



Integrated report

for the year ended
31 December 2021

Consolidated statement
of activities of the Pekabex Group

www.pekabex.pl

TABLE OF CONTENTS

1. About the Group	7
1.1. Business model as at 31 December 2021	20
1.2. Markets and sources of supply	34
1.3. Value creation model	35
1.4. Capitals	36
1.5. Significant agreements	44
1.6. Other significant agreements	47
2. Strategy and development of the Pekabex Group	51
2.1. Research and development	54
2.2. Supply chain	56
3. Activities of the Pekabex Capital Group in 2021	61
3.1. Events significantly affecting the activities and financial results of the Pekabex Group	62
3.2. Significant contracts	63
3.3. Structure of Pekabex S.A. revenue – operating segments	68
3.4. The Pekabex Group sales revenue structure – operating segments	69
3.5. Basic economic and financial data for the Pekabex Group	71
3.6. Basic economic and financial data for Pekabex S.A.	76
3.7. Management of financial resources	80
3.8. Differences between financial results and financial forecasts	82
3.9. Structure of major capital and equity investments	82
3.10. Loans and borrowings taken out	82
3.11. Granted loans	83
3.12. Significant transactions concluded with related parties on terms other than arm's length terms	83
3.13. Agreements providing for compensation for Management Board members in the event of their resignation or dismissal	84
3.14. Granted and received sureties and guarantees	86
4. Statement on the implementation of corporate governance principles	91
4.1. The set of principles to which Pekabex S.A. is subject	92
4.2. Pekabex S.A. shareholders, share capital, shares held by directors	96
4.2.1. Shareholders of Pekabex S.A.	96
4.2.2. Share capital	97
4.2.3. Shares held by managing and supervising persons	97
4.2.4. Indication of the holders of any securities conferring special control powers	97
4.2.5. Indication of any limitations on the exercise of voting rights	97
4.2.6. Indication of any restrictions on the transfer of securities	97
4.3. Appointment and dismissal of managing persons and their competences	98
4.3.1. Management Board	98
4.3.2. Supervisory Board	98
4.4. Principles of amending the Pekabex S.A. Articles of Association	98
4.5. The General Meeting and shareholders' rights and methods of exercising them	98
4.6. Membership and changes during the reporting period	100
4.7. Remuneration policy for managing and supervising persons	104
4.8. Internal control and risk management system	104
4.9. Diversity policy for management and supervisory staff	105

5. Employee and social issues at the Pekabex Group	107
5.1. Employees of the Pekabex Group	108
5.1.1. Policies applicable to employees	108
5.1.2. Control system for employee programmes	108
5.1.3. Employment structure and remuneration policy	109
5.1.4. Relations with employees	109
5.1.5. Internal communication	110
5.1.6. Internal integration	110
5.1.7. Employee development	110
5.1.8. Diversity and social inclusion	111
5.1.9. Recruitment	111
5.2. Pekabex for society	112
5.2.1. Local communities and social engagement	112
5.2.2. School and academic environments	113
5.2.3. Ethics and values	114
5.2.4. Combating corruption	114
5.2.5. Infringement reporting system	114
5.2.6. Respect for human rights	115
5.2.7. OHS	116
6. Natural environment	121
6.1. Pekabex Group's climate policy	122
6.2. Greenhouse gas emissions	122
6.3. ISO 14001:2015 - Environmental Management System	124
6.4. The Group's activities in the field of environmental protection	126
6.4.1. Use of resources and environmental protection	128
6.4.2. Compliance with the EU Taxonomy	134
7. Risk management	139
7.1. Relevant risk and hazard factors	140
7.2. Climate risk management	156
8. Outlook	161
8.1. Market position	162
8.2. Determinants of further development of the Group	163
8.3. Short-, medium- and long-term perspective	167
9. Additional information	175
9.1. Possibilities of implementing investment plans and information on the Group's connections with other entities	176
9.2. Unusual events affecting the result of activities	176
9.3. Disputes and litigations	176
10. About the report	179
10.1. Methodology and scope of the report	180
10.2. Approval for publication	180
11. Tables with GRI numerical indicators	183

Letter from the President of Pekabex S.A.

This year's Annual Report opening letter was intended to be a summary of the challenges we faced in 2021, and the successes we achieved. On the other hand, the ongoing war in neighbouring Ukraine makes it impossible to move to 'business as usual'.

I would therefore like to start by saying a word of support for our more than 100 Ukrainian workers who have had to leave their jobs and safe homes in Poland to defend their country. For their families, for other families who fled the war zones to seek refuge abroad, for those who stayed behind. And to thank our entire Team and Business Partners for the huge joint effort of support. The biggest war in Europe since 1945 is accompanied not only by human tragedies and destroyed homes, but also by a difficult national and international economic situation.

In view of the above, we accept with full understanding the sanctions introduced by the European Union and, in particular, the related disruption to the market in which we operate, taking measures to adapt our business to these changes.

In 2021 and at the beginning of 2022, the construction industry faced major challenges: the rise in the prices of raw materials and materials was unprecedented in the last ten years or so. Adapting to the new reality required renegotiation of many contracts, which was possible to a large extent thanks to the fact that Pekabex's clients are usually leaders of the Polish economy, effective companies that are not afraid to make sometimes difficult decisions. The quality of cooperation can be reliably assessed in difficult times, and I think our customers deserve our thanks for this.

Difficult times have positively verified the strategy adopted by Pekabex: geographical and product diversification, and in particular diversification of the order portfolio, became the key for us to recover from the Covid crisis. This will now be an important factor in overcoming the problems arising from the outbreak of war in Ukraine.



Last year we executed 472 contracts and the size of our order portfolio as at 31 December 2021 was PLN 1,206,200 thousand. We have executed major investments for the logistics sector - in particular for large international developers such as Panattoni and Prologis; in the manufacturing sector, our flagship project was the construction of halls for the Korean electric car battery manufacturer SK Innovation in Dąbrowa Górnicza. As far as infrastructure construction is concerned, it is worth mentioning the tunnel projects in Łódź or the transport connection of the Naramowice estate in Poznań. On the other hand, for the housing market we have been building estates in Toruń and Włocławek as general contractors. Geographical diversification meant contracts in the growing German market, which is becoming as important to us as the Scandinavian one.

In line with Pekabex's 2020-2024 Safe Growth Strategy, we focus on: automation, diversification, international expansion, increased process efficiency and technical excellence, bearing in mind the goal of safe and sustainable development.

- The year 2021 saw a further increase in the production of prefabricated elements, which amounted to 24% year-on-year.

- Pekabex's total revenue was a record PLN 1,504,862 thousand.
- We are increasing our general contracting capacity - sales realised in this segment exceeded PLN 560,115 thousand.
- We continue to work on production automation, while expanding the production capacity of our plants: the volume of investments amounted to nearly PLN 40 million. The first production robots appeared in our halls.
- Pekabex Group's involvement in projects in Germany is increasing - in 2021, together with FTO, we achieved throughput of 266,500 m³ as a Group, and purchased land for the construction of our first development project in Germany.
- We are expanding our development activities: projects with an estimated size of around 50,000 usable residential area are in the pipeline.
- We have started offering single family modular homes to customers under the P.Homes brand.

We consistently pursue the objectives of sustainable development - that is, environmental, social and corporate responsibility. We realise that the Polish construction market is facing a necessary transformation and action to reduce climate change. Climate protection is not just a trend for us, but a commitment to future generations. We want our investments to be environmentally and socially responsible, which is why at the beginning of this year we adopted the "Pekabex Group Climate Policy", in which we declare our support for the implementation of the objectives of the Paris Agreement and the EU strategy to reduce greenhouse gas emissions. Last year, we launched a climate protection campaign under the slogan "Pekabex Goes Green". This includes a dedicated team of environmental specialists, calculating the carbon footprint of our products, changing the company's waste and infrastructure to be more environmentally friendly, "green" information campaigns for our employees, and cooperation with the clients towards BREEAM and LEED certification.

2022 will certainly be a challenging year for our industry. The war in Ukraine has further disrupted the supply chains, resulting in a further increase in construction costs. I believe, however, that much of this increase is speculative, and that the prices of major raw materials will soon start to fall at a rate commensurate with the speed at which the economic downturn may occur.

Despite short-term turbulence, Pekabex Group's long-term prospects are favourable, due to its strategic competitive advantages, particularly related to production automation.

- I believe that the trend of industrial production relocating to Europe will continue, which should give stable demand for the construction of logistics halls and industrial plants.
- Despite the problems with falling mortgage availability, as its cost rises, demand for housing should not fall significantly - due to the influx of a wave of refugees. More than 2 million people have arrived in Poland from Ukraine in recent weeks, and some of them are likely

to stay here. Many flats will therefore need to be built quickly, for which the modular prefabrication technology is perfect - an example is the development in Toruń, where the assembly of eight four-storey buildings with 320 flats took only 9 months.

- If steel prices remain high, reinforced concrete construction will in many cases be a good quality and price alternative.

Thanking our Clients, Business Partners and, above all, Employees for our joint efforts in 2021, I cordially invite you to read the Pekabex Group Integrated Report.

Kind regards,
Robert Jędrzejowski

About the Group



www.pekabex.pl

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 i 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. As at the balance sheet date, the Company also owned 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: Management Board, Supervisory Board and the General Meeting of Shareholders.

As at 31 December 2021, 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 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 Poznanskie Inwestycje Magazynowe sp. z o.o.
- 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 contract 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 Casa Fiore sp. z o.o.
- Member of the Management Board of Pekabex Katedralna sp. z o.o.
- Member of the Management Board of Pekabex Development sp. z o.o.
- Member of the Management Board of Poznanskie Inwestycje Magazynowe 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 Poznań 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 general 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 Management Board of Poznanskie Inwestycje Magazynowe 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.

With the Group since 2008.

RESPONSIBLE FOR
production
and investments



Anna Jaroszuk

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 Pekabex Development Sp. z o.o.
- 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 Pekabex Development Sp. z o.o.
- 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.
- Managing Director of Pekabex Bet S.A. Subsidiary in Sweden

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

administrative supervision 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 Marktzeuln (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 28 December 2020.

RESPONSIBLE FOR

operations and day-to-day management of FTO and G+M



Composition of the Supervisory Board of Pekabex S.A. as at 31 December 2021:

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

- [The Company's Articles of Association \(available on its website\)](#),
- [Regulations of the Supervisory Board \(as above\)](#),
- [Commercial Companies Code](#).

As at 31 December 2021 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 College of Entrepreneurship and Management. He lectured at the Department of Civil Law at the Catholic University of Lublin. Chairman of the Supervisory Board of AUTO-EURO S.A., Member of the Supervisory Board of PEPEES S.A. and Member of the Supervisory Board of Zakłady Przemysłu Ziemniaczanego "Lublin" sp. z o.o. In 1998-2002, he was the Director of the Postal District in Lublin in PPUP Poczta Polska. 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

Graduate of the SGH Warsaw School of Economics. He graduated in 1980 with a Master of Science 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 1993 as a Member of its Management Board and Director of the Bank. Member of the supervisory boards of many commercial law companies, including the Warsaw Stock Exchange. Currently, CEO of mBank Hipoteczny, he has led the company since its establishment in 1999. He is a Member of the Council of the Polish Bank Association, and chairs the Audit Committee of that Council. 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 Art Locum S.A. In February 2022, he was elected chairman of the ESG Committee at the Polish Bank Association. 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

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.



PFR Real Estate, Toruń

MARCIN SZPAK, MEMBER OF THE SUPERVISORY BOARD

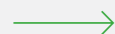
Graduated from the Faculty of Management at the University of Gdańsk in 1995. Obtained a PhD in Economics in 2003. Completed the Advanced Management Program at the IESE Business School University of Navarra. The founder and long-term president of DS Consulting, a company specialising in strategic, financial 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

Master's degree from the Faculty of Law and Administration at Warsaw University, and Master's degree from the Faculty of History at Warsaw University, lawyer. After graduating, he worked as scientific secretary at the Centre for Documentation and Social Studies, publicist and editor at the NOVUM Publishing Institute, and as director at

the SONOR Publishing Institute, and later as director and editor-in-chief of the POLONIA Publishing House. He worked in other managerial positions, among others, as President of the Management Board of POLARTIS S.A. and EMIASTA. PL S.A. He has held various positions in supervisory boards in state-owned, public and private companies. Since 2002, he has been associated, among others, as a lecturer with WSZECHNICA POLSKA University in Warsaw, and since 2003 he has also been a member of the University Senate. He cooperated with the Warsaw Voivode, among others as 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, 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. He runs a law office in Warsaw.

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.



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.

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

The Group also has a strong presence in the residential construction market, cooperating in this respect with leading developers in Poland and Scandinavia. As part of the development of its own property development activities, the Group carries out investments in Poland and Germany with the help of special purpose vehicles.

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 2021, the Pekabex Group comprised Poznańska Korporacja Budowlana Pekabex S.A. and the subsidiaries subject to consolidation presented below. Due to immateriality, the companies were not consolidated at the balance sheet date: Pekabex Inwestycje VIII sp. z o.o. S.K.A., Pekabex Inwestycje XII sp. z o.o., Pekabex Inwestycje XIII sp. z o.o., Pekabex Inwestycje XIV sp. z o.o., Pekabex Inwestycje XV sp. z o.o., Pekabex Inwestycje XVI sp. z o.o., Poznańskie Inwestycje Magazynowe sp. z o.o., P. Homes sp. z o.o., and Falkenseer Gärten FEA GmbH. After the balance sheet date, the Group included the newly established company Rebuild Construction Automation sp. z o.o., in which the Group acquired 50% of shares, and the company Prefabcad sp. z o.o., in which the Group acquired 52% of shares.

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 in Budowlanych Street in Gdańsk - Kokoszki which is leased, mainly to Pekabex Bet S.A., and a production plant in Gdańsk - Kokoszki in Geodetów Street, (occupancy permit obtained in January 2020). The plant is located within the Pomeranian Special Economic Zone.

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 CASA FIORE SP. Z O.O.

Pekabex directly holds 75% of the shares in the share capital of Pekabex Casa Fiore sp. z o.o., which entitles it to 75% of votes at the General Meeting of Shareholders. 25% of the shares were acquired by shareholders outside the Group. The company is a special purpose vehicle, and runs the development project Osiedle Casa Fiore in Hafciarska Street in Warsaw. This investment is presented in more detail in this Report. Until 26 May 2021, the company operated under the name Pekabex Inwestycje III sp. z o.o.

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 Meche-linki sp. z o.o. sp.k.

PEKABEX CASA BAIA SP. Z O.O.

At the balance sheet date of the report, the Group holds directly 100% of the shares in the share capital of Pekabex Casa Baia sp. z o.o., which entitles it to exercise 100% of the votes at the Shareholders' Meeting. The Company is a special purpose vehicle engaged in a development project consisting in the construction of a modern apartment building in Hel, in Żeromskiego Street. This investment is presented in more detail in this Report. Until 30 November 2021, the company operated under the name Pekabex Inwestycje V sp. z o.o.

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 is responsible for the coordination of development projects carried out within the Group. Until 21 January 2021, the company operated under the name Pekabex Inwestycje VI sp. z o.o.

PEKABEX JASIELSKA SP. Z O.O.

Pekabex directly holds 100% of shares in the share capital of Pekabex Jasielska 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 and fourth stages of the Ja_Sielska housing estate in Poznań. Until 26 May 2021, the company operated under the name Pekabex Inwestycje VII sp. z o.o.

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. The Company is a special purpose vehicle that has conducted and completed development investments consisting of the construction of terraced houses in Józefosław near Warsaw and the construction of the first and second stages of the Ja_Sielska housing estate in Poznań.

PEKABEX KATEDRALNA SP. Z O.O.

Pekabex directly holds 80% of shares in the share capital of Pekabex Katedralna sp. z o.o., which entitles it to 80% 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. This investment is presented in more detail in this Report. Until 29 April 2021, the company operated under the name Pekabex Inwestycje IX sp. z o.o.

INTERMODAL LOGISTICS HUB BABIMOST SP. Z O. O.

Pekabex directly holds 100% of shares in the share capital of Intermodal Logistics Hub Babimost sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company is a special purpose vehicle operating a warehouse development project in Babimost. This investment is presented in more detail in this Report. Until 03 January 2022, the company operated under the name Pekabex Inwestycje X sp. z o.o.

PEKABEX INVESTMENTS XI SP. Z O. O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XI sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. A special purpose vehicle conducting a development project consisting in the construction of the fifth and sixth stages of the Ja_Sielska housing estate in Poznań. The company was incorporated on 22 April 2021, and registered with the National Court Register on 25 May 2021.

PEKABEX INWESTYCJE VII SP. Z O. O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XII sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was incorporated on 22 April 2021, and registered with the National Court Register on 02 June 2021.

PEKABEX INWESTYCJE XIII SP. Z O. O.

Pekabex holds 100% of the shares in Pekabex Inwestycje XIII sp. z o.o. As of 22 April 2021, Poznańska Korporacja Budowlana PEKABEX S.A. purchased 100% of the shares in Kinglet 29 sp. z o. o. on the basis of a sales agreement, thus taking 100% control over the Company. on 8 June 2021, the change of the company's name from Kinglet 29 sp. z o. o. to Pekabex Inwestycje XIII sp. z o. o. was registered in the National Court Register. The company's activities are focused on real estate development projects.

PEKABEX INWESTYCJE XIV SP. Z O. O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XIV sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was incorporated on 8 June 2021, and registered with the National Court Register on 29 June 2021.

PEKABEX INWESTYCJE XV SP. Z O. O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XV sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was incorporated on 8 June 2021, and registered with the National Court Register on 30 June 2021.

PEKABEX INWESTYCJE XVI SP. Z O. O.

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XVI sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was incorporated on 22 June 2021, and registered with the National Court Register on 08 September 2021.

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 VIII 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.

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.

POZNAŃSKIE INWESTYCJE MAGAZYOWE SP. Z O. O.

Pekabex directly holds 100% of the shares in the share capital of Poznańskie Inwestycje Magazynowe sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company's main activity is the provision of manufacturing services to companies in the Group. The company was incorporated on 08 January 2021, and registered with the National Court Register on 17 February 2021.

P.HOMES SP. Z O. O.

Pekabex directly holds 100% of the shares in the share capital of P.Homes sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was incorporated on 22 June 2021, and registered with the National Court Register on 08 October 2021. The company is dedicated to the direct implementation of single-family house projects built with prefabrication technology. The company's offer is addressed to individual investors.

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. 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.

FALKENSEER GÄRTEN FEA GMBH

Pekabex holds 100% of the shares in Falkenseer Gärten FEA GmbH. With effect from 23 November 2021, the Group entered into an agreement with FORIS Gründungs GmbH, a company incorporated under German law, to acquire 100% of the shares in the German company operating under the name Lindentor 1089. VV GmbH (renamed Falkenseer Gärten FEA GmbH). The company's activities are focused on real estate development projects. The Company is involved in an investment project consisting in the construction of a multi-family residential building in Falkensee, a suburb of Berlin.

1.1.

Business model as at 31 December 2021

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 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. 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. The biggest advantage of prefabrication is the possibility to automate production, shorter lead times for contracts, and fewer workers on construction sites. Prefabrication technology also makes it possible to increase the usable residential area by up to 8% compared with the same project using traditional technologies. In addition, prestressing concrete reduces cross-sections, which translates into cheaper transport and assembly, and thus attractive selling prices. The sustainable construction aspect of prefabrication technology is also important. Prefabricated elements within the Group are manufactured by Pekabex BET, Kokoski Prefabrykacja (since 2020) and FTO Fertigteilwerk

Obermain GmbH (within the structures of the Pekabex Group since 28 December 2020). Pekabex Group, currently has six production sites, one in Germany and five in Poland, including a factory in Gdańsk, which opened in 2020 and is one of the most modern facilities of its kind in Europe. It enables the fully automated production of Filigran floor slabs, double Filigran walls and solid walls.

The Group's factories have begun to implement the principles of sustainable development, which is part of a wave of global changes, particularly in the European Union economy, aimed at significantly reducing energy consumption, greenhouse gas emissions and a closed loop economy. The Group is aware that the construction industry sector plays a key role in the decarbonisation of the economy, which is why its activities in this area are multidirectional, and are described in more detail later in this report in chapter 6 Environment.

