTAL	Women	Men
under 30 years of age			
30 to 50 years of age	101	28	73
over 50 years of age	24	1	23
IN TOTAL	161	47	114
blue collar workers***	IN TOTAL	Women	Men
under 30 years of age			
30 to 50 years of age	475	13	462
over 50 years of age	228	10	218
IN TOTAL	967	30	937
other employees****	IN TOTAL	Women	Men
under 30 years of age			
30 to 50 years of age	268	95	173
over 50 years of age	62	9	53
IN TOTAL	561	225	336

* senior management – directors and deputy directors
** mid-level management – managers and deputy managers
*** blue collar workers – concrete placers, reinforcers, construction workers, etc.
**** other employees – specialists, junior managers, coordinators, foremen, charge-hands, assistants, accountants, etc.

GRI: 401-1

	IN TOTAL	2020.	
		women	men
Total number of new employees (employed in 2020) broken down by:	IN TOTAL	women	men
senior management	-	-	-
mid-level management	12	4	8
blue collar workers	466	16	450
other employees	129	65	64
TOTAL	607	85	522
Employment rate	0.35	0.27	0.37
Number of all employees	1,717	310	1,407
	IN TOTAL	2020.	
		women	men
Total number of employees who left the company in 2020 broken down by:	IN TOTAL	women	men
senior management	-	-	-
mid-level management	21	4.	17
blue collar workers	379	1	378
other employees	75	35	40
TOTAL	475	40	435
Employment turnover rate	0.28	0.13	0.31
Number of all employees	1,717	310	1,407

10.0.

GRI: 102-55

GRI content index

Olivia Business Centre complex, Gdańsk

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405-1	Composition of supervisory bodies and staff by gender, age and other diversity indicators	Employment, Diversity and social inclusion	112, 162
406-1	Number of cases of discrimination and actions taken	Respect for human rights	123.