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. Projects carried out under this formula use prefabricated concrete structures manufactured at the Group's plants. 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, among others, of engineers and designers from all construction industries who comprehensively support investors at different stages of the investment, in terms of both 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 large-volume construction and residential construction. These two segments of the Polish construction market have been developing very dynamically in recent years. Demand in the area of volume construction is primarily linked to the development of the e-commerce sector, which has noticeably accelerated during the pandemic period. In response to the growing demand for warehouse and logistics halls. The Group has developed the "Pekabex® Hall System", which incorporates state-of-the-art design solutions protected by law

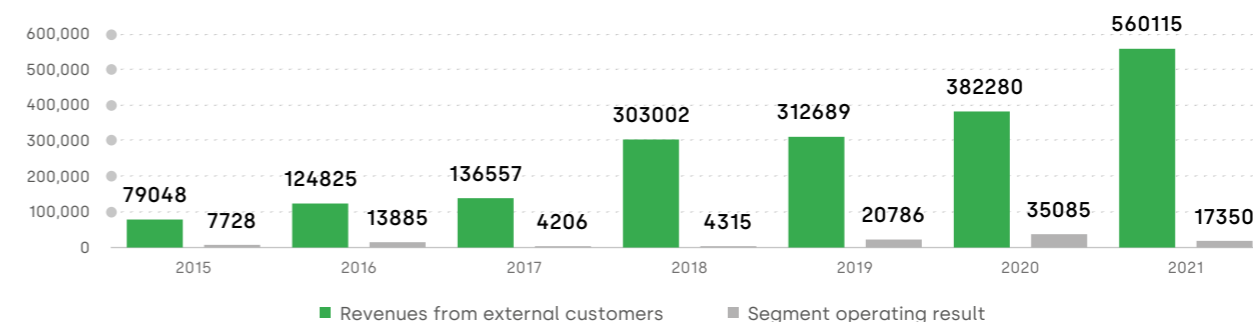
to provide customers with the optimum combination of the lowest possible price, quality, utility value and speed of erection. "The Pekabex® Hall System is also part of the growing customer interest in sustainable construction. Thanks to the technological concepts used, the structures of buildings constructed under the "Pekabex® Hall System" have a limited carbon footprint, and additionally a high load-bearing capacity of the roof surfaces enabling the installation of photovoltaic panels producing green energy. The Group cooperates in the area of general contracting of buildings with the largest investors in warehouse and logistics parks in Central and Eastern Europe, such as MLP, Prologis, Panattoni, 7R or CTP.

Housing construction is the second very significant area of activity for Pekabex Group's General Contracting Department. The continuing unabated demand in the housing market since 2013, expressed by high housing sales rates, has translated into developers launching more and more new projects every year. In response to market demand, the Group has developed a technological solution, the "Pekabex® Residential Buildings System", which makes it possible to quickly, safely and economically construct buildings that are not only comfortable for their inhabitants, but also architecturally interesting. An important aspect of the "Pekabex® Residential Buildings System", which is

gaining increasing importance, is the idea of sustainable construction. Buildings constructed using this technology are energy efficient, and thanks to the innovative construction technology, the operation and use of resources is more efficient, which minimises the impact on the environment. In 2021, the Group carried out, as a general contractor, the construction of a housing estate in Toruń, in Okólna Street, which is the first investment under the government housing programme to be carried out using prefabrication technology, as well as the construction of residential buildings in Włocławek for Miejskie Budownictwo Mieszkaniowe sp. z o.o.

The wide offer of the General Contracting Department in the scope of completion of logistic, warehouse, production, office, commercial and residential buildings, with the use of modern prefabrication technology, is addressed to demanding investors. This is why we apply an individual approach to each project, so that the completed building is tailored to the wishes and needs of the user while keeping the construction process as short as possible, and maintaining high quality.

Revenue from the segment execution of contracts – construction services (business line – general contracting services) in the years 2015-2021 (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. As part of its real estate development activities, Pekabex offers flats, holiday suites, single-family terraced houses, service areas as well as hotel-type and rehabilitation facilities. Currently, the Pekabex Group is in the process of implementing or preparing for the implementation of projects:

- in Poznań: Ja_Sielska III, Ja_Sielska IV, Ja_Sielska V, Ja_Sielska VI - multi-family buildings,
- in Warsaw: Casa Fiore housing estate in Hafciarska Street,
- in the vicinity of Gdańsk: Casa Baia Apartments in Hel, Origin Mechelinki Apartments, Revital Apartments and Origin Mechelinki Centre,

- in Częstochowa: a residential and commercial building in Katedralna Street
- near Berlin (Germany): apartments in Falkensee

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. 5-8% more usable residential area on the same plot surface. Better technical parameters of buildings, e.g. acoustic, are also important. In addition, the sustainable 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 precast concrete elements generate a smaller carbon footprint than monolithic (traditional) construction.

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

	2021	2020	2019	2018	2017
Usable area in the execution phase (m ²)	3,107	7,664	8,744	2,832	2,832
Usable area in the preparation phase (in m ²)	52,144	39,106	1,752	5,912	5,912
Total area	55,251	46,770	10,496	8,744	8,744

* the usable area of the logistics hall, as part of the investment completed in Poznań in Q1 2021, has not been included 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 Group's three business activities complement each other, and positively influence each other; thanks to this complexity, Pekabex has great competence and experience in carrying out even the most demanding projects. This all adds up to Pekabex Group's unique business model, which has enabled it to become the leader in prefabricated construction in Poland, and opened the way to international expansion. The efficiency of the three business lines is supported by support departments operating within the Group, such as the Prefabricated Products Sales Department, the Design Department, the Logistics Department, and other departments such as the HR Department, the Legal Department, the Finance Department, and the Administration Department.

Pekabex has its own design office, specialising in designing buildings and structures made from precast concrete units. It employs nearly 160 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 from the Group's Polish plants amounted to 27,349 in 2021 compared to 21,775 in 2020 – an increase of around 20%.

The Group has its own Assembly Department, which, thanks to its qualified engineering and technical staff and experienced assembly workers, implements even the most unusual installations of prefabricated structures while maintaining the highest quality and safety standards. The most labour-intensive and heaviest assembly work is carried out using large construction machinery to its maximum potential under the supervision of skilled workers, which generates a safer working environment, and makes prefabricated construction socially responsible. Regardless of the season and weather conditions, 21 assembly teams (13 at home, 4 abroad and 4 for the German site) are at work on the construction sites, completing the projects on time, and in accordance with previously agreed specifications. The assembly of prefabricated elements is a stage in the construction process whose progress and effects can be seen almost immediately, buildings made from the Group's prefabs are built at a speed unattainable with traditional technology, which is also undoubtedly due to the experience and quality of work of the teams of the Assembly Department.

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



POZNAŃSKA KORPORACJA BUDOWLANA PEKABEX S.A.		
Pekabex Bet S.A.	execution of contracts (financing, coordination and production)	100%
Pekabex Pref S.A.	production, design, accounting, administrative and logistical services	100%
Centrum Nowoczesnej Prefabrykacji sp. z o.o.	lease of machinery and equipment and provision of IT services for Group companies	100%
Kokoszki Prefabrykacja S.A.	lease of machinery and equipment to Group companies and production of prefabricated elements in the new plant in Gdańsk-Kokoszki	100%
Pekabex Inwestycje II S.A.	(100%) lease of property, plant and machinery to Group companies	100%
Poznańskie Inwestycje Magazynowe sp. z o.o.	production services	100%

PROPERTY DEVELOPMENT COMPANIES		
Pekabex Development sp. z o.o.	coordination of development contracts	100%
Pekabex Casa Fiore sp. z o.o.	special purpose vehicle for managing the Casa Fiore housing estate in Hafciarska Street in Warsaw	75%
Pekabex Casa Baia sp. z o.o.	special purpose vehicle for the construction of the Casa Baia flats in Hel	100%
Pekabex Jasielska sp. z o.o.	special purpose vehicle for the construction of the JA_SIELSKA housing estate, stages III and IV in Poznań	100%
Pekabex Katedralna sp. z o.o.	special purpose vehicle for the construction of residential and commercial buildings at Katedralna Street in Częstochowa	80%
Origin Pekabex Mechelinki sp. z o.o.	the company is a General Partner at the company Origin Pekabex Mechelinki sp. z o. o. sp. k.	51%
Origin Pekabex Mechelinki sp. z o. o. sp.k.	special purpose vehicle implementing the Origin ReVital Mechelinki Complex investment	55%
Pekabex Inwestycje IV sp. z o.o.	limited partner in the company Origin Pekabex Mechelinki sp. z o.o. sp.k.	100%
Pekabex Inwestycje VIII sp. z o.o.	conducting investments in the construction of the first stages of the JA_SIELSKA development, and the construction of terraced houses in Józefostaw near Warsaw	100%
Pekabex Inwestycje XI sp. z o.o.	special purpose vehicle for the construction of the JA_SIELSKA housing estate, stages V and VI in Poznań	100%
Pekabex Inwestycje VIII sp. z o. o. S.K.A.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XII sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XIII sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XIV sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XV sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XVI sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
P. Homes sp. z o.o.	company dedicated to single-family house projects built using prefabrication technology	100%
Intermodal Logistics Hub Babimost sp. z. o.o.	special purpose vehicle for the construction of a logistics and warehousing hall in Babimost	100%

COMPANIES LOCATED IN GERMANY		
G + M GmbH	renting real estate, machinery and equipment to FTO, holding 100% of the shares in FTO	76%
FTO Fertigteilewerk Obermain GmbH	execution of contracts (financing, coordination and production)	76%
Falkenseer Gärten FEA GmbH	special purpose development vehicle for the construction of a residential estate in Falkensee, a suburb of Berlin	100%

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 operating since 2020), and in Bielsko-Biała. The Group also has one production facility located in Germany in Marktzeuln (acquired in late 2020).

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.



Production capacity:

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
50,000 m³ – structures and walls
200,000 m² – floor slabs

Mszczonów/Warsaw
50,000 m³ – structures and walls
200,000 m² – floor slabs
60,000. m³ – tubing elements

Bielsko-Biała
25,000 m³ – structures and walls
35,000 m² – floor slabs

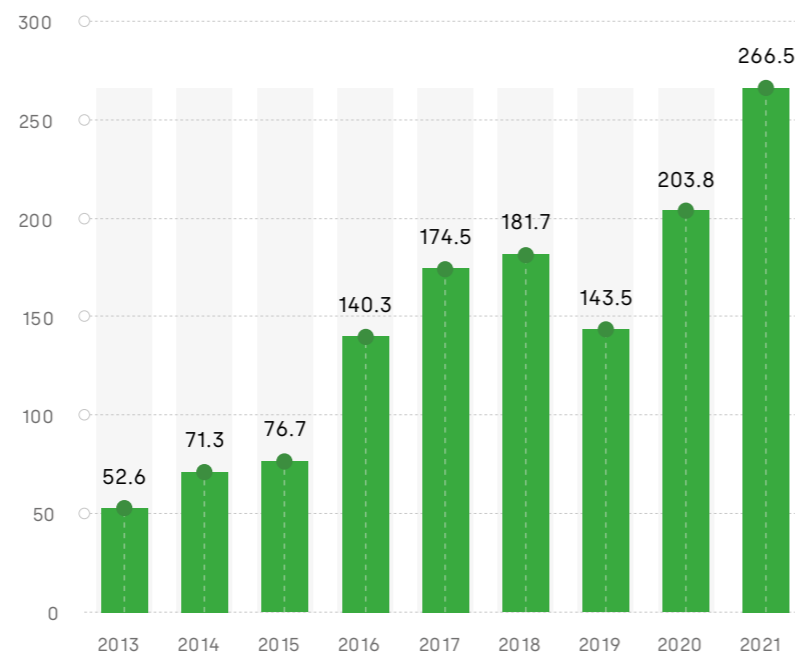
Marktzeuln (Germany)
30,000 m³ – structures and walls



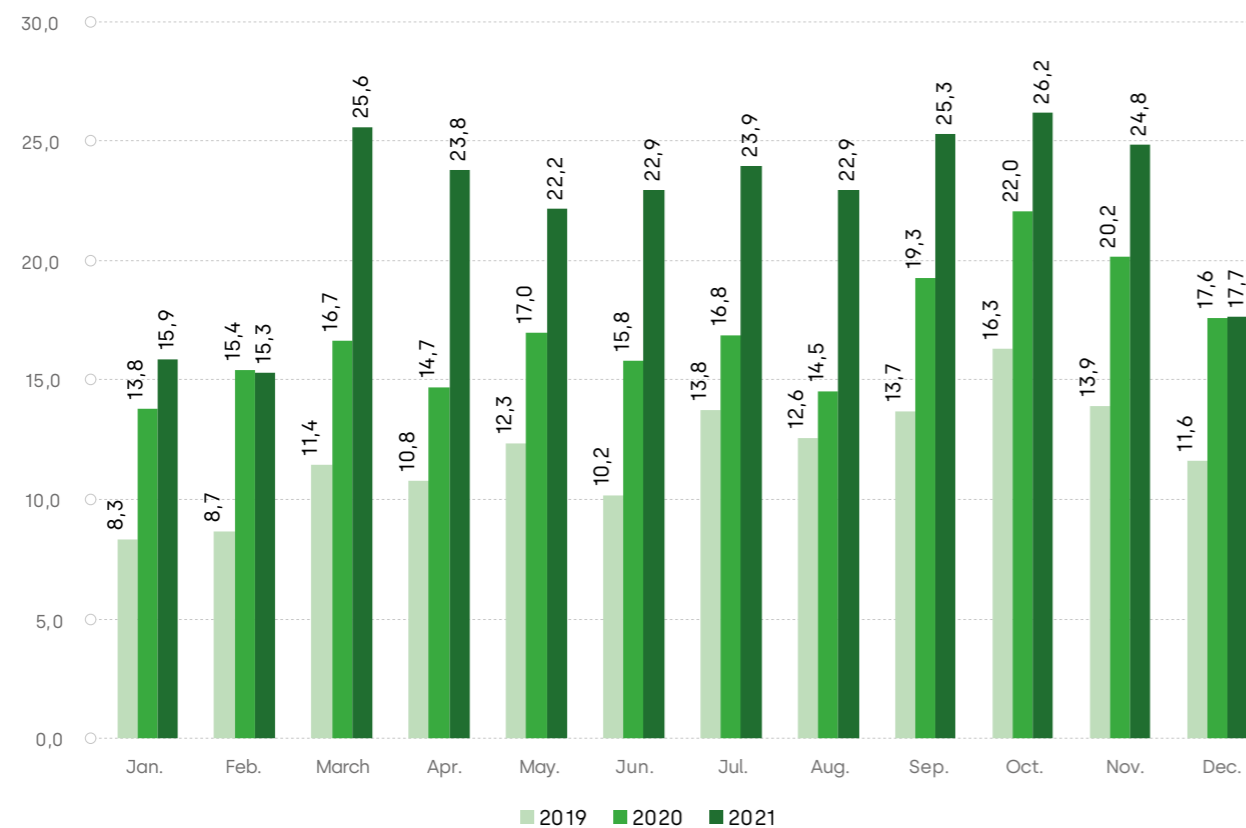
Pekabex Finished Goods Warehouse, Poznań

Total production volume generated by 6 production plants in 2021 amounted to 266.5 thousand m³.

Thus, in 2021 the Group achieved the highest production volume in its history.



Production volumes by month in 2021 (green) in comparison to the corresponding periods in 2019 and 2020:



Panattoni Hall, Bielsko-Biala

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.

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 buildings such as stairs and balconies, floor slabs in which sanitary installations can be installed, but mainly walls, including solid walls and three-layer walls, most often used as external walls with an elevation, equipped with electrical installations, having windows and external sills installed, as well as finished with special structural 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.

→ 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).

GRI: 102-2

Main products manufactured by Pekabex

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

- 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, prestressed hollow core slabs,
- reinforced elements, including rectangular columns, circular columns, footings (columns with footing), solid walls, two-layer walls, three-layer walls, foundations, retaining walls, walls with aggregate wash, walls with wash facade, balconies, tubing, docks, structural architectural elements,
- 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-, double-, and triple-layer wall elements with an insulation layer of polystyrene foam, polyurethane foam or mineral wool. External wall textures may be solid or have a façade layer finished with mineral plasters or washed stone of basalt, granite or other specified aggregate. The 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 Filigranslabs.



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 45 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.



Pekabex Finished Goods Warehouse, Poznań



PFR Real Estate, Toruń



PFR Real Estate, Toruń

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 in production plants

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 6 production plants, is carried out by the Production Departments, and in the scope of quality control, by the Quality Control Departments. The inspection is 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. The quality of the product, the production control and the conformity assessment of the requirements is analysed according to the standards specified in the technical documentation in terms of the acceptable level of quality, the required tolerances, which is the basis for releasing the product for further processing or to the finished products warehouse.

To ensure the products are of the highest quality, each contract has an assigned designer who coordinates the design work on the technical documentation. 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.
- The Manufacturing Quality Control (ZKP) system also covers the laboratories operating at the Group's production plants in Poznań, Gdańsk, Mszczonów and Bielsko-Biała. The laboratories support the control system and technological development guaranteeing 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 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.

In terms of quality management, and to maintain the highest standards, Pekabex Group has also implemented and maintains the following certificates:

- certificate confirming the compliance of the Quality Management System with the ISO 9001:2015 "Quality

- Management Systems" standard,
- certificate of compliance with the 45001:2018 "Occupational health and safety management systems" standard,
- certificate of compliance with the ISO 14001:2015 standard "Environmental Management Systems",
- 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 Norway.

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.



Tollare Marina estate in Stockholm, Sweden

Awards and honourable mentions

The most important awards and honourable mentions received by Pekabex in 2021 include:

Distinction at the 5th Real Estate Impactor Gala

Pekabex has become a laureate of the 5th edition of the Real Estate Impactor organised by "Rzeczpospolita" daily, which awards exceptional initiatives that change the face of cities and the approach to design. The Group received a distinction in the category "Object bringing new value to residents" for the senior project Revital in Mechelinki. The flats that are being built as part of the project are a modern form of senior housing that takes into account the needs of the residents.

Best Employer of the Year 2021 distinction from Gazeta Finansowa

The Group was included in the list of Best Employers of the Year 2021 organised by Gazeta Finansowa. The ranking distinguishes companies that appreciate and recognise the needs of employees, and are characterised by a flexible approach to the labour market, responding quickly to changes.

First prize in the 13th edition of TOPBUILDER 2021 for the investment JA_Sielska in Poznań

The Ja_Sielska estate in Poznań has become the winner of the 13th edition of TOPBUILDER 2021. "TopBuilder" is a prestigious title valued by the sector on the Polish construction market, and an award for products, facilities and services that stand out in a given year. Investors, developers, general contractors, manufacturers and architects have been receiving awards for over a dozen years.

Distinction in the Stock Exchange Company of the Year 2021 ranking

The Group was included in the prestigious list of winners of "Stock Exchange Company of the Year" by "Puls Biznesu". The ranking is based on a survey of experts - analysts and managers, who evaluate which company has the most competent management board, achieved the most spectacular success in the previous year, can boast the best quality of products and services in the stock exchange, best manages relations with investors, and has the most interesting prospects for development.

Nomination for Symbol of Innovation 2021 award

The Group was nominated for the title "Symbol of Innovation 2021" in a nationwide media programme. The awards have been granted for 11 years by the editors of "Monitor Rynkowy" [Market Monitor], an independent supplement to "Dziennik Gazeta Prawna" daily newspaper, and the "Monitor Biznesu" [Business Monitor], an independent supplement to "Rzeczpospolita" daily. The winners of the programme are companies and institutions characterised

by innovation, transforming their environment through intelligent mechanisms based on knowledge and competence.

Honourable mention in the WNP Award 2021

The Group was among the winners of economic awards granted by the editors of the economic portal WNP.PL and the economic magazine "Nowy Przemysł". The winners of the awards are companies that have coped brilliantly with the pandemic reality, and have often had a significant, groundbreaking impact on positive economic transformations, showing others the directions of development, illustrating important trends in the economy with their activity.

Third place in the "Build safely" competition from the National Labour Inspectorate in Poznań

The construction team of "Enter" Stage I, a housing estate built as a general contractor by Pekabex in Poznań's Naradowice district for ECHO Investment's client, was awarded third place in the National Labour Inspectorate's "Build Safely" competition for carrying out works to a high standard of health and safety.

Second place in the "Build safely" competition from the State Labour Inspectorate in Bydgoszcz

The award for second place in the "Build Safely" competition of the State Labour Inspectorate in Bydgoszcz went to the housing estate construction team in Okólna Street in Toruń, carried out by Pekabex as general contractor.

Top Municipal Investment Award 2021

The newly built facility in Kobylepole Street was the winner of the competition Top Inwestycje Komunalne 2021 organised by PortalSamorzadowy.pl. The shelter in the capital of Wielkopolska, of which Pekabex was the general contractor, was ranked among the 10 best municipal investments in the country. This prestigious award is granted to the best investments in Poland.

Grand Prix Builder Super Power 2021

An honourable mention for Ligia Szulc, Pekabex's Communications Officer, who was the Winner of the Builder Super Power 2021 Grand Prix. The Builder Super Power award is given to directors and managers of companies from the broadly understood construction industry, mainly in the areas of trade and sales, HR, marketing, PR and communication, but also research and development, technical consulting and customer service.

GRI: 102-13

Membership in organisations

As a leader in the concrete prefabrication market, Pekabex is an active member of organizations and associations in which it actively engages, treating it as an important aspect of its relations with the environment, and implementing the idea of responsible business. The main benefits of membership are the opportunity to gain knowledge, current access to industry information, but also the opportunity to share knowledge and gain new contacts and experiences.

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
- Wielkopolska Izba Przemysłowo-Handlowa (the Wielkopolska Chamber of Commerce and Industry)
- Dansk Byggeri
- Polish Circular Hotspot
- Polish Green Building Council.



1.2.

Markets and sources of supply

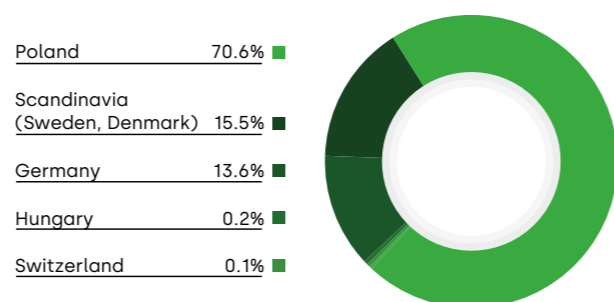
Demand on concrete precast units and reinforced concrete and compressed elements is highly correlated with the development of the construction industry and this industry has a strong link with the economic and macroeconomic situation in a given country. The construction industry has proved relatively immune to the turmoil of the Covid-19 pandemic. Unflagging demand could be observed especially in the large-volume and residential construction segments, which meant that the construction sector, after an initial short-lived slowdown, finally recorded record highs. The challenge of the final months of 2021 and early 2022 was the availability and rising prices of raw materials, building materials and energy. In addition, the current geopolitical situation related to the war in Ukraine and the economic sanctions imposed on Russia and Belarus has only exacerbated the unfavourable situation, and translated into the construction sector, which has to operate in conditions of turbulence related to the limited supply of components necessary for construction.

Over 90% of the Group's purchases are made from domestic suppliers. Key raw materials and materials procured by the Group include steel, cement, aggregates, plywood, accessories and construction chemicals. Key purchases also include transport services and subcontracting services related to the execution of contracts under the general contracting formula.

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.

The contracts were carried out in 2021 in Poland, Germany, Sweden, Denmark, and for the first time in Switzerland and Hungary. Production services are provided in Germany.

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



In thousands PLN	from 1 January to 31 December 2021	from 1 January to 31 December 2020	Change in value	Change %
Poland	1,062,304	738,516	323,788	43.8%
Percentage share in total sales	70.6%	49.1%		
Scandinavia (Sweden, Denmark)	232,975	168,340	64,635	38.4%
Percentage share in total sales	15.5%	17.7%		
Germany	205,340	45,332	160,009	353.0%
Percentage share in total sales	13.6%	4.8%		
Iceland	-	140	-140	
Percentage share in total sales	0.00%	0.01%		
Switzerland	1,577	-	1,577	
Percentage share in total sales	0.1%	0.00%		
Hungary	2,666	-	2,666	
Percentage share in total sales	0.2%	0.00%		
Total	1,504,862	952,327	552,535	58.0%

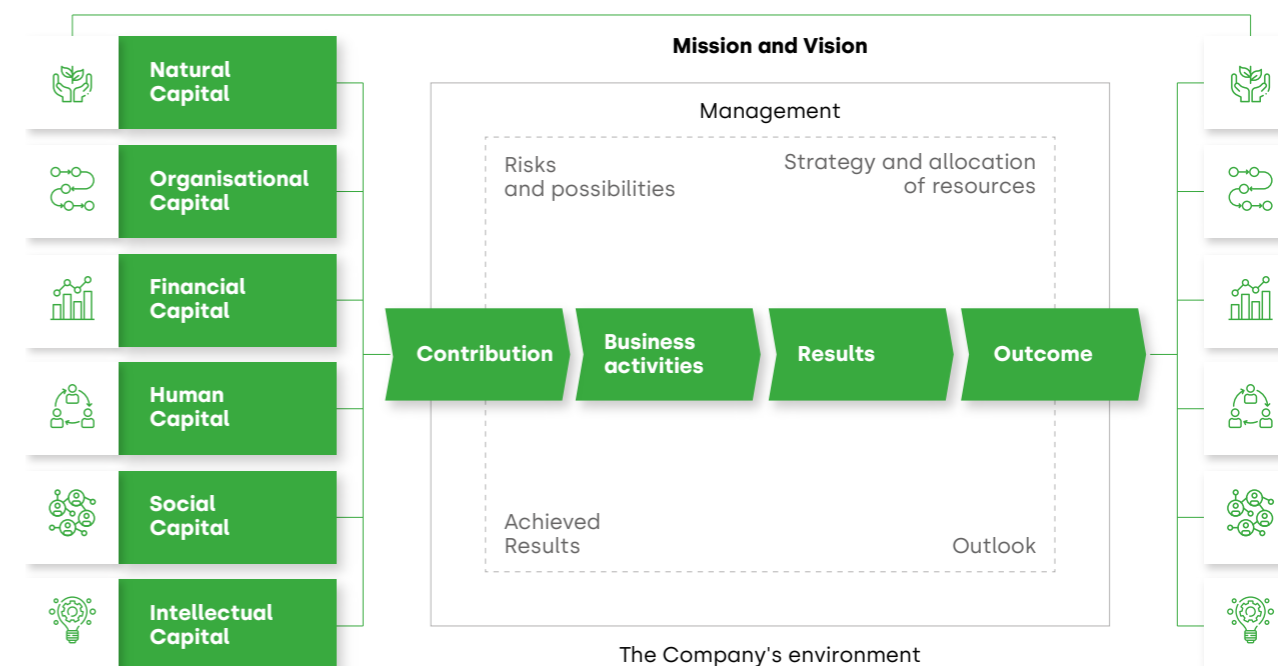
The increase in total revenue is mainly related to the Execution of contracts – prefabrication segment (increase by PLN 371,292 thousand).

Sales revenue on the territory of Poland increased by PLN 323,788 thousand compared to 2020, i.e. by 43.8%. Revenue from the execution of contracts in Scandinavia increased by PLN 64,635 thousand, i.e. by 38.4%. The increase in turnover in Germany was primarily due to the Group's acquisition of a production facility in Germany at the end of December 2020. Revenues from sales in Germany increased by PLN 160,009 thousand compared to 2020, i.e. by 353%, 72% of which are revenues generated by FTO. New markets for the Group in 2021 were Switzerland and Hungary.

1.3.

Value creation model

Pekabex Group integrates all its elements of the value chain in a way that enables the sustainable development of the entire organisation, as well as the acquisition and maintenance of a sustainable competitive advantage, also in the context of dynamically changing market conditions. Efficient flows between the various components of the value creation model allow the Group to achieve its objectives, ensuring flexible adaptation of processes to the volatility of the business environment.



In 2021, the Group's principal customer was PDC Industrial Center 163 Ltd. Revenue from sales to this contractor in 2021 reached 5.7% of the Group's revenue. Revenues realised with this contractor belonged to the Execution of contracts - construction services and Execution of contracts - prefabrication segments. Skanska Sverige AB was the Group's second largest customer in terms of turnover. Revenue from sales to this contractor in 2021 amounted to 4.5% of the Group's revenue, whereas in 2020 its share was slightly below 6.0%. The turnover from both companies belongs to the Execution of contracts – prefabrication segment.

The Group reports on value chain issues in an integrated manner presenting relevant information on the Group's strategy, performance, opportunities, risks and management, putting them in the context of the environment and the most likely scenarios for its change 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.

SK Innovation Hall, Dąbrowa Górnicza





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 investors) and guarantee facilities acquired in financial institutions.

The most important aspect of financial capital is to provide the means to implement the Group's operating and investment strategy, and to secure the Group's stability and credibility 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 investments. Financial Capital enables you to use your resources effectively. It allows the Group to maintain and develop all its business lines, and to build a strong and stable organisation, ready for further growth and resistant to the volatility of market factors. Thanks to its financial capital, the Group can continue to meet its obligations even in the event of unfavourable 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 provides funding for human, intellectual, organisational, social and natural capital.

Capital performance management

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

- the use of optimal sources of funding,
- managing the order portfolio,
- planning long- and short-term cash flows,
- hedging cash flow due to risks,
- verifying customers' creditworthiness,
- maintaining financial stability through measures to optimise expenditure and asset structure,
- 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 1,220,339 thousand
- Short-term receivables: PLN 341,491 thousand
- Cash and cash equivalents: PLN 114,648 thousand
- Equity: PLN 405,622 thousand
- Long-term liabilities: PLN 210,018 thousand
- Short-term liabilities: PLN 604,699 thousand
- Sales revenue: PLN 1,504,862 thousand
- EBITDA: PLN 84,492 thousand
- Net profit: PLN 40,641 thousand
- Net debt: PLN 136 794 thousand
- Maximum guarantee limits available:
 - insurance: PLN 189 354 thousand, including those used for granted guarantees PLN 105 355 thousand
 - banking: PLN 594,199 thousand (including those used for guarantees PLN 214,423 thousand)
- Expansion of the production plant in Mszczonów.
- Development of new development projects, including in Germany.
- Acquisition on the German market
- Issuance of a new series of bonds worth PLN 40,000 thousand.
- Receipt of funding from the National Centre for Research and Development for the development of an innovative product and its production technology.
- Conclusion of new agreements for multi-purpose credit lines with a repayment guarantee provided by BGK.
- Starting cooperation with new financial institutions, in particular Santander Bank Polska S.A. and Credit Agricole Bank Polska S.A.



Human capital

For Pekabex, human capital means above all people, who have the knowledge and experience and pursue its objectives, through which the Group's value is created.

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.

In the support departments, the employees of the Group ensure adequate organisational, legal, financial and accounting support for the operations. They provide timely information necessary for decision-making, and to eradicate ongoing internal and external reporting obligations.

The employees of the Group have appropriate education and qualifications. They are committed, motivated, flexible and willing to do things out of the ordinary. Human capital is also one of the key success factors in the sustainable development of the organisation, which is why Pekabex, in its human resources management policy, strives to maintain and attract to the organisation employees with competences in line with the Group's business needs, but also capable of creating goodwill and a sustainable working environment that supports innovation, creates opportunities for continuous competence development, and promotes the idea of a learning organisation.

Key capital contributions

- Qualified engineering and specialist personnel have the necessary knowledge and experience in the industry
- The Group maintains a health and safety management system based on BS ISO 45001:2018
- 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
- Support to refugees from Ukraine in providing shelter and basic living conditions.
- 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 Performance 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.
- Examination of employee needs through "Pekabex Employee Satisfaction Survey", and implementation of solutions worked out together with employees.
- 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.
- Organisation of internships and apprenticeships for pupils and students.

Results achieved

- Number of jobs (employees and associates) in all Group companies: approx. 2,600 people
- Number of foreign employees: 329.
- Training expenditure in 2021 was higher than last year, a significant proportion of which was expenditure on training for the implementation of the new ERP-type system (Gardens).
- Number of apprentices and trainees in 2021: 30.
- Co-financing of events important for employees (apart from organising company integration events), such as team and individual sports activities.
- Conducting a "Pekabex Employee Satisfaction Survey" by an external company in 2021, covering all people working at the Group in Poland, with the aim of defining areas for improvement affecting the development of the organisation through employee engagement.
- Implementation of the Lean Green Belt programme.
- Initiating a training programme in the Manager's Academy series.
- Improving working conditions: renovations, streamlining internal processes, the idea of creating a friendlier organisation.
- Implementation of the "I have an idea" programme, which supports the initiative of positive change in the organisation.
- Financial and organisational support for workers from Ukraine, supporting their efforts to provide conditions of stay for their relatives and other people from Ukraine seeking refuge in Poland.
- 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 main component of intellectual capital is the knowledge of employees and their overall competence, which is why Pekabex employs a team of qualified designers and engineers whose ideas are developed and implemented. The Group is aware that in a rapidly changing market environment, a focus on innovation will be key to maintaining its business position, which is why research and development activities are an important part of the Group's value chain.

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

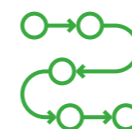
- The Group has implemented procedures for creating and approving documentation and executing contracts.
- The key activity is the optimisation of solutions and processes.
- Technical and IT solutions translate into the productivity of manufacturing and assembly, and consequently – into the value/profitability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

Capital performance management

- Implementation of projects in the area of research and development.
- Development of IT systems, robotisation and automation of processes.
- 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.
- Development and implementation of the "Pekabex® Residential Buildings System" and the "Pekabex® Hall System".
- In 2021, the Group filed 1 invention with the Patent Office, and in total the Group holds 17 utility model protection rights and 2 patents.
- Product, segment and geographic diversification strategy.
- Research work on the development of an innovative prefabricated bathroom module along with its production technology, for which it received funding from the NCRD.
- In 2021, the Group continued cooperation with universities and vocational schools
- Participating in the 4YoungEngineers initiative within the Concrete Manufacturers Association by conducting educational activities to promote the use of precast concrete in construction among young architects and civil engineers.
- Organisation of a competition for the best thesis.
- Organisation of profiled internships and placements, and recruitment of the best students and graduates.
- Creation of Pekabex Engineering Department responsible for automation of production processes based on innovative technological solutions.
- Collaboration with engineering start-up ReBuild.



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 performance management

- The Company's authorities define and communicate the strategy, mission, vision, objectives 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 2021, the Group continued to implement the new ERP-type system (Gardens).
- As part of the organisation's drive for continuous improvement, a "Lean Green Belt" project was implemented in 2021 to support dynamic development and processes for problem solving and finding optimal solutions.
- Development of the organizational structure dealing with new areas and segments of activity (developer project execution segment).
- In 2021, the Group acquired a German development company that will develop a project in the suburbs of Berlin.
- The Group's procedures are being constantly developed and updated.
- Intensive work on the implementation of the sustainable development strategy and its integration with the business model and strategic goals of the organization.
- Ensuring both timely reporting and execution of contracts according to their schedules.



Social capital

Social capital for Pekabex Group means maintaining extensive contacts with social partners: organisations, institutions and communities, as well as common norms and values based on trust and long-term cooperation. The Group pays particular attention to building relationships both inside and outside the organisation. The Group is also involved in a number of projects such as charitable and educational activities, cooperation with academic and scientific centres, employee volunteering and support for many important sports and cultural events.

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

- It relies on long-term, committed relationships with customers and suppliers, and is open to a wide range of activities.
- The "Code of Conduct for Pekabex Capital Group Contractors" applies to relations with suppliers.
- The Group reinforces transparent communication with investors through its reporting activities.
- In its relations with employees, the Group demonstrates concern for a safe working environment, ensuring decent working conditions, and eliminating inequalities, caring for the development of employees, and supporting them in combining personal, professional and social goals.
- Resolving potential conflicts with local communities and being open to diversity.
- Engaging in and financially supporting local community initiatives. Improving 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 performance management

- Maintaining good relations with local authorities, organisations and parishes.
- Informing, online and offline, about the impact of the Group's activities on the communities.
- Nurturing relationships 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.
- Supporting employees' grassroots volunteering initiatives.
- Pekabex cooperates with the media on an ongoing basis to provide stakeholders with a broader view of its activities.
- Employing local subcontractors, thereby encouraging entrepreneurship at the site of the Group's contracts.

Results achieved

- In 2021, the Group continued cooperation with the Poznań 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 2021, with the support of the organisation, the Group's employees organised, among other things, a collection for an animal shelter, and took an active part in the final of the Great Orchestra of Christmas Charity.
- Organisation of material and financial support for Ukrainian workers and their families in the form of organised Group activities and grassroots employee initiatives.
- The Group supports local initiatives, and in 2021, it supported the implementation of the garden project at the Lubrański Academy in Poznań. This is the second garden project in the City of Poznań (next to the garden in the Podolany housing estate) that Pekabex supports.
- In 2021, the Group paid a total of PLN 3,784 thousand in property tax, and PLN 579 thousand in perpetual usufruct tax.



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. All the Group's business activities take into account climate impact, in particular the reduction of greenhouse gas emissions. The Group's Climate Policy includes a commitment to achieve climate neutrality in all emissions ranges by 2050.

Key capital contributions

- Taking steps towards decarbonisation in all carbon intensity bands.
- Responsible management of raw materials and materials throughout the supply chain.
- Minimising the amount of waste generated, and running a closed loop economy.
- Reducing noise emissions.
- Aiming to increase the environmental awareness of employees as well as all participants in the supply chain through educational campaigns.
- Cooperating with local communities in order to protect the natural environment.
- Rational use of resources and optimal energy management.
- Using and systematically increasing the share of renewable energy in its activities.

Capital performance management

- In 2021, the Group developed a Climate Policy which was adopted after the balance sheet date.
- Involvement in various initiatives to support climate action.
- Modernising the existing machinery stock, and increasing the level of automation in production.
- Using closed water circulation, controlling waste, recycling, using filters.
- The Group maintains oversight of natural capital issues; enhances monitoring and recording processes to meet the highest reporting standards in accordance with the European Commission's non-financial reporting guidelines.
- The Group's logistics are based solely on companies that comply with at least Euro 6 emission standards.
- The Group is working hard to translate the Group's climate strategy into measurable action in the face of global climate challenges.

Results achieved

- The Group is a member of the Polish Circular Hotspot, an organisation that works to promote a closed loop economy.
- The Group implemented an environmental management system in 2021 in accordance with the PN-EN ISO 14001:2015 standard.
- The Pekabex Group has improved emission control and prevention of environmental accidents by introducing systematic risk and emergency management.
- The Group controls waste at the assembly stage – up to 100% of the materials used can be reused.
- 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 2021, the Group did not pay significant fines, nor was it penalised with significant non-financial sanctions for non-compliance with environmental laws and regulations.
- The Group set up photovoltaic panels at its production plant in Mszczonów, and will systematically carry out installations in other locations.
- The Group carried out a number of educational and information campaigns under the "Pekabex Goes Green" slogan.
- The share of investments in the BREEAM/LEED standard in the Group's operating revenue amounted to 21.3% in 2021

1.5.

Significant agreements

The Issuer's subsidiaries, Pekabex Bet S.A. and FTO Fertigteilwerk Obermain GmbH, entered into significant contracts for the supply of goods and construction works in 2021, and after the balance sheet date in the ordinary course of business. Information on the contracts that meet the materiality criterion adopted by the Group is presented herein below.

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
15/01/2021	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		
19/01/2021	MLP Pruszków II sp. z o.o.	The subject matter of the agreement is the execution of the investment titled "Warehouse building numbered C4 in axes 6-11/N-H, and a single-storey social and office building for hall C4"	3%	EUR
26/01/2021	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)	4%	PLN
05/02/2021	Toto Societa Per Azioni Costruzioni 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
03/03/2021	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
08/03/2021	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 second 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, Tuczawa	7%	PLN
19/03/2021	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 Przystowice	6%	PLN

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
31/03/2021	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%	EUR
07/04/2021	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
26/04/2021	Prologis Poland LXXX 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 Łódź (DCA2 Prologis Park Łódź)	4%	EUR
28/04/2021	CTP Invest Poland sp. z o.o.	The subject of the contract is a comprehensive construction of a production and warehouse building with social and office facilities, a guardhouse building, a pumping station building with a fire water reservoir, a retention reservoir, an internal road layout with parking spaces	3%	PLN
12/05/2021	BIMs PLUS FHH Sp. z o.o. Warszawa sp. k.	The subject of the contract is the construction of a storage building with accompanying infrastructure in Kolonia Dybów	12%	PLN
27/05/2021	Max Bögl Fertigteilwerke GmbH & Co KG	The subject of the contract is the production and delivery of prefabricated elements for an investment project in Michelsrombach	3%	EUR
02/06/2021	Raben Real Estate Poland sp. z o.o.	The subject of the contract is the general contracting in the "turnkey" system of the warehouse hall - stage III in Transportowa Street in Grodzisk Mazowiecki	4%	PLN
07/07/2021	TB Development sp. z o.o.	The subject of the contract is a comprehensive execution of earthworks and road works by the Company as part of an investment task - construction of a production, warehouse and logistics centre with social and office segments	5%	PLN
04/08/2021	Azurite Poland Propco V sp. z o.o.	The subject of the contract is the general contracting in the "turnkey" system of the warehouse building in Racibórz together with the technical infrastructure	3%	PLN
15/09/2021	Dachland sp. z o.o.	The subject of the contract is the execution of prefabricated reinforced concrete structure for the investment "Expansion of the hall of the Liquids Division" of the plant Reckitt Benckiser Production Poland Sp. z o.o., located in Nowy Dwór Mazowiecki	2%	PLN
18/10/2021	SK Ecoplant Co. Ltd sp. z o.o. Branch in Poland	The subject of the contract is the execution of the prefabricated structure of the building for the Investment of Lithium Ion Battery Separators Factory Phase 3&4 located in Dąbrowa Górnicza, Tuczawa	11%	PLN

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
09/11/2021	PDC Industrial Center 163 sp. z o.o.	The subject matter of the contract is the construction of a Production, Warehousing and Logistics Centre together with social and office segments, a gatehouse building, a water tank for fire-fighting purposes together with a pumping station, squares, car parks, and necessary elements of technical infrastructure in Bielsko-Biała	16%**	EUR
15/11/2021	Paweł Rochowski P.U.H. Ampro	The subject of the agreement is a comprehensive execution of ground and road works within the execution of an investment task - the construction of a warehouse building with service and administrative-social facilities together with the accompanying infrastructure in Kolonia Dybów in relation to the agreement concluded by the Company with BIMs Plus FFH Sp. z o.o. Warszawa Sp.k.	2%	PLN
15/11/2021	Bremer AG	The subject of the contract is the manufacture and supply of prefabricated elements	2%	EUR
17/12/2021	PDC Industrial Center 226 sp. z o. o.	The subject of the contract is the construction of a storage hall with accompanying infrastructure located in Jaryszki in the Kórnik gmina	7%	EUR
23/12/2021	7R S.A.	The subject of the contract is the construction of storage and production facilities with offices and the accompanying road and technical infrastructure in Lublewo Gdańskie	9%	PLN
21/01/2022	Lech Fabrics sp. z o.o. sp. k.	The subject of the contract is the construction of a storage hall with social and office space and the necessary technical infrastructure, to be implemented in Kostrzyn	4%	EUR
21/02/2022	Skanska Sverige AB	The subject matter of the contract is the design, manufacture, delivery, assembly of prefabricated elements within the framework of the investment named Malmö Citadellsgymnasium, located in Malmö, Sweden	2%	PLN
18/03/2022	CTP Invest Poland sp. z o.o.	The subject of the contract is a comprehensive execution of "turn-key" warehouse buildings together with obtaining the final permit for the use of the warehouse buildings with an admissible function of non-intrusive production, with social and office premises on the ground floor, technical premises, a guardhouse building, as well as technical infrastructure and land development in Iłowa	25%	PLN
18/03/2022	CTP Invest Poland sp. z o.o.	The subject of the contract is a comprehensive "turn-key" execution together with obtaining the final permit for the use of the warehouse building with the permissible function of non-intrusive production of the area of approx. 31,482.81m ² with social and office premises, together with the guardhouse building, fire pumping station building with fire water tank, transformer station building, and technical infrastructure and land development in Kobyłka	7%	PLN
07/04/2022	Anton Röhr sp. z o.o. International transport Poznań	The subject of the agreement is the implementation of an investment task consisting of the construction of a warehouse building with a social and office part and a gatehouse, as well as technical infrastructure, which will be implemented on the property located in Mosina in Stanisława Lema Street	6%	PLN

* until 7 April 2021, the gross contract value expressed as a percentage of the Group's revenue generated in 2019, after that date, the gross contract value



Noex office building, Komorniki (visualisation)

expressed as a percentage of the Group's revenue generated in 2020.
 ** The gross contract value and an exercise of all options is 19% of revenue
 *** The agreement does not include contracts that have been terminated by the date of publication of the report

1.6

Other significant agreements

→ signed during the reporting period and after the balance sheet date

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
28/09/2021	National Centre for Research and Development	Agreement for funding from the Operational Programme Intelligent Development 2014-2020 under Sub-measure 1.1.1. "Industrial research and development work carried out by enterprises" for the implementation of an innovative project called "Research and development work on the development of an innovative prefabricated bathroom module together with its production technology". The total cost of the Project is PLN 8,803 thousand. The total amount of eligible expenditure is PLN 8,803 thousand. Under the terms of the agreement dated 28 September 2021, the National Centre for Research and Development, as the institution organising the competition, granted Pekabex Bet S.A. a grant not exceeding PLN 4,034 thousand. The eligibility period for expenditure started on 1 July 2021, and will last until 31 July 2023.	n/a	PLN

* Gross contract value expressed as a percentage of the Group's revenue generated in 2020

** Agreement described in more detail in note 3

In 2021, Pekabex CG entered into new insurance contracts and annexes extending the term of the 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 for 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 2021, were as follows:

Name of guarantor	Limit amount as at the balance sheet date (in PLN thousand)	Duration	Changes in 2021 and after the balance sheet date
UNIQA Towarzystwo Ubezpieczeń S.A.	10,000	11/05/2022	A general agreement for insurance guarantees was signed on 12 May 2021. The maximum amount limit is PLN 10,000 thousand, the limit for a single guarantee is PLN 6,000 thousand.
Towarzystwo Ubezpieczeń i Reasekuracji Allianz Polska S.A.	30,000	31/05/2022	On 25 May 2021, an annex to the agreement was signed concerning: <ul style="list-style-type: none"> • the extension of its period of validity until 31 May 2022, • increasing the value of the limit to the amount of PLN 30,000 thousand • setting the limit for a single guarantee at PLN 5,000 thousand
Towarzystwo Ubezpieczeń Europa S.A.	6000	Indefinite period	-
Towarzystwo Ubezpieczeń Euler Hermes S.A.	30,000	Indefinite period	On 26 May 2021, an annex to the agreement was signed concerning: <ul style="list-style-type: none"> • increasing the value of the limit to the amount of PLN 30,000 thousand • setting the limit for a single guarantee at PLN 5,500 thousand
InterRisk Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group	15,500	08/02/2023	After the balance sheet date on 9 February 2022, an annex to the agreement concerning the extension of its validity until 08 February 2023 was signed.

Name of guarantor	Limit amount as at the balance sheet date (in PLN thousand)	Duration	Changes in 2021 and after the balance sheet date
Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A.	3,000	Indefinite period	On 12 July 2021, an addendum was signed concerning: <ul style="list-style-type: none"> • increasing the value of the limit to the amount of PLN 3,000 thousand • increasing the limit for a single guarantee to PLN 700 thousand.
Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A.	40000	Indefinite period	On 18 December 2020, an annex to the agreement was signed to increase the value of the limit to PLN 40,000 thousand
Korporacja Ubezpieczeń Kredytów Eksportowych S.A.	3,000	Indefinite period	-
WIENER Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group	7000	06/02/2023	After the balance sheet date on 9 February 2022, an annex to the agreement concerning the extension of its validity until 06 February 2023 was signed.
Generali TU S.A.	10,000	22/12/2022	On 28 December 2021, an annex to the agreement was signed concerning: <ul style="list-style-type: none"> • the extension of its period of validity until 22 December 2022
Coface Mainz	20697*	Indefinite period	-
R+V Versicherung	13798*	Indefinite period	-
AXA Versicherung	4599*	Indefinite period	-
VHV Versicherung	2760*	Indefinite period	-
Total	198,654.		-

* the amount of the limit converted from EUR at the average NBP rate of 31 December 2021

On 20 July 2021, 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 2021 and to audit the financial statements of Pekabex S.A. and the Pekabex Group for 2021.

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 16 August 2021 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 no. 31.5 to the consolidated financial statements.

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



GRI: 102-16

Strategy and development of the Pekabex Group

2.0



www.pekabex.pl

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 and sustainable 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 current strategy for 2020-2024 confirms that the adopted directions of development are appropriate. The adopted 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, taking into account sustainable development.

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.
- Flexibility of operation with simultaneous operational efficiency and cost optimisation.
- Building brand trust.
- Integrating sustainable development principles into business decisions.

Casa Baia housing estate, Hal (visualisation)

Sales growth and diversification

- Development in the segment of residential construction in Poland and development of the offer dedicated to this segment.
- Increasing the level of sales effectiveness.
- 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.
- By actively promoting prefabrication through lectures, presentations and publications, Pekabex reaches designers, investors and general contractors with information on its solutions.
- Expansion of production capacity in the existing plants

Comprehensive offer and innovative products

- Developing comprehensive general contracting services and solutions, including those combining different technologies, and developing activities related to real estate development projects, also those for own account. 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 production 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 competi-

tive 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

- Setting key performance indicators for individual processes, monitoring their quality and 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. Computerisation, implementation of an ERP-type system.
- 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.

Market expansion

- Overseas expansion in Scandinavia and Western Europe.
- Development in the residential segment in Poland. Getting closer to the target customer.
- Development of the non-residential construction contracts segment ("Pekabex® Hall System", general contracting of investments).
- Increase the effectiveness and efficiency of the proactive sales process.

Learning and development

- Open communication and cooperation between departments in processes and projects.
- Clear procedures, organisational relationships, and operating rules within the Group.



Housing estate Osiedlowa 43, Józefostaw

- Development of the competencies of the workforce needed to deliver the organisation's strategy and objectives.
- Building employee satisfaction and engagement.
- Complying with the Pekabex Code of Ethics and the values defined therein such as respect, honesty, responsibility, improvement and open communication.

Sustainable development

The integration of sustainability factors into the business strategy, and the optimal management of these issues is a key challenge for the coming years for the Group Management and the entire organisation. One of the core activities of the sustainability framework was, and will continue to be in future periods, the integration of projects and initiatives in the area of climate protection, social action, and good corporate governance practices into ongoing projects.

Environment

The achievement of climate protection targets refers primarily to real actions related to the reduction of greenhouse gas emissions along the value chain taking into account the emission reduction target in the Climate Policy. The Management of the Pekabex Group, being aware of the social importance of the issue of combating climate change, supports the provisions of the Paris Agreement on limiting global warming by keeping the temperature increase below 2° C above pre-industrial levels and striving to limit the temperature increase to 1.5° C above pre-industrial levels. The Group will also aim to become climate neutral by 2050. The Group's key activities to achieve its objective include optimising energy sources, managing resources efficiently, running a closed loop economy, using modern technologies to improve energy efficiency, green certification of products, reducing environmental impact and biodiversity.

Society

The Group's Management Board is aware that the Group's business activities affect the social environment, i.e. employees, contractors and the local community. The Group's sustainable objectives in this area focus primarily on the aspects most affected by Pekabex's activities, i.e. health and safety at work, especially on construction sites, product safety, and the implementation of construction projects taking into account social responsibility, the fight against social inequalities, relations with local communities and diversity, and inclusiveness in the workplace.

Corporate governance

The Group's Board of Directors pursues sustainable objectives in the area of corporate governance, taking into account the specific nature of the Group's business and strategic objectives. Corporate governance is primarily the company's internal governance system to support the key needs of the organisation, and the external requirements of stakeholders, including investors. This is achieved primarily through a system of appropriate procedures, standards and internal control mechanisms implemented to ensure effective management and streamlined decision-making processes. The Group's corporate governance activities focus, among other things, on adhering to standards of business ethics throughout the value chain and countering corruption and bribery, as well as defining the role of key people in the organisation in aligning business strategy with sustainability challenges.

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

2.1.

GRI: 103-1, 103-2, 103-3

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 separation of a unit dedicated to this work, and the definition of an agenda for its further development allowed these activities to be further developed and systematised, and to reflect Pekabex's strategic objectives.

Achieving the strategic objectives requires centralisation and development of the Group's research and development area, and the establishment of a multidisciplinary unit integrating and developing the innovative activities undertaken to date, researching technologies, processes and products of the construction sector, in particular those related to the production of prefabricated elements. The creation of a dedicated R&D structure is a practice followed by the most innovative companies worldwide. Conducting this type of work, i.e. activities with a high level of risk and often a longer than standard time horizon, requires a different approach than standard business activities. Dedicated project management processes, creation of teams consisting of employees responsible for various areas of company activity, management of know-how diffusion from the environment or portfolio evaluation of conducted activities are most effectively implemented and managed within a separate organisational unit of the company.

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. So far, the Group has submitted 19 utility models (one in 2013, four in 2015, five in 2017, four in 2018, five in 2019 and one in 2020) to the Patent Office, received 16 protection rights and is awaiting consideration of the remaining applications. In addition, in 2021, the Group purchased one utility



Architectural concretes

model from an external entity. The Group has received two patents (in 2019), and is still awaiting the issuance of patents for five inventions submitted for registration (one submitted in 2017, one in 2019 and one in 2020 and one in 2021). 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 objective of the research and development work is to improve the production process by standardising the components and their layouts, and speeding up the assembly process on site. The Group's Management Board 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.

In September 2021, Pekabex Bet signed an agreement for funding from the Intelligent Development Operational Programme 2014-2020 under Submeasure 1.1.1. "Industrial research and development work carried out by enterprises" for the implementation of an innovative project called "Research and development work on the development of an innovative prefabricated bathroom module together with its production technology". The project concerns the development, as part of R&D works, of internationally innovative prefabricated bathroom modules intended for multi-family housing and public utility buildings as well as administrative and office parts of industrial facilities, together with a new technology for their production. Bathroom modules

will complement Pekabex's range of construction elements in the aforementioned areas, and bring a number of advantages and benefits to customers, by increasing the degree of prefabrication of the entire building, and shortening the time of investment execution. Prefabricated bathrooms are fully finished and equipped rooms, made outside the building project. They meet high hygiene and safety criteria, and are made using innovative technology.

The total cost of the Project is PLN 8,803 thousand. The total amount of eligible expenditure is PLN 8,803 thousand. Under the terms of the agreement dated 28 September 2021, the National Centre for Research and Development, as the institution organising the competition, granted Pekabex Bet S.A. a grant not exceeding PLN 4,034 thousand.

The eligibility period for expenditure started on 1 July 2021, and will last until 31 July 2023.

Research and development activity is supported by its systematisation, including the separation of a dedicated unit, and the definition of an agenda for its work, which is why the Research and Development Centre was established within the Group. 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 implementation 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 cooperates 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 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 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.

As part of the strategy chosen by the Management Board to automate production in factories, a Pekabex Engineering unit dedicated to, among other things, tasks related to the implementation of this strategy was established in the Group's organisational structure in 2020. The Group's management believes that the future belongs to new technologies, which is why Pekabex Engineering employs high-class specialists whose primary aspect of work is to strive to streamline, improve, and perfect production processes based on innovative solutions. The team consists of 5 engineers, including three designers and two automation specialists, who carry out the processes of design and development of machines and production equipment, prepare their specifications, and carry out installation, commissioning and measurement. Pekabex Engineering has completed a total of 111 projects, and 16 are in progress, for some of which patent applications have been filed for legal protection; the applications are being processed by the Patent Office. The team's most important achievements include the development of a semi-automatic folding rack leg for transporting and storing wall elements, the modernisation of the lifting system of the pallet cleaning machine, and the automation of the concrete batching plant by, among other things, giving new movement kinetics, the possibility to track the filling level of the tanks, and the possibility to control through a monitoring system.

After the balance sheet date in January 2022, in order to further develop the automation processes in the Group, Pekabex together with Rebuild sp. z o. o. registered a new entity called Rebuild Construction Automation sp. z o. o. Pekabex took a 50% stake in this company. The company is dedicated to the implementation of innovative projects designed to result in the creation of prototypes of machines and production equipment used later in the Group's factories. The new company combines engineers specialising in automation and R&D with specialists in prefabrication. This combination is expected to guarantee the automation of the company's production processes,

which will lead to the strengthening of Pekabex Group's position on the market. The aim of the new company is to identify production areas within the Pekabex Group that can be improved, to propose process development directions with a view to their automation, and to supervise work related to research and development of new products.

Pekabex actively supports scientific conferences and seminars as a sponsor and contributor. The Group representatives attend the most interesting industry events, either alone or together with partners. In 2021, Pekabex participated in the following events, among others:

- BUDMA Fair - as part of the Build4Future Economic Forum, a lecture by Tomasz Seremet, Member of the Management Board of Pekabex Bet S.A. took place.
- Periodic online lectures for students of construction and architecture at technical universities throughout Poland, organized by the Group independently or as part of its programs such as "Builder4Future" organised by "Builder" magazine and Stowarzyszenie Producentów Betonów (the Association of Concrete Producers),
- The lecture entitled. "Current circular practices in construction and directions for future change", which was part of a series of webinars organised by the Institute for Innovation and Responsible Development, the Ministry of Development, Labour and Technology and the Polish Academy of Sciences.
- Presentation at the conference "Prefabrication in architecture", organised by the portal Sztuka Architektury.
- TAROPAK Fair - Pekabex's stand presented offers and consulting on hall construction for the packaging industry, among others.
- Pekabex is one of the exhibitors of the "smart city" companies, organized by the Polish Development Fund on the premises of the Centralny Dom Technologii in Warsaw. A joint stand with PFR Real Estate showcases the technology of modern prefabrication, and one of the exhibits is a three-layer wall.
- The 2021 conference of the Polish Association of Construction Managers held in collaboration with the Warsaw University of Technology in Mikołajki was entitled "The new face of prefabrication in sustainable green building - requirements, needs". Among the speakers were representatives of the Pekabex Capital Group.
- Poznań Housing Fair in September 2021. 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.

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.

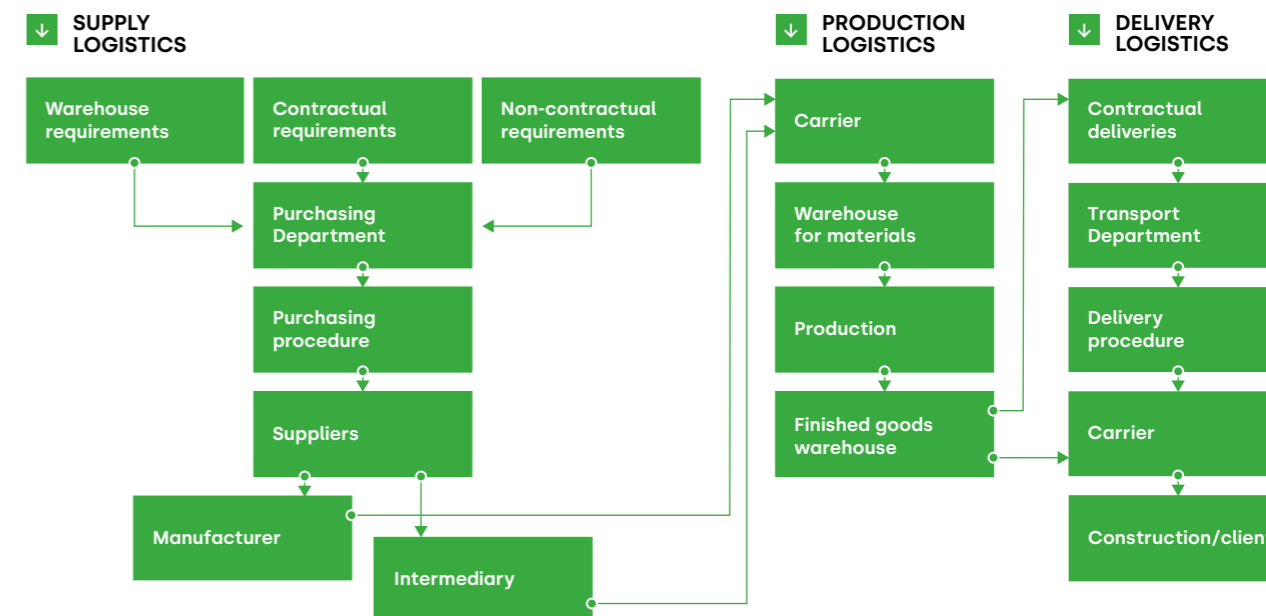
The Group's supplier structure is dispersed, which means that the Group is not dependent on one or a few entities.

The Group purchases based on cooperation agreements with regular suppliers within the scope of key assortment and services (cement, steel, aggregate, plywood, accessories, chemicals, insulation, 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. A separate purchasing centre is the General Contracting Department, which specialises in purchasing logistics securing the performance of contracts within the Group's business segment - Execution of contracts - construction services.

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 in particular the purchase of aggregates, gravels and sands, as these require separate purchase conditions for individual plants. Foreign purchases, purchases of steel, plywood and thermal insulation are also characterised by a complicated purchasing process; this is mainly due to the volatility of prices of these materials and raw materials, and limited availability, as experienced in 2021, and in the first quarter of 2022 by both the Group and the construction services market as a whole. This is due to rapidly rising inflation, dynamic increases in energy, gas and fuel prices, currency fluctuations, high market demand, and at the

The Pekabex supply/value chain is as follows:



same time reduced supply of raw materials. The war in Ukraine is also having a big impact on some of the materials and raw materials used in the construction industry. The lack of supplies from Ukraine and Russia, the weakening of the zloty, international economic sanctions or the outflow of workforce from Poland may have a further negative impact on the market.

The least labour-intensive purchases include orders for water, chemicals (concrete additives), wood, plywood, connecting elements, fuels, compressed steel, etc. These purchases are repetitive, and thus the implementation process is systematic.

In the Purchasing Department, individual buyers are responsible for specific purchasing categories, e.g. steel, aggregates, thermal insulation, tools, etc. In 2021, Pekabex had 604 active suppliers in its database, with whom it completed over 11,000 orders.

Pekabex Group's 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 9001:2015. 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 "platform" type semi-trailers characterised by a similar load capacity in terms of dimensions and weight; however, 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.

The graphic presents the deliveries made by the Group in 2021



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 2021, Pekabex Group signed 18 agreements with investors in the aforementioned segment. For each project, the Group works with a group of 40 to 60 subcontractors.

→ 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.

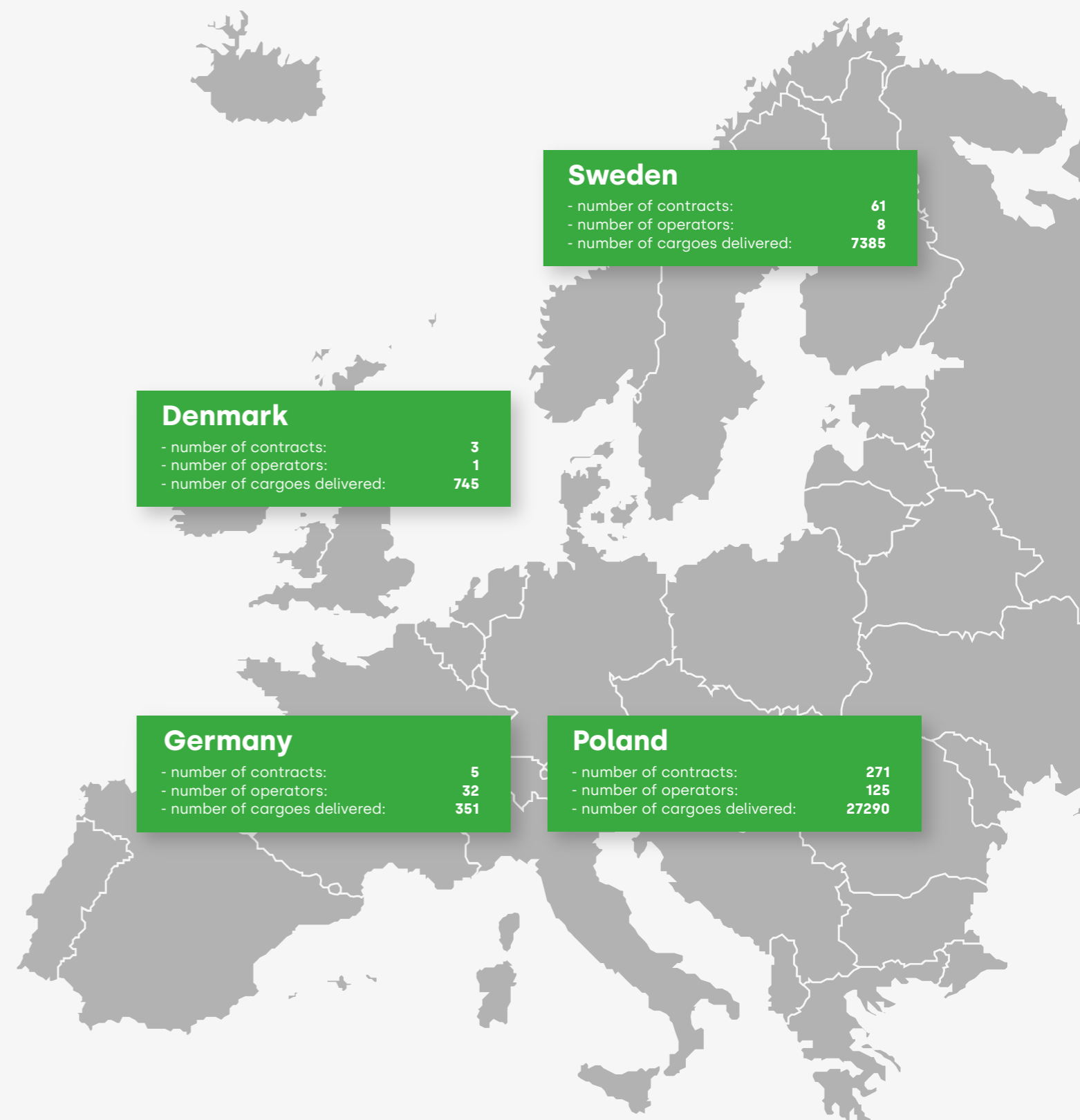
Subcontractors working with Pekabex are verified not only for compliance with the Group's standards in terms of service quality, but also in terms of occupational health and safety and foreigner employment legislation. The Pekabex Group has an occupational health and safety management system based on 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 2021, Pekabex's Logistics Department worked on increasing the functionality of the ERP system being implemented. In 2021, the Group continued to face supply volatility caused by Covid-19, and is now challenged by the effects of the war in Ukraine and the economic turmoil caused by this. The Logistics Department ensured continuity of supplies and provided the company with all the necessary protective equipment for employees.

Some of the changes in terms of suppliers of main materials and raw materials in 2021:

- Kokoszki Prefabrykacja SA - change of cement supplier from Cemex Polska to Lafarge Cement S. A.
- At the Mszczonów production site - diversification of cement supplies: Cemex Polska, Góraźdze Cement, Lafarge Cement





Activities of the Pekabex Capital Group in 2021

3.0



www.pekabex.pl

3.1.

Events significantly affecting the activities and financial results of the Pekabex Group

The year 2021 was another record year for the Pekabex Group in terms of revenue generated as well as production volumes.

However, it was also a difficult year in terms of rising costs, volatility in the materials and raw materials market and subcontracting services.

In 2021, the Group executed more than 472 construction contracts both as a supplier of prefabricated structures and comprehensive contract execution services. The contracts related to different types of facilities, and had different scopes, which are described in more detail in the section of the report on business segments.

In 2021, as in previous years, the Group's largest revenues were realised from warehouse and logistics hall construction projects. Demand for logistics space is growing across Europe, with demand in 2021 50% higher than the European average over the last 5 years. Poland stands out against this backdrop, where new demand in 2021 was around 58% higher than the previous year. Currently, Poland is the sixth largest market in the European Union in terms of total warehouse stock, and the second largest in terms of new supply activity, so the potential for development is still very high. Optimistic forecasts related to the growth of this construction segment and the noticeable dynamics of Internet sales (e-commerce), which drives the demand for warehouse space, allow us to predict that the Group's activity related to the construction of warehousing and logistics halls will also develop in the coming years.

The Group's second major market is residential construction. Pekabex has been increasing the share of residential facilities in its contract portfolio year on year, with the Group generating nearly double the revenue from residential contracts in 2021 compared to 2020. Statistics from the market confirm that the property development sector was in very good shape in 2021. According to preliminary data from the Central Statistical Office (CSO), 234.7 thousand dwellings will be completed in 2021, 6.3% more than the

year before. More on the outlook for the housing market can be found in Chapter 8 of the report. Forecasts show that residential construction still has high growth potential, as the deficit in the housing market is still clearly felt and housing stock is much lower than in Western European markets. Therefore, the Group also intends to develop this area of its business in the coming years, both through cooperation with property development companies, and through its own investments, which are described in more detail in section 3.6 of the report.

In 2021, a destabilised market for raw materials and materials was a major challenge for companies operating in the construction industry, including Pekabex Group. The price spike had a negative impact on the Group's results. Demand for raw materials and building materials on a global scale perceptibly outweighed supply. Companies throughout the sector have permanently operated in a situation of considerable unpredictability, not only due to price spikes, especially for steel, but also because of the need to secure supply chains. The Group had developed a procurement policy under which for years it has taken measures to minimise the risk of price volatility of key resources, among other things through advance contracting of raw materials, materials and energy, as well as subcontractor services (especially in the case of large contracts executed under the general contracting formula). The use of an indexation clause in contractual agreements is also an important element introduced by the Group to reduce the uncertainty associated with sudden price changes.

Sustainability, and in particular the organisation's impact on the climate, is also an important aspect of the Group's business decisions. Construction is the most material-intensive sector of the economy, and accounts for 30% of global greenhouse gas emissions. It will therefore play a key role in the decarbonisation of the European Union economy, and in achieving the European Green Deal goal of climate neutrality by 2050. It is observed that various stakeholders - and above all investors - are paying increasing attention to the use of solutions that reduce carbon footprints, as well as other solutions in line with the concept of sustainable development, taking into account environmental and social responsibility. The construction market is also moving towards the provision of non-standard, environmentally friendly and flexible solutions that offer the opportunity to stand out and increase the attractiveness of buildings, which is why the market for prefabricated elements will be an increasingly appreciated component of the construction market responding to contemporary challenges. It is connected with the advantages of prefabrication in the form of the high quality 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

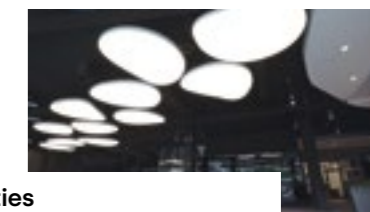
The investments completed by the Pekabex Group in 2021 were characterised by great diversity in terms of design, production and logistics.

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. The high quality of the components produced by the Group is matched by their durability, aesthetics and speed of construction. These are undoubtedly the features that make prefabrication technology increasingly popular. In addition, in view of the market transformation in the approach to the issue of reducing the impact of construction on the climate, one of the Group's priorities is to work on new technologies that will allow the production of low-emission prefabricated elements whose carbon footprint will be significantly reduced.

Pekabex's offer includes commercial, office, infrastructure, residential, industrial, warehouse-logistics, public utility and non-standard facilities.



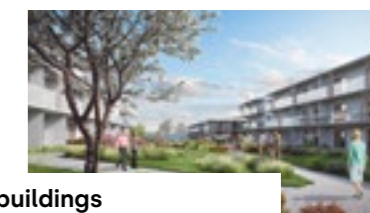
Retail facilities



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 2021 are presented below.

Industrial facilities

The Group has a wealth of experience and all the necessary resources, from design to production, transport, and its own assembly teams, which ensure that it meets the highest demands of the industrial construction process.



SK Innovation Hall, Dąbrowa Górnicza

In March 2021, the Group signed a contract for the execution of a prefabricated structure for the construction of the second stage of the M-Project for Poland Ph-2 lithium-ion battery production plant located in Dąbrowa Górnicza, Tuczna. The investment, commissioned by the Korean company SK Innovation, is of significant importance for the Polish economy and the development of the automotive sector in the field of electromobility. Production at the factory is expected to start at the end of Q4 2023. The new plant is being built on a 28-hectare site within the Katowice Special Economic Zone (KSSE) in Dąbrowa Górnicza. The total investment outlays for the establishment and commissioning of the Tuczna plant will exceed EUR 1.5 billion. The plant's annual production capacity is estimated to total 860 million m² of separators. This means that the Tuczna plant will be SK Innovation's largest plant in the world, thus strengthening the company's position as a global leader in this sector. In October 2021, the Group signed another contract for the construction of a prefabricated structure for the next stages of the lithium-ion battery separator factory investment located in Dąbrowa Górnicza, Tuczna.

Warehouse and logistics facilities

Hall construction contracts are projects that have become Pekabex's calling card. Warehouse and logistics halls made of prefabricated concrete elements 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. Modern prefabrication also fits in with market expectations for sustainable construction. Fewer materials needed for construction, the possibility of using greener raw materials - such as low-emission concrete, less steel consumption than with traditional hall constructions - all of this determines the product's smaller carbon footprint. In addition, the facilities built by the Group have a high load-bearing capacity, and allow the use of photovoltaics on roofs, solar panels, grey water systems and much more. A number of Pekabex's projects are also certified under the BREEAM or LEED systems, which confirms the application of environmentally and socially responsible solutions.

In 2021, the Group continued its cooperation with the largest investors of warehouse and logistics parks in Poland such as MLP, Panattoni, Prologis, CTP or 7R.



Prologis Park Poznań III

In April 2021, the Group signed an agreement with CTP Invest Poland to initiate a large-scale cooperation with an international warehouse developer from the Czech Republic. The agreement concerns the construction of a hall in the Opole logistics park. CTP Invest Poland is carrying out a €12 million investment in CTPark Opole to build a park of warehouse space, and a light production hall. After the balance sheet date, the Group signed two more contracts with a developer; one for the construction as a general contractor of warehouse buildings with social and office



MLP hall, Pruszków

space in the Iłowa area of the Legnica Economic Zone, which will be one of the largest contracts performed by the Group to date in the field of warehouse and logistics facilities, and another contract for the construction of a warehouse building with a possible function of non-burden production together with the entire technical infrastructure and buildings serving the complex, and land development.

In 2021, the Group continued its cooperation with Panattoni, executing further contracts in the general contracting formula for one of the largest developers of warehouse and logistics parks in Europe. One of these investments is being carried out in Jarzyski near Poznań, and involves the construction of a 26,608 m² warehouse facility with infrastructure. The second project is located at Panattoni Park III in Bielsko-Biała, and involves the construction of three halls with a total area of nearly 100,000 m², together with social segments, a fire reservoir, and the necessary infrastructure.

In 2021, the Group signed further contracts with MLP, the execution of which took place at the MLP Pruszków II Logistics Park under the general contractor formula. To date, the Group has already completed nine projects in this location. The facilities were built using BIM technology, and selected buildings have the prestigious BREEAM environmental certificate.

In 2021, the Group signed two significant agreements for the development of storage and logistics halls with the developer of this space, the Prologis Group; one within DC2 Prologis Park Poznań III, and the other within DCA2 Prologis Park Łódź. Both contracts were based on the general contracting formula and, in addition to the construction of the halls, the contracts also provided for the construction

of the technical infrastructure. The 47,000 m² hall in Poznań with a three-storey office building was built in record time, it took just 26 days from signing the contract with the client to erecting the first structures, and the whole investment was completed in six months.

In December 2021, the Group entered into a partnership with the investor 7R, which is one of the leading developers of warehouse and production space. It provides solutions for various industries including logistics, light manufacturing, e-commerce, pharmaceuticals and automotive. The subject of Pekabex's agreement with 7R is the construction of storage and production facilities with offices, and the accompanying road and technical infrastructure in Lublewo Gdańskie.

Residential buildings

A product dedicated to residential buildings is the "Pekabex Residential Building System" created by the Group. Prefabricated modules from Pekabex's element catalogue enable quick, safe and economical construction of comfortable and architecturally interesting buildings. At the same time, the system guarantees the quality of the constructed objects, and optimises construction costs and time.

An important market for the Group with many contracts for residential buildings is the Scandinavian market. The Group continues to successfully develop sales in that region, which is also possible thanks to Pekabex's modern factory in Gdańsk, which opened in 2020. One of the largest investments in this market to date is the construction of residential buildings in Gothenburg (Sweden). The contract is based on a contract with Skanska Sverige AB, and covers the design, manufacture, delivery and assembly of prefabricated elements. The development includes 361

flats as well as kindergartens and commercial premises, with a total development area of 38,000 m². Thanks to the prefabrication technology used, disruptive construction was minimised, and work continued uninterrupted even in winter conditions. The Assembly Team, consisting of several Group employees, was responsible for the construction. The investment is expected to be completed in the second quarter of 2022.



PFR Real Estate, Toruń

In 2021, the Group executed significant contracts for the construction of housing estates under the general contracting formula as part of the government's "Mieszkanie Plus" programme. The first one is the Toruń investment in Okólna Street, which includes the construction of 320 flats and technical infrastructure such as a playground or a housing estate system of roads and pavements. The residential buildings within this development are being constructed at a speed and quality that is impossible for conventional construction, i.e. around 20 walls per day, which translates into one storey per week. Eight three-storey buildings were constructed and completed in the first quarter of 2022. On 7 April 2021, the Group signed another agreement implemented under the "Mieszkanie Plus" programme. The implemented contract provides for the construction of seven multi-family, 4-storey residential buildings with associated infrastructure in Sianów in Słowackiego Street. The project will comprise 168 flats as well as parking spaces, green space, and two squares - one for the youngest residents, the other a space for sport and recreation. The investment is scheduled for completion in the first quarter of 2023.

Significant residential construction contracts being executed by the Group in 2021 also include the construction of four residential buildings with the necessary

infrastructure (288 units in total) in Celulozowa Street in Włocławek. The investment is carried out on the basis of a contract signed with Miejskie Budownictwo Mieszkalniowe sp. z o.o. Pekabex's modular construction technology allows structural elements to be assembled even at temperatures well below -10°C, which gives an advantage over traditional solutions by significantly reducing the time needed to complete an investment, as we were able to see during this project. The contract is scheduled to be completed in the second quarter of 2022.

The Group's Management Board believes that prefabrication is the future of the Polish residential construction industry; expert analyses predict that in the long term the share of prefabrication in the residential construction industry will grow. For years, Pekabex has been cooperating in this field with developers not only from the Scandinavian market, but also, more and more frequently, with delivering its products to the domestic market by cooperating with such companies in this sector as Echo Investments (project in Naramowice, Poznań), or Dekpol. The Group is also successfully pursuing its own projects by developing a business line of self-employed property development investments. In 2021, the Group completed the sale of units in the second stage of the Ja_Sielska housing estate in Poznań (4 multi-family buildings, 110 flats), and the single-family housing estate in Józefostaw near Warsaw (12 segments). The Group is also involved in investments under construction, such as the Casa Fiore housing estate in Warsaw-Międzylesie, Casa Baia apartment buildings in Hel, and the Origin ReVital Mechelinki health complex project. A detailed description of the real estate development projects carried out by the Group on its own account is provided later in this section.

Pekabex Group also has P.HOMES, a system for the construction of single-family houses in prefabrication technology, in its housing construction offer. Thanks to the use of modern technology, solid, comfortable and ergonomic modular houses are built in half the time of traditional constructions. The offer is primarily aimed at the individual customer.

Public utility facilities

The Group's operations also include the execution of contracts related to public facilities such as schools, kindergartens, universities, medical institutions or cultural facilities. In 2021, the Group executed nearly 30 contracts related to the construction or modernisation of public utility facilities both in Poland and abroad.

February 2021 saw the completion of the elements on the construction site of the Summer Theatre in Kasprowicz Park in Szczecin. The scope of work related to the reconstruction of the Letni Theatre, which was carried out by the Group, included, among other things, extension of the stage from the side of the auditorium, demolition of the old roof and construction of a new one, reconstruction of the auditorium, reconstruction of access roads to the facility, as well as renovation and maintenance of the existing reinforced concrete arch, which is the hallmark of the Theatre. The



Underground car park, Poznań International Fair, Poznań

installation work included the installation of 376 auditorium slabs, 129 steps and stairs, and 68 TT slabs over two winter months.

Infrastructure facilities

Pekabex has many years of experience in manufacturing elements for infrastructure construction. Thanks to our extensive knowledge of industrial processes, we sign contracts even for very unusual projects. The hallmarks of our projects are high quality and an innovative approach to unusual spatial conditions.

The Group executed a general contract in 2021 for the construction of an underground car park on the site of the Poznań International Fair. This is one of the most important new investments in Poznań. The facility will have 3 storeys and will accommodate 652 cars. The building will be 12 metres below ground level with a surface area of 18,250 m²; above it will be a green square surrounded by greenery which will serve as a place for meetings, recreation and leisure, with food gardens and space for cultural events, concerts and events.

In 2021, the Group completed the construction of a multi-storey car park in Bydgoszcz in Grudziądzka Street as part of the contract signed for the manufacture, supply and installation of prefabricated structures. The completed building has almost 20,000 m² of total floor space, and just over 17,000 m² of usable floor space. Such space is planned in a five-storey structure 16 metres high. In addition, the

building is made of prefabricated elements, and will have two colours - grey (concrete), as well as vertical brown stripes, which makes it an original and architecturally interesting building that will be a decoration of the city of Bydgoszcz.

Pekabex has extensive experience in manufacturing tubing elements. The largest contract to date for this type of element is the implementation within the framework of Poland's largest investment project "Streamlining of the Łódź Railway Junction - Łódź Fabryczna - Łódź Kaliska/Łódź Żabieniec section". The contract was signed with Przedsiębiorstwo Budowy Dróg i Mostów sp. z o.o. back in 2020, and is scheduled to be completed in the third quarter of 2023. Approximately 30,000 prefabricated tunnel lining elements, known as tubing, are being built as part of the project. The production of elements for this contract takes place in the plant in Mszczonów, in the newly built hall no. 4. The second major contract for the production and supply of tubing for an investment project in Berlin is a contract with Implenia Construction GmbH NL Tunnelbau, Munich, signed in 2020 to be executed in 2021 and 2022.

3.3.

Structure of Pekabex S.A. revenue – operating segments

The Company's revenue structure in 2021, together with comparative data for 2020, is presented below:

Data in thousands of PLN	from 1 January to 31 December 2021	from 1 January to 31 December 2020
Revenue from lease	12,707	10,341
Trademark fee	5,659	4,823
Other	222	213
Total	18,588	15,377

Revenue from lease in 2021 constituted 68.4% of total revenue, and in 2020 – 67.2%. Pekabex S.A. conducts all sales in Poland. The Company, as owner or perpetual usufructuary of real estate, leases or rents production properties or parts thereof mainly to Pekabex Group companies for the purposes of their business operations. Since 2020, the company has also leased a newly built logistics hall; the first half of the hall was leased to a non-Group entity in the first quarter of 2020, and the second half in the first quarter of 2021.

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 18,267 thousand in 2021, and PLN 13,910 thousand in 2020.

The subsidiary Pekabex Bet accounts for 98.3% of Pekabex S.A. revenue generated in 2020, and in 2020 this percentage amounted to 90.5%.

Both in 2021 and 2020 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).

3.4.

The Pekabex Group sales revenue structure – operating segments

An operating segment is a separated part of operations, in connection with which the Group may earn revenues and incur costs. For management purposes, the Group's activities have been divided into parts based on the services provided and their specifications. The Management Board of the Group distinguishes the following reporting operating segments:

- 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

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 as part of comprehensive contract execution in the "execution of contracts- construction services" segment.

As part of the "execution of contracts – construction services" segment, the Group presents the part of execution of contracts 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 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. As part of the service, 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 has been divided into 2 modules with the possibility of further division or merging of areas, and the possibility of arranging social and office space.

As originally planned, the facility was leased to companies from outside the Group. In the first quarter of 2020, the Group signed a rental agreement for half of the hall, adapted this part to the tenant's requirements. 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 the following activities that are sources of revenue for the Group:

- the sale of materials
- accounting, human resources, administration, logistics and other services
- re-invoices
- leaseback transactions
- other

The results of the operating segments are reviewed periodically on the basis of internal reports by the Management Board of the Parent Company, and the Management Boards of the Group companies. The Management Board of the Parent Company analyses the results of operating segments at the level of gross operating profit (loss) understood as the difference between revenues determined according to the degree of advancement of costs, and direct, indirect and departmental costs recognized according to the degree of advancement assigned to these revenues on a given contract. The segment operating

results presented exclude Group overheads (including other operating expenses and finance costs). There are no inter-segment transactions.

The Group's assets cannot be directly and unambiguously attributed to the activities of a particular operating segment, and are therefore not allocated to the assets of the operating segments. A significant portion of the non-current assets, due to their specific nature, are used in various segments of the group.

Revenue generated in particular segments of the Group's activity in the year ended 31 December 2021 and in the comparable period of 2020 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 31/12/2021							
Revenue from external customers	873,042	560,115	36,048	20,781	2,089	12,787	1,504,862
Segment operating result	75,224	17,350	2,806	9,962	1,148	1,328	107,818
Segment operating profitability	8.6%	3.1%	7.8%	47.9%	55.0%	10.4%	7.2%
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%

The volume of revenue and results in 2021 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). Both segments accounted for 95.2% of the sales revenue generated by the Group in 2021. Revenue in the prefabrication segment increased by PLN 371,292 thousand, which with operating margin at a level of 8.6%, allowed the segment to generate an operating result that is 29.2% better than that of the previous year. Revenues in the Execution of contracts – construction services segment increased by PLN 177,834 thousand; with an operating margin of 3.1%, this segment generated an operating result of PLN 17,350 thousand, i.e. a decrease of PLN 17,735 thousand. This result was influenced by a jump in the prices of construction materials and subcontracting services.

Sales outside Poland increased by 107% in 2021 compared to 2020, especially on the German markets. The increase in sales was mainly the result of an acquisition through the purchase of the plant in Marktzeuln, Germany, at the end of 2020. Sales on the Swedish market in 2021 were 38.4% lower than in 2020. The Swedish economy, after the strong decline in economic activity recorded during the pandemic period, has recorded a strong rebound, 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 2022 and subsequent years.

3.5.

Basic economic and financial data for the Pekabex Group

PLN thousand	from 1 January to 31 December 2021	from 1 January to 31 December 2020	from 1 January to 31 December 2019	change in value until 2020	% change until 2020	change in value until 2019	% change until 2019
Income statement							
Sales revenues	1,504,862	952,327	772,047	552,535	58.02%	732,815	94.92%
Prime costs of the sale	1,310,733	785,374	652,739	525,359	66.89%	657,994	100.80%
Operating profit	57,767	69,455	39,396	-11,688	-16.83%	18,371	46.63%
Profit before tax	49,277	71,478	38,001	-22,201	-31.06%	11,276	29.67%
Net profit	40,641	57,900	30,496	-17,259	-29.81%	10,144	33.26%

The Group achieved record sales revenues of PLN 1,504,862 thousand in 2021, an increase of 58.02% compared to 2020. The increase in revenue was generated mainly in the contract execution - prefabrication segment (an increase of PLN 371,292 thousand), and was related to the acquisition of a plant in Germany, price increase, and increased utilisation of the Group's existing production capacity. The increase in sales in the execution of contracts - construction services segment (PLN 177,834 thousand) is related to the increase in the scale of the Group's operations, the acquisition of new customers, and the extension of cooperation with existing contractors. At the end of 2021, the cost of sales amounted to PLN 1,310,733 thousand, which is an increase by 66.89% compared to 2020.

Operating profit for 2021 amounted to PLN 57,767 thousand, and was 16.83% lower than the operating profit achieved in 2020, and 18,371 (46.63%) higher compared to the operating profit for 2019. The EBITDA result for 2021 amounted to PLN 84 492 thousand, and was lower by PLN 4 962 thousand (5.87%) than the EBITDA result achieved for 2020, and higher by PLN 29 042 thousand (34.37%) compared to 2019. The net profit amounted to PLN 40,641 thousand, and was lower by PLN 17,259 thousand than the net profit generated for 2020, and higher by PLN 10,144 thousand than the net profit for 2019, which amounted to PLN 30,496 thousand.

Profitability ratios, especially net return on sales, declined in 2021. The value of this indicator at the end of 2021 was 2.70%, while at the end of 2020 it was 3.95%. The decrease in the ratio is mainly due to the disproportionate increase in the cost of sales through the unprecedented increase in the prices of raw materials and materials, and the costs of subcontracting and transport.

Material costs

The prices of construction materials increased significantly in 2021, this was particularly noticeable in Q3 and Q4 of the year. The biggest price drivers were constrained supply due to supply chain bottlenecks, rising labour, fuel and energy costs, as well as the additional costs of the climate transition, which affected the final prices of construction materials. Pandemics and world economic policy also play a very important role here. Many companies have reduced production, which has slowed down the economy considerably, and any increase in turnover would in this case be at high risk of returning part of the subsidy. In 2021, price increases were felt particularly in heavy materials - OSB, thermal insulation (polystyrene, wool) and, all materials made from steel, aluminium, wood and petroleum derivatives. The year 2021 brought significant changes to the construction market, triggered by a continuous increase in the price of construction materials reaching up to 300% - 400% of the 2020 base price.

Labour costs

The Group is also experiencing increasing upward pressure on employee salaries. Due to the strong production increases recorded in 2021 in the construction sector and other sectors, the cost of workers is increasing significantly while their availability is reduced. The availability of workers has also been negatively affected by the ongoing pandemic and international restrictions on movement, including mandatory quarantines, testing, etc. Wage expectations for workers in the construction industry also increased, driven by the limited availability of people in the labour market, and rising inflation.

Subcontractor costs

The high level of investor activity in the market, the supply of new topics to be implemented in 2021, the dynamic increase in the prices of raw materials and materials, and the insufficient supply of these materials translated into significant uncertainty in the supply of key scopes of work. Consequently, as anticipated by the Group, there was a significant increase in the price of subcontracting services, and a reduction in the availability of subcontracting companies in 2021. By the end of Q3/2021, prices had stabilised, and the availability of subcontractors had improved.

Logistics costs

Due to the growing demand for logistics services on the domestic and foreign markets (high production in the construction sector), rising fuel costs and wage costs as well as the turbulence in the liquidity of maritime transport, there was a significant increase in logistics costs, especially in maritime transport.

The Group identified the main challenges of increasing raw material and materials costs, and in 2021 focused mainly on ensuring the necessary supply volumes for the execution of signed contracts. The Group also negotiated price increases for some of the contracts being executed in 2021, and subsequent contracts with contractors entered into during 2021 were priced based on increased prices for raw materials and construction services. In some cases, particularly for contracts where it was not possible to ensure price stability for cost items relevant to the contract

at the time of bidding and signing, indexing provisions were introduced to ensure the Group's expected margin.

For new contracts concluded in particular in the second half of 2021, the Group updated bid cost estimates on an ongoing basis, and reserved the necessary materials and services, reacting to changing market conditions, in particular in the general contracting segment, where sensitivity to changes in market prices of materials and services is, as a rule, much higher, and the direct margins obtained are significantly lower than those obtained in the prefabrication segment.

When executing contracts for the construction of residential buildings, the Group does not use subcontractors on the same scale as when executing production and storage halls. The Group makes extensive use of prefabricated components manufactured in its own factories. Therefore, the situation in the housing segment remained more stable with relatively less pressure to increase costs compared to the hall segment.

In the Management Board's opinion, in the long term, the Group's products, mainly in the area of structures for hall and residential buildings, will continue to gain in terms of price competitiveness. The cost of implementing steel structures, which can in certain situations be an alternative to prefabricated structures, will become disproportionately higher compared to prefabricated structures, due to the much higher share of the cost of steel in steel construction than in prefabricated structures.

The increase in wages in the construction sector in the long term is a trend that also has a positive impact on the attractiveness of the product the Group offers compared with the construction of structures and buildings using traditional technology. Thanks to the great possibilities of automating processes in factories (which is very difficult on construction sites), the share of labour costs is lower, which ultimately translates into lower costs of the construction itself and of the building.

PLN thousand	from 1 January to 31 December 2021	from 1 January to 31 December 2020	from 1 January to 31 December 2019	change in value until 2020	% change until 2020	change in value until 2019	% change until 2019
Income statement							
Assets	1,220,339	905,364	753,893	314,975	34.79%	466,446	61.87%
Current assets	767,529	484,919	415,709	282,611	58.28%	351,821	84.63%
Cash and cash equivalents	114,648	104,797	106,572	9,851	9.40%	8,076	7.58%
Fixed assets	452,810	420,445	338,184	32,364	7.70%	114,625	33.89%
Long-term liabilities	210,018	198,319	135,216	11,698	5.90%	74,801	53.32%
Short-term liabilities	604,699	345,324	309,406	259,376	75.11%	295,293	95.44%
Equity	405,622	361,721	309,270	43,901	12.14%	96,351	31.15%

At 31 December 2021, the Group's assets amounted to PLN 1,220,339 thousand, and were higher by PLN 314,975 thousand compared to 31 December 2020, and higher by PLN 466,446 thousand compared to 31 December 2019.

The increased value of total assets at the end of 2021 is mainly due to the increase in the scale of operations and, consequently, current assets, which amounted to PLN 767,529 thousand at the end of December 2021, which is PLN 282,610 thousand higher than the value of current assets at 31 December 2020.

The main reasons for the increase are increases in receivables and inventories. Receivables under construction contracts and trade and other receivables, as at 31 December 2021, were higher by PLN 217,914 thousand compared to 31 December 2020. The value of inventories as at 31 December 2021 amounted to PLN 176,146 thousand, and was higher by PLN 53,817 thousand compared to 31 December 2020. The increase in this balance sheet item is related to the sharp increase in prices, the increase in the scale of operations, and the increase in inventories in the development projects under construction (increase in inventories in the development segment by PLN 14,178 thousand compared to the balance as at 31 December 2020).

At the same time, cash levels increased by 9.4%; at the end of December 2021, the Group had PLN 114,648 thousand in bank accounts, an increase of PLN 9,851 thousand compared to the end of 2020. This is a consequence of the high demand for working capital.

Long-term liabilities as at 31 December 2021 were higher by PLN 11,698 thousand than as at 31 December 2020 and amounted to PLN 210,018 thousand. The change is mainly due to a new issue of corporate bonds (series B) by Pekabex S.A., which amounted to PLN 40,000 thousand and, a change in the presentation in the statements of the previous 2018 issue in current liabilities (20,000 to be redeemed in June 2022).

The increase in current liabilities as at 31 December 2021 compared to 31 December 2020 is mainly due to an increase in trade liabilities, including long-term contract valuation liabilities (increase of PLN 209,948 thousand), and an increase in financial liabilities (increase of PLN 45,976 thousand). The increase in trade liabilities, like the increase in receivables, is related to the increase in the scale of operations, and the increase in price levels. The increase in short-term financial liabilities is mainly related to the Group's use of working capital credit limits in the amount of PLN 12,981 thousand, and the transfer of bond liabilities to short-term liabilities (PLN 20,000 thousand).

Net debt at the end of December 2021 amounted to PLN 136,794 thousand, and was higher than at the end of 2020, when it amounted to PLN 100,116 thousand. This is a consequence of the increased demand for working capital and short-term financing.

At the same time, the increase in total assets compared to 31 December 2020 is directly related to the increase in the scale of operations, including in connection with the acquisition of the German plant.

The Group pursues its investment policy with a view to increasing production efficiency mainly through automation, and increasing production capacity, improving quality, and enhancing safety and working conditions.

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

	2021	2020	2019	% change until 2020	change in thousands of PLN	% change until 2019	change in thousands of PLN
EBIT [thousands PLN] (operating result)	57,767	69,455	39,396	-16.83%	-11,688	46.63%	18,371
EBITDA [thousands PLN] (operating result increased by depreciation)	84,492	89,454	55,449	-5.55%	-4,962	52.38%	29,042
Profitability indices:							
Return on assets (net financial result / total assets)	3.33%	6.40%	4.05%				
Return on equity capital (net financial result / equity at the end of the period)	10.02%	16.01%	9.86%				
Net margin on sales (net financial result/revenues from the sale of products and goods)	2.70%	6.08%	3.95%				
Liquidity ratios:							
Liquidity ratio I (total current assets / current liabilities)	1.27	1.40	1.34				
Long-term liquidity (total assets/short- and long-term liabilities)	1.50	1.67	1.70				
Other important:							
Net debt (total financial liabilities - cash and cash equivalents)	136,794	100,116	29,965				
EBITDA LTM (EBITDA for the last 12 months)	84,492	89,454	55,449				
Net debt to EBITDA ratio LTM (net debt / EBITDA LTM)	1.62	1.12	0.54				
Financial coefficient (equity capital at the end of the period / total assets)	0.33	0.40	0.41				

ECHO investment housing estate, Poznań



3.6.

Basic economic and financial data for Pekabex S.A.

	from 1 January to 31 December 2021	from 1 January to 31 December 2020	from 1 January to 31 December 2019	change in value until 2020	% change until 2020	change in value until 2019	% change until 2019
Income statement							
Sales revenues	18,588	15,377	14,278	3,211	20.88%	4,310	30.19%
Gross profit on sales	13,996	11,048	10,068	2,948	26.68%	3,928.	39.01%
Overheads	5,034	3,585	3,340	1,449	40.41%	1,693	50.69%
Other operating revenue	1,991	1,441	1,473	550	38.19%	518	35.14%
Other operating costs	881	73	461	808	1106.85%	420	91.25%
Operating profit	10,073	8,832	7,741	1,241	14.05%	2,332	30.12%
Financial revenue	12,751	4,451	2,560	8,300	186.48%	10,192	398.12%
Financial expenses	2,363	1,866	904	497	26.64%	1,459	161.32%
Profit before tax	20,461	11,417	9,397	9,044	79.22%	11,065	117.75%
Net profit	18,636	9,614	7,320	9,022	93.84%	11,316	154.59%
Statements of the financial position							
Total assets	280,561	223,769	191,243	56,792	25.38%	89,318	46.70%
Current assets	51,777	18,230	46,410	33,547	184.02%	5,367	11.56%
Fixed assets	228,784	205,539	144,833	23,245	11.31%	83,951	57.96%
Long-term liabilities	74,644	56,158	35,153	18,486	32.92%	39,490	112.34%
Short-term liabilities	41,172	11,650	5,673	29,522	253.41%	35,498	625.72%
Equity	164,746	155,961	150,417	8,785	5.63%	14,329	9.53%

In 2021, net sales revenue amounted to PLN 18,588 thousand, and was higher than those achieved in the previous year (PLN 15,377 thousand) and in 2019 (PLN 14,278 thousand). Pekabex S.A. conducts operations in the field of real estate lease to companies from the Group and beyond, and generates revenue from trademark. In January 2021, Pekabex S.A. received the occupancy permit for the second part of the newly constructed hall (described in this section below), and leased it to a company outside the Group. Gross profit from sales amounted to PLN 13,996

thousand and compared to the profit achieved in 2020 (PLN 11,048 thousand), there were no significant changes.

General administration costs amounted to PLN 5,034 thousand and were higher by PLN 1,449 thousand, i.e. by 40.41% in comparison to the previous year.

Operating profit in 2021 amounted to PLN 10,073 thousand and increased by 14.05% compared to the profit achieved in 2020 (PLN 8,832 thousand). Financial income increased

by PLN 8,300 thousand compared to the previous year and amounted to PLN 12,751 thousand at the end of 2021. The main impact on financial income in 2021 was the dividend received from the subsidiary Pekabex Inwestycje VIII in the amount of PLN 5,929 thousand, and the dividend from Pekabex Pref S.A. in the amount of PLN 5,000 thousand. Financial income also represented accrued interest on loans granted in the amount of PLN 1,604 thousand in 2021 (in 2020: PLN 1,546 thousand), and interest on debt securities of (in 2020: PLN 838 thousand). In 2020, financial income was significantly impacted by the valuation of options under the investment agreement entered into, as described in the basis of preparation of the financial statements, and accounting principles applied (estimates used). The Company recognised finance income of PLN 1,954 thousand in 2020 from the valuation of options.

As at 31 December 2021, the Company's assets amounted to PLN 280,561 thousand and were higher by 25.38% in relation to the balance as at 31 December 2020. This was mainly due to the increase in the value of current assets at the end of 2021; they were higher by PLN 33,547 thousand than the year before, and amounted to PLN 51,777 thousand at the end of 2021. This is mainly the result of the increase in investments in subsidiaries – an increase of PLN 16,554 thousand in relation to the value as at 31 December 2020.

Equity represented 58.72% of the balance sheet total and amounted to PLN 164,746 thousand, which constitutes a nominal increase of PLN 8,785 thousand.

Long-term and short-term liabilities have increased; this is mainly related to the increase in financial liabilities. In 2021, the Company issued series B corporate bonds with a value of PLN 40,000 thousand. The proceeds from the issue were mainly used for loans to subsidiaries enhancing property development activities in the Group.

Basic financial indicators for Pekabex S.A.:

	2021	2020	2019	% change until 2020	change in thousands of PLN	% change until 2019	change in thousands of PLN
EBIT [thousands PLN] (operating result)	10,073	8,832	7,741	14.05%	1,241	30.12%	2,332
EBITDA [thousands PLN] (result increased by depreciation)	12,636	11,334	10,534	11.49%	1,303	19.95%	2,102
Profitability indices:							
Return on assets (net financial result / total assets)	6.64%	4.30%	3.83%				
Return on equity (net financial result / equity)	11.31%	6.16%	4.87%				
Net profit margin (net financial result / revenue from sales of products and goods)	100.26%	62.52%	51.27%				
Liquidity ratios:							
Liquidity ratio I (total current assets / short-term liabilities)	1.26	1.56	8.18				
Long-term liquidity (total assets / short- and long-term liabilities)	2.42	3.30	4.68				

The Group's operations in 2021 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.

Hall in Poznań

Pekabex S.A. completed the second phase of the investment in the first quarter of 2021, including the adaptation of the building to the tenant's requirements. The hall is a modern logistics, production and office space for lease. It 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 intended, the Company leased the hall space to companies from outside the Group. The Management Board's decision to make this investment is a result of an optimal policy of utilising the Company's resources and assets.

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 real properties in 2020. Subsequently, in the first quarter of 2021, the Company recognised in investment real properties the costs of adaptation for the next tenant of the second part of the hall, in the amount of PLN 4,134 thousand. As of 22 January 2021, the lease agreement for the second part of the hall was signed, while on 28 January 2021 the Company received the occupancy permit. The Company does not exclude the possibility of selling the hall to an external buyer.

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 2021, 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.

Ja_Sielska housing estate in Poznań

The Ja_Sielska project has been running since 2017, and is being implemented in several stages. By the balance sheet date, the first two phases had been completed, and further investments in the Ja_Sielska project were in progress. Ja_Sielska housing estate is located in Podolany - a dynamically developing district of Poznań, with good communication, recreation areas, in the vicinity of lakes. The estate has planned places for neighbourhood meetings, and a playground for children.

On 9 October 2021, the building permit for the third phase of the project, which will include 124 flats in three five-storey buildings, became valid. The total residential area is expected to be around 6,500 m². The investment is scheduled for completion in the third quarter of 2023. The developer has already started the process of booking flats.

The next stages of the investment are at the stage of designing and obtaining appropriate permits. The anticipated residential area in the subsequent phases is: in phase IV -- approximately 6,200 m², and in phases V and VI - approximately 12,000 m².

Terraced houses Osiedlowa 43 in Józefostaw near Warsaw

The construction of the estate began in July 2020 and its completion took place in February 2021.

The estate consists of 12 terraced houses with gardens, each with an area of 147 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 F9 filters protecting against smog and pollen. There is also wall heating in the bedrooms 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 tightened insulation requirements (WT 2021). 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. All revenue from this investment was recognised 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 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 2024. 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 building permit was granted on 4 March 2022, and work is also underway on the detailed design and interior design incorporating the requirements related to its intended use. In parallel to the design work, cost analyses are being carried out. As of the end of March 2022, the majority of the flats have already been reserved, the signing of sales contracts as well as the start of construction is planned for the end of Q2 2022.

The investment in Katedralna Street in Częstochowa

The project involves the construction of two multi-family buildings with commercial premises on the ground floor, facing Katedralna Street, and an underground car park.

For the purpose of realising the investment, an investment agreement was concluded on 15 March 2021 between Pekabex Development Sp. o.o. (Investor 1) and Investor 2, being the owner of land properties located in Częstochowa in Katedralna Street. Under the agreement, Investor 2 took up shares in the special purpose vehicle Pekabex Katedralna Sp. z o.o., and the company acquired the property from Investor 2 on 16 March 2021.

The investment will be carried out by Investor 1, based on a project management agreement between SPV and Investor 1. The Investment will be financed from Investor 1's contribution (the difference between the market price of the land and the price at which it was acquired), and Investor 2's contribution, as well as debt financing (credit or bonds) raised by the SPV for the purpose of implementing the Investment.

On 21 January 2022, the building permit for the first stage was obtained, and work is currently underway on the detailed design and interior design project taking into account the requirements and criteria of the BREEAM certification, Green House, and Barrier Free Facility of the Integration Foundation. Sales are expected to start in May 2022, and construction is expected to start in Q3 2022.

Casa Fiore estate in Warsaw-Międzylesie

On 13 May 2021, a decision was issued to the Group approving the construction project, and granting planning permission. Construction work began in mid-August 2021, and is scheduled for completion in the second quarter of 2022. At the end of February 2022, the prefabricated structure was completed, and most of the units were sold.

The investment consists 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).

Casa Fiore will be a modern housing estate located in Warsaw's Wawer district, which is the green garden of the capital city. The development comprises two- and three-storey flats combining the advantages of modern construction technology with the tranquillity of the surrounding countryside. In the vicinity of the estate, there is fast rail transport to the centre of Warsaw, and public utilities such as educational establishments, service

establishments, and health care facilities. Forests, parks and bicycle trails in the vicinity also add to the attractiveness of the investment.

Casa Baia Apartments in Hel

With effect from 30 April 2021, the Group acquired a plot of land located in Hel, Żeromskiego Street. The planned investment will consist in constructing a modern building with 68 (estimated number) holiday suites and one commercial premises. The usable area of the building will be approximately 3,100 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 flats on offer will range from 25 m² to 93 m², and flats with mezzanine floors will be located on the top floor. This investment will use prefabricated three-layer walls produced in the Poznań factory, and single-layer walls in 2F technology (double filigree) from the Gdańsk factory. On 7 October 2021, a decision was issued approving the construction project and granting the building permit. Premises bookings have commenced, and the signing of development and preliminary agreements is expected to start in Q2 2022.

Falkenseener Gärtner housing estate

With effect from 23 November 2021, the Group entered into an agreement with FORIS Gründungs GmbH, a company incorporated under German law, to purchase 100% of the shares in Falkenseer Gärten FEA GmbH, a company incorporated under German law. The newly acquired company is dedicated to property development activities. The acquisition of shares in Falkenseer Gärten FEA GmbH is part of the Group's strategy to expand and develop its property development business line also in Germany. Falkenseer Gärten FEA GmbH has already made its first property purchase - in Falkensee, an exclusive suburb of Berlin. The development will include two premium multi-family buildings. The project already has the building permit, and design work is currently underway to adapt the design. The investment is expected to be completed in Q4 2022.

Other development investments

The Group is developing its property development activities, and is continuously analysing potential new investment projects. One of the projects under consideration is the construction of a modern intermodal logistics and production centre with an operational railway siding, in the immediate vicinity of the Babimost-Zielona Góra airport.

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 cash flows
- stabilising fluctuations in the financial result
- executing financial projections by meeting budgetary targets
- achieving the assumed rate of return on short- and long-term investments, and obtaining optimal sources of financing
- effective asset management, e.g. inventories

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 five IRS transactions, described in detail in the financial statement.

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



Casa Baia housing estate, Hel (visualisation)

(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 significant 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 2021, 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 2021, the Group expanded its operations by establishing the following companies by deed of incorporation: Poznanskie Inwestycje Magazynowe sp. z o.o., Intermodal Logistics Hub Babimost sp. z o.o., Pekabex Inwestycje XI sp. z o.o., Pekabex Inwestycje XIII sp. z o.o., Pekabex Inwestycje XIV sp. z o.o., Pekabex Inwestycje XV sp. z o.o., Pekabex Inwestycje XVI sp. z o.o., P.Homes sp. z o.o.

In 2021, the Group entered into agreements to purchase shares in two companies. On 22 April 2021, Pekabex purchased, under a sale agreement, 100% of the shares in Kinglet 29 sp. z o.o., thereby taking 100% control of the Company. On the same day, the company's shareholders' meeting passed a resolution to change the company's name from Kinglet 29 sp. z o.o. to Pekabex Inwestycje XIII sp. z o.o. The company's activities are focused on real estate development projects. With effect from 23 November 2021, the Group entered into an agreement with FORIS Gründungs GmbH, a company incorporated under German law, to acquire 100% of the shares in the German company operating under the name Lindentor 1089. VV GmbH (renamed Falkenseer Gärten FEA GmbH). The newly acquired company is dedicated to property development activities.

3.10.

Loans and borrowings taken out

In 2021, 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.

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 an agreement with the bank Powszechna Kasa Oszczędności Bank Polski S.A. for a multi-purpose credit limit of PLN 20,000 thousand to be used by issuing bank guarantees or taking out an overdraft. The limit shall be available by 23 March 2023.

Annex to the multi-purpose credit line agreement of Pekabex S.A. (PKO BP S.A.)

As of 30 June 2021, Poznańska Korporacja Budowlana Pekabex S.A. signed with the bank Powszechna Kasa Oszczędności Bank Polski S.A. an annex to the investment loan agreement of 9 December 2020 increasing the value of the loan granted to the amount of EUR 7,500 thousand. The loan was granted until 8 December 2027.

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

On 11 August 2021, 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 2022, and increasing the available limit up to PLN 88,000 thousand.

Annex to the multi-purpose credit line agreement between Kokoszki Prefabrykacja and Pekabex Bet S.A. (BNP Paribas S.A.)

As of 16 August 2021, Pekabex Bet S.A., together with Kokoszki Prefabrykacja S.A., signed with BNP Paribas Bank



SK Innovation Hall, Dąbrowa Górnicza

Polska S.A. an annex to the multi-purpose credit line agreement of 14 March 2019 including the Company as one of the borrowers.

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

On 16 August 2021, Pekabex Inwestycje II S.A. signed with BNP Bank Polska S.A. an agreement for a non-revolving credit of PLN 10,000 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. Loan termination date: 84 months from the date of signing the agreement.

Multi-purpose credit line limit agreement of Pekabex Bet S.A. (Santander Bank Polska S.A.)

On 20 August 2021, Pekabex Bet S.A. entered into a Multiline agreement - a multi-purpose credit limit - with Santander Bank Polska S.A., based in Warsaw, up to PLN 20,000 thousand. The limit shall be available by 31 July 2023.

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

As of 20 October 2021, Pekabex Bet S.A. entered into an annex to the multi-purpose credit limit agreement of 6 March 2017 with Powszechna Kasa Oszczędności Bank Polski S.A., based in Warsaw, pursuant to which the Bank increased the multi-purpose credit limit granted to the Company to PLN 140,000 thousand. The limit is valid until 6 March 2023.

Multi-purpose credit line limit agreement of Pekabex Bet S.A. (Credit Agricole Bank Polska S.A.)

As of 3 November 2021, Pekabex Bet S.A. entered into an agreement with Credit Agricole Bank Polska S.A. under which the bank provided the company with a multi-purpose line under which the company may use the loan and submit orders for guarantees and letters of credit. The amount of financing granted is PLN 70,000 thousand. The limit shall be available by 30 September 2022.

Multi-purpose credit line limit agreement of Pekabex Bet S.A. (Santander Bank Polska S.A.)

On 8 December, in connection with the termination of DNB Bank Polska S.A.'s operations in Poland, Pekabex Bet S.A. entered into a MultiLine agreement - a multi-purpose credit limit - with Santander Bank Polska S.A., based in Warsaw, up to PLN 200,000 thousand. The limit shall be available by 25 November 2024.

In 2021, 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 2021, the Group concluded the following agreements and annexes to existing agreements:

Pekabex Bet S.A. factoring line agreement (PKO Faktoring S.A.)

On 5 April 2022, Pekabex Bet S.A. signed a factoring agreement with PKO Faktoring S.A. with a limit of PLN 10,000 thousand. The agreement was concluded for an indefinite period of time.

Investor loan agreement and revolving working capital loan agreement (PKO BP)

On 8 April 2022, Pekabex Casa Baia Sp. o.o. entered into an agreement with PKO BP S.A., pursuant to which the bank granted the company a loan of PLN 28,100 thousand for the implementation of the development project, and a revolving working capital loan of PLN 2,000 thousand. The loans were made available until 31 December 2023.

3.11.

Granted loans

In 2021 and 2020, 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 2021, 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 2021 and the balance of liabilities to and receivables due from related entities as at 31 December 2021 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 2021.

SK Innovation Hall, Dąbrowa Górnicza



3.14.

Granted and received sureties and guarantees

Value of sureties and guarantees (in thousands of PLN) as at 31 December 2021 was as follows:

	31/12/2021	31/12/2020
To other entities:		
Surety for payment of trade payables	17,513	10,133
Guarantees granted	-	-
Guarantees granted to construction contracts	298,003	234,669
Guarantees granted by companies incorporated under German law	21,616	22,894
Disputes and litigations	-	-
Disputes and litigations with the Tax Authority	-	-
Other contingent liabilities	-	-
Total contingent liabilities	337,132	267,696

Sureties for the repayment of liabilities relate to contracts of surety which are granted only to companies from the Group and secure the commercial liabilities of companies belonging to the Group.

The loan sureties granted, effective as at 31 December 2021, are presented below:



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 30 December 2021, the value of bank and insurance guarantees granted totals PLN 319,619 thousand, of which bank and insurance guarantees relating to contracts with subcontractors totalled PLN 11,722 thousand.

The Group's companies issued promissory notes as collaterals for their lease liabilities, the carrying amount of which as at 31 December 2021 amounted to PLN 21,767 thousand.

Entity to which the guarantee was granted	Total amount of the loan that was guaranteed	Contract subject	Value of the liability as at 31/12/2021	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	-	Guarantees - PLN 66,249 thousand*	-	30/11/2033	Pekabex BET	Pekabex S.A., Pekabex Pref, Centrum Nowoczesnej Prefabrykacji	180,000
Santander Bank Polska SA	140,000	Multi-purpose line of credit to be used on: • guarantees up to the amount of PLN 200,000 thousand PLN, • revolving loan - PLN 50,000 thousand, • overdraft up to the amount of PLN 100,000 thousand PLN, • letter of credit - PLN 100,000 thousand	Sublimit for guarantees - PLN 0 thousand* Current account loan - PLN 7 280 thousand	25/11/2024	25/11/2035	Pekabex BET	Pekabex S.A.	PLN 240,000 thousand
PKO BP S.A.	140,000	• Multi-purpose line of credit to be used on: • guarantees up to the amount of PLN 140,000 thousand • overdraft up to the amount of PLN 15,000 thousand • revolving credit up to the amount of PLN 35,000 thousand	Sublimit for guarantees - PLN 100,821 thousand*	06/03/2023	06/03/2027	Pekabex BET	Pekabex S.A.	140,000
PKO BP S.A.	8,131	Investment credit	6,656	30/03/2022	30/03/2025	Pekabex S.A.	Pekabex BET	12,197
PKO BP S.A.	30,000	Investment credit	15,652	31/12/2026	31/12/2028	Kokoszki Prefabrykacja	Pekabex S.A. Pekabex BET	30,000
PKO BP S.A.	6,440	Investment credit	-	31/12/2021	31/12/2024	Pekabex	Pekabex S.A. Pekabex BET	9,660
BNP Paribas S.A.	88,000	Multi-purpose line of credit to be used on: • guarantees up to the amount of PLN 88,000 thousand • overdraft up to the amount of PLN 11,000 thousand • revolving credit up to the amount of PLN 4,000 thousand • letter of credit line up to the amount of PLN 5,000 thousand	Sublimit for guarantees - PLN 44 615 thousand* Overdraft - PLN 0 Revolving credits - PLN 0 Letter of credit - PLN 368 thousand	30/11/2021	14/12/2034	Pekabex BET	Pekabex S.A., Pekabex Pref, Pekabex Inwestycje II, Centrum Nowoczesnej Prefabrykacji	96,800

Entity to which the guarantee was granted	Total amount of the loan that was guaranteed	Contract subject	Value of the liability as at 31/12/2021	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.	56,480	Non-renewable credit	53,865	14/03/2029	14/03/2032	Kokoski Prefabrykacja	Pekabex S.A. Pekabex S.A.	67,540.
BNP Paribas S.A.	7,000	Multi-purpose line of credit to be used interchangeably on: • guarantees up to the amount of PLN 7000 thousand • overdraft up to the amount of PLN 7000 thousand	-	30/06/2021	14/03/2032	Kokoski Prefabrykacja, Pekabex Bet S.A.	Pekabex S.A.	7,700
BNP Paribas S.A.	30,000	Investment credit	6,954	16/12/2022	18/12/2025	Pekabex Inwestycje II	Pekabex S.A. Pekabex Bet Pekabex Pref Centrum Nowoczesnej Prefabrykacji	45,000
BNP Paribas S.A.	10,000	Non-renewable credit	8,501	06/04/2026	31/03/2029	Pekabex Inwestycje II	Pekabex S.A. Pekabex Bet Pekabex Pref Centrum Nowoczesnej Prefabrykacji	11,000
BNP Paribas S.A.	10,800	Non-renewable credit	9,132	30/11/2027	09/11/2030	Pekabex Inwestycje II	Pekabex S.A. Pekabex Bet Pekabex Pref Centrum Nowoczesnej Prefabrykacji	11,880
BNP Paribas S.A.	10,000	Non-renewable credit	-	16/08/2028	10/08/2031	Pekabex Inwestycje II	Pekabex S.A. Pekabex Bet Pekabex Pref Centrum Nowoczesnej Prefabrykacji	11,000
BNP Paribas S.A.	37,200	Non-renewable credit	2,308	31/04/2022	31/07/2025	Pekabex Inwestycje VIII	Pekabex S.A. Pekabex Bet Pekabex Pref Centrum Nowoczesnej Prefabrykacji Pekabex Inwestycje II	26,400

* Off-balance sheet liability
 ** Available limits closed in December 2021



Statement on the implementation of corporate governance principles

4.0



www.pekabex.pl

Multi-storey car park, Bydgoszcz

4.1.

The set of principles to which Pekabex S.A. is subject

Poznańska Korporacja Budowlana Pekabex S.A. and its bodies until 30 June 2021 applied the corporate governance principles set out in the document Good Practices of Companies Listed on the Warsaw Stock Exchange 2016, adopted by Resolution No. 27/1414/2015 of the Supervisory Board of Gięta Papierów Wartościowych w Warszawie S.A. 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, professional 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.



Casa Baia housing estate, Hel (visualisation)

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.

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.

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



Tollare Marina estate in Stockholm, Sweden

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.

Poznańska Korporacja Budowlana Pekabex S.A. and its bodies have, since 1 July 2021, applied the corporate governance principles set out in the document Good Practices of Companies Listed on the Warsaw Stock Exchange 2021, adopted by Resolution No. 13/1834/2021 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. of 29 March 2021, with the exception of the following:

Rule 1.4.2.

The information posted on the website on the ESG strategy should, among other things: present the value of the gender pay gap ratio paid to its employees, calculated as a percentage of the difference between the average monthly pay (including bonuses, prizes and other allowances) of women and men for the last year, and present information on the actions taken to eliminate possible inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved.

The Company does not present the gender pay gap ratio of Poznańska Korporacja Budowlana Pekabex S.A. as a holding company as a rule does not employ workers, while salaries in the Pekabex Group are determined individually depending on competence, experience and other factors determining the value of an employee for the Group.

Principle 2.1.

The company should have a diversity policy for the Management Board and the Supervisory Board, adopted by the supervisory board or the general meeting respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, field of study, specialist knowledge, age and work experience, among others, and indicates when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of the company's bodies is that the minority participation in the respective body is no less than 30%.

The members of the Supervisory Board are elected by the shareholders, and the members of the Management Board are elected by the members of the Supervisory Board at their discretion. Therefore, in the Company's opinion, there is no need to adopt a diversity policy. Past practice has shown that members of the Company's bodies have been selected on the basis of their competence and professional experience, and not on the basis of their membership of particular social groups, gender or minorities.

Principle 2.2.

The persons deciding on the election of the members of the company's Management Board or Supervisory Board should ensure the comprehensiveness of these bodies by selecting diversity in their composition, making it possible, among other things, to achieve the target ratio of a minimum minority shareholding set at no less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1.

Past practice has shown that members of the Company's bodies have been selected on the basis of their competence and professional experience, and not on the basis of their membership of particular social groups, gender or minorities.

Rule 2.11.6.

In addition to the activities resulting from legal provisions, once a year the Supervisory Board shall draw up an annual report, and submit it to the Ordinary General Meeting for approval. The report referred to above shall include at least information on the extent to which the diversity policy in respect of the Management Board and the Supervisory Board has been implemented, including the achievement of the objectives referred to in principle 2.1.

As indicated in the information to rule 2.1, the Company does not have a diversity policy and therefore the Supervisory Board report does not contain information on the implementation of this policy.

Principle 3.3.

A company included in the WIG20, mWIG40 or sWIG80 index shall appoint an internal auditor heading the internal audit function, who shall act in accordance with internationally recognised standards of professional practice for internal auditing. In other companies where no internal auditor meeting the aforementioned requirements has been appointed, the audit committee (or the Supervisory Board if it performs the functions of an audit committee) shall annually assess whether there is a need to appoint such a person.

The Company believes that there is no need to appoint an internal auditor at this stage.

Principle 3.10.

At least once every five years, a company included in a WIG20, mWIG40 or sWIG80 index shall have its internal audit function reviewed by an independent auditor selected with the participation of the audit committee.

As indicated in the information to principle 3.1 and 3.3, the Company does not maintain an internal audit, and does not appoint an internal auditor, and therefore no internal audit reviews are performed.

Principle 4.1.

The company should enable shareholders to participate in the General Meeting of Shareholders. using electronic means of communication (e- meeting) if this is justified by the expectations of shareholders communicated to



SK Innovation Hall, Dąbrowa Górnicza

the company, as long as it is able to provide the technical infrastructure necessary for holding the General Meeting of Shareholders.

The Company's Articles of Association exclude participation in General Meetings by means of electronic communication. The Company's General Meetings are held at a stationary location and, for the time being, the Company does not consider it necessary to invest in infrastructure to enable General Meetings to be held remotely.

Principle 4.7.

The Supervisory Board gives its opinion on draft resolutions submitted by the Management Board to the agenda of the General Meeting.

The General Meeting of Shareholders shall always be attended by at least one member of the Supervisory Board, who shall have the right to present any objections of the Supervisory Board to draft resolutions by the Management Board.

Principle 4.8.

Draft resolutions of the general meeting on items on the agenda of the General Meeting of Shareholders should be tabled by shareholders at least 3 days before the General Meeting of Shareholders.

Pursuant to Article 401 § 5 of the Commercial Companies Code, shareholders have the right to propose draft resolutions on matters on the agenda even at the General Meeting of Shareholders itself.

The full text of the Information on the status of the company's application of the principles contained in the Code of Good Practices of Companies Listed on the Warsaw Stock Exchange 2021 can be found at: <https://pekabex.pl/wp-content/files/Informacja-na-temat-stosowania-Dobrych-Praktyk-GPW-2021.pdf>

4.2.

Pekabex S.A. shareholders, share capital, shares held by directors

4.2.1

Shareholders of Pekabex S.A.

To the Group's knowledge, the shareholding structure of Pekabex S.A. as at 31 December 2021 was as follows (information on shareholders holding more than 5% of shares in the Company's share capital):

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.	9,908,963	9,908,963	39.91%	39.91%	9,908,963
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	8,569,997	8,569,997	34.52%	34.52%	8,569,997
Total	24,826,512	24,826,512	100%	100%	24,826,512

There were no changes in the ownership structure of significant shareholdings during the reporting period.

As of 23 December 2020, Tonsa S.A. - SICAF - RAIF, indirectly controlling a significant stake in the company has announced a tender offer for Pekabex S.A. shares. The tender offer followed the indirect acquisition of a stake of nearly 39.41% in Pekabex by Tonsa from Opoka II FIZ, of which Tonsa remains the majority investor. The obligation to conduct the tender offer arose directly from the provisions of the Public Offering Act, as a result of the acquisition by Tonsa from Opoka II FIZ of all shares in STE which owns a significant stake in Pekabex. The implementation of this transaction required Tonsa to post a tender offer to subscribe for the sale of Pekabex shares, which took place on 23 December 2020.

On 3 February 2021, the Company received a notice from Tonsa to the effect that no subscriptions were made in response to the tender offer for the Company's shares made by the notifier on 23 December 2020 and, as a result, no



Housing estate Osiedlowa 43, Józefostaw

shares of the Company were acquired. The notification also shows that as at the date of the tender offer, the notifying party did not hold any shares of the Company directly, but they held indirectly, through STE sp. z o.o., 9,784,585 shares of the Company, conferring the right to 9,784,585 votes, representing 39.41% in the Company's share capital and the total number of votes in the Company. As at the notification date, the notifying party did not hold directly any shares of the Company, but they held indirectly, through STE sp. z o.o., 9,784,585 shares of the Company, conferring the right to 9,784,585 votes, representing 39.41% in the Company's share capital and the total number of votes in the Company.

On 7 December 2021, the Company received notification of the acquisition on 3 December 2021 of 124,378 shares in Poznańska Korporacja Budowlanej Pekabex S.A. by STE sp. z o. o. As a result of this transaction, STE sp. z o.o. holds 9,908,963 shares in the Company conferring the right to 9,908,963 votes, representing 39.91% in the Company's share capital and the total number of votes in the Company.

4.2.2.

Share capital

The 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, entitling to a total of 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

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.

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.

4.2.3.

Shares held by managing and supervising persons

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:

Managers and supervisors	Number of votes at the General Meeting of Shareholders as at 31/12/2019	Number of votes at the General Meeting of Shareholders as at 31/12/2020
Robert Jędrzejowski (indirectly through Fernik Holdings Limited) – President of the Management Board of Pekabex S.A.	8.17%	8.17%
Maciej Grabski (indirectly through Pekabex Wykup Managerski sp. z o.o. and Asterios Sarl, Broadwalk Services Limited, and TONSA S.A. - SICAF - RAIF and STE sp. z o. o.) – Member of the Supervisory Board of Pekabex S.A.	41.23%	40.73%
Przemysław Borek (directly) – Vice-President of the Management Board of Pekabex S.A.	0.67%	0.67%
Beata Żaczek (directly) – Vice-President of the Management Board of Pekabex S.A.	0.37%	0.37%
Tomasz Seremet (directly) – Member of the Management Board of Pekabex S.A.	0.22%	0.22%

4.2.4

Indication of the holders of any securities conferring special control powers

The Company did not issue securities conferring special control rights.

4.2.5.

Indication of any limitations on the exercise of voting rights

There are no restrictions on the exercise of voting rights.

4.2.6.

Indication of any restrictions on the transfer of securities

There are no restrictions on the transfer of ownership of the Company's securities.

4.3.

Appointment and dismissal of managing persons and their competences

4.3.1.

Management Board

The Management Board has between one and four members. The Supervisory Board may appoint an elected member of the Management Board as President of the Management Board, and elected members as Vice 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:

- Articles of Association of Pekabex S.A. (available on the Company's website),
- Regulations of the Board of Directors (available on the Company's website),
- 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 repurchase of own shares. Decisions in this respect are taken by the General Meeting.

4.3.2.

Supervisory Board

The Supervisory Board consists of five to seven members, including the Chairman of the Supervisory Board and the Deputy Chairman of the Supervisory Board. Members of the Supervisory Board are appointed by the General Meeting. Members of the Supervisory Board are appointed for a joint term of three years. A member of the Supervisory Board may be dismissed by the General Meeting at any time. Each Member of the Supervisory Board may resign before the end of his or her term of office by submitting a written resignation to the Management Board - to the Company's address.

The competences and working principles of the Supervisory Board of Pekabex S.A. are set out in the following documents:

- Articles of Association of Pekabex S.A.,
- Regulations of the Supervisory Board (available on the Company's website),
- Commercial Companies Code and other legislation.

4.4.

Principles of amending the Pekabex S.A. Articles of Association

The Articles of Association shall be amended by resolution of the General Meeting, and by entry in the National Court Register.

4.5.

The General Meeting and shareholders' rights and methods of exercising them

The Company's General Meeting operates on the basis of the Articles of Association, the Regulations of the General Meeting (both documents available on the Company's website), and the provisions of law, including the Commercial Companies Code. The specific powers of the General Meeting are set out in Articles 20 to 24 of the Articles of Association. Shareholders exercise their rights in the manner prescribed by the Articles of Association, the Rules of Procedure of the General Meeting and the applicable regulations.

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.
- 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.

The rights of shareholders and the manner in which they are exercised at the General Meeting are set out in detail in the Commercial Companies Code and in the Regulations of the General Meeting and the Company's Articles of Association.

A shareholder shall participate in the General Meeting and exercise his/her voting right personally or through a proxy. The provisions of these Rules relating to a representative shall apply accordingly to any other representative.

Persons who are shareholders of the company 16 days before the date of the General Meeting, proxies or statutory representatives of shareholders, members of the Management Board and the Supervisory Board, and in the Ordinary General Meeting also persons listed in section 7 item of the Regulations of the General Meeting,

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 lease 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 transformation of the Company, its dissolution and liquidation.
- Adopting resolutions on amendments to the Articles of Association and the Company's object of activity.
- Adopting resolutions on other matters reserved for the General Meeting by law, in particular 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

The General Meeting makes decisions in the form of resolutions. Votes at the General Meeting are open. Resolutions of the General Meeting shall be adopted by an absolute majority of votes unless the provisions of the Commercial Companies Code, the Company's Articles of Association or these Regulations provide otherwise. 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.

Membership and changes during the reporting period

→ **Management Board**

As at 31 December 2021 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.

For the period from 1 January 2021 to 31 December 2021, the composition of the Company's Board of Directors remained unchanged.

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

Description of the Management Board's activities

The Management Board operates on the basis of the Articles of Association, the Rules of Procedure of the Management Board, and the applicable regulations, including the provisions of the Commercial Companies Code.

The Management Board manages the Company's affairs, and represents the Company. All matters relating to the management of the Company's affairs not reserved by law or the provisions of the Articles of Association for the General Meeting or the Supervisory Board are the responsibility of the Management Board. The internal division of competences between the individual members of the Management Board are made by the Management Board by resolution.

The main form of work of the Management Board is meetings. Meetings of the Management Board shall be held on a fixed date as required. The President of the Management Board directs the work of the Management Board, and convenes and chair the meetings of the Management Board. The President of the Management Board may authorise another member of the Management Board to convene and chair meetings of the Management Board.

The Management Board makes decisions in the form of resolutions by an absolute majority of votes, unless stricter

requirements are laid down by law. Each member of the Management Board shall have one vote. In the event of a balance of votes, the President of the Management Board has the casting vote. When appointing a proxy, the unanimity of all members of the Board of Directors is required. Any member of the Management Board may revoke a proxy.

The members of the Management Board shall be obliged to co-operate with each other, and to inform each other of significant actions taken in the Company's affairs. In performing their duties, the members of the Management Board act in accordance with the procedures adopted by the Company and good corporate practice. The members of the Management Board are obliged to participate in the General Meeting in such a composition as to be able to provide substantive answers to the questions asked during the General Meeting.

The Management Board is obliged to provide the Company's Supervisory Board with regular and comprehensive information on all significant matters concerning the Company's business.

Two members of the Management Board acting jointly are authorised to make representations on behalf of the Company.

→ **Supervisory Board**

As at 31 December 2021 and as at the date of this report, the 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

For the period from 1 January 2021 to 31 December 2021, the composition of the Company's Supervisory Board remained unchanged.

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

Description of Supervisory Board's activities

The Supervisory Board operates on the basis of the Articles of Association, the Regulations of the Supervisory Board and applicable laws, including the provisions of the Commercial Companies Code. The organisation of the Supervisory Board and the manner in which it carries out its activities shall be laid down in the Rules of Procedure of the Supervisory Board adopted by the Board. The Supervisory Board exercises constant supervision over the Company's activities, and in all areas of its operations.

In addition to the matters set out in the Commercial Companies Code and other provisions of the Company's

Articles of Association, the competence of the Supervisory Board includes, in particular:

- evaluation of the Management Board report on the Company's activities and the financial statement for the previous financial year in terms of their consistency with the books, documents and facts,
- evaluation of the Management Board's proposals on the distribution of profit or coverage of loss,
- submitting a written report to the General Meeting on the results of the evaluation referred to in the subsections above;
- the appointment of a statutory auditor to audit the financial statements,
- adopting the Rules of Procedure of the Supervisory Board,
- adopting the consolidated text of the Company's Articles of Association,
- approving the Rules of Procedure of the Management Board,
- once a year, preparing and presenting to the Ordinary General Meeting a concise assessment of the Company's situation, taking into account the assessment of the internal control system, and the significant risk management system for the Company,
- considering and giving its opinion on matters to be covered by resolutions of the General Meeting,
- appointing and dismissing members of the Management Board, which is without prejudice to Article 23(2)(2) of the Company's Articles of Association,
- suspending members of the Management Board, which is without prejudice to Article 23.2.2) of the Company's Articles of Association,
- determining the principles and amounts of remuneration for members of the Management Board,
- agreeing to members of the Management Board holding positions in the bodies of other companies, and receiving remuneration for this.

→ **Audit Committee**

In accordance with section 23 of the Regulations of the Supervisory Board, this body may create committees from among its members. There is an Audit Committee within the Pekabex S.A. Supervisory Board.

The Audit Committee is composed of at least three members of the Supervisory Board, at least one of whom should meet the conditions of independence in the meaning of Article 86(5) of the Act of 7 May 2009 on auditors and their self-government, entities authorised to audit financial statements and public supervision (Dziennik Ustaw of 2009 No. 77 item 649 as amended), and have qualifications in accounting or financial auditing.

As at 31 December 2021, and as at the date of this report, the Audit Committee appointed by the Company's Supervisory Board was composed of:

- Piotr Cyburt - Chairman
- Piotr Taracha - Member of the Committee
- Stefan Grabski - Member of the Committee



Flags at the Pekabex construction site

For the period from 1 January 2021 to 31 December 2021, the composition of the Company's Audit Committee remained unchanged.

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.

The Audit Committee member with knowledge and skills in accounting or auditing is Mr. Piotr Cyburt, PhD in economics, who in his career was, among other things, associated with the Institute of National Economy in Warsaw, was President of the Management Board of one of the

banks in Poland and a member of the Council 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 2021.

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.

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

The main principles of the policy on the selection of the auditor in the Company 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 state-

ments, 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 2021 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.



Housing estate Osiedlowa 43, Józefostaw

4.7.

Remuneration policy for managing and supervising persons

On 21 July 2020, the General Meeting of Shareholders adopted the Remuneration Policy for the members of the Management Board and Supervisory Board. In 2021, the Company published its first Report on the remuneration of the members of the Management Board and Supervisory Board for 2019 and 2020. The remuneration policy contributes to the business strategy, long-term interests, and stability of the Company by setting out the basic principles for determining the remuneration of the members of the Company's Management Board and Supervisory Board. The policy is also intended to increase the transparency of the Company's activities, and is aimed at promoting the achievement of the tasks set on the basis of criteria, strategies and general objectives. The remuneration policy is the basis for the remuneration of the members of the Company's Management Board and Supervisory Board.

The policy regulates, among other things, the rules for the individual components of the remuneration of the members of the Management Board and members of the Supervisory Board, the conditions of service or work.

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 2021 and other information on the value of salaries, awards and benefits are presented 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.

4.8.

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 7.

The Group has an internal control system adapted to the specific nature of its business and organisational structure. Its main role is to ensure the effectiveness and efficiency of operations, the integrity of financial reporting, and the compliance of its activities with applicable laws, ethical standards and internal regulations. The internal control system is also designed to identify and control the risks associated with the Group's operations, and is intended to support the regularity of internal processes in achieving business objectives. Control activities are undertaken at all levels of the company's organisational structure. The Management Board, through internal control, improves the flow of information within the entity, ensures the transparency of the organisation and the economic and accounting correctness of the economic operations carried out, while bearing in mind the adequate protection of available data.

The internal control system forms the totality of procedures, policies, reporting systems, regulations and control mechanisms that guarantee the security and stable development of the Group.

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 of the Company acting as the Chief Financial Officer. The accounts are based on the books of account, maintained using the Gardens ERP system with the finance and accounting module. 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.

GRI: 405-1

4.9.

Diversity policy for management and supervisory staff

The Company does not have a diversity policy in place for the Management Board and Supervisory Board. The members of the Supervisory Board are elected by the shareholders, and the members of the Management Board are elected by the members of the Supervisory Board at their discretion. Therefore, in the Company's opinion, there is no need to adopt a diversity policy. Past practice has shown that members of the Company's bodies have been selected on the basis of their competence and professional experience, and not on the basis of their membership of particular social groups, gender or minorities.



Employee and social issues at the Pekabex Group

5.0



www.pekabex.pl



General Contracting Department, Poznań

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 – drills and hammers, as well as business phones, laptops and cars.

In 2021, within the framework of the Company's Social Benefits Fund, the Group allocated PLN 2,205 thousand (PLN 1,907 thousand in 2020) for hardship and holiday benefits, loans, sports cards and recreational and sports activities (e.g. participation of employees in marathons, bicycle rally, family picnic).

In connection with the application of the provisions of the Act on Employee Capital Programmes (PPK), all companies in the Group have PPK, established in cooperation with PKO Towarzystwo Funduszy Inwestycyjnych S.A.



Implementation Department Female Employee, Poznań

5.1.2.

Control system for employee programmes

In 2021, the Group did not operate a universal employee share scheme or an option grant scheme for key employees.

In 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 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.

5.1.3.

Employment structure and remuneration policy

The Pekabex Group strives to provide its staff with the greatest possible comfort and safety. The Group complies



Logistics Department Female Employee, Poznań

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 11 of this Report.

In 2021, the Pekabex Group had no collective labour agreements in force.

5.1.4.

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.

In 2021, the Group launched the "Pekabex Employee Satisfaction Survey" project, which will take place periodically. The survey was conducted by an external entity, and was designed to measure the satisfaction and commitment of the Group's employees. The decision to have the survey carried out by an independent entity was dictated by the concern of the Group's Management Board for an independent assessment of employees and the desire to define real areas for development and improvement of the

organisation. Specific conclusions were drawn from these studies, which were presented to the Board of Directors and managers and employees at specially organised meetings. As part of further work on the research findings and their translation into organisational improvements, working groups have been set up to develop specific solutions and plans for introducing changes in the organisation.

GRI: 103-1, 103-2

5.1.5.

Internal communication

2021 was another pandemic year in which Covid-19 continued to have a significant impact on internal communications within the Pekabex Group, but the contact methods developed in the previous year were consistently delivering results.

For security reasons, many office workers were able to carry out their duties remotely: designers, sales staff, support staff, among others. Procedures and management systems developed in earlier years, as well as available software, were able to maintain inter-employee links and maintain efficiency. This also applied to those working on remote construction sites - in Poland and abroad. All those with computer equipment were kept informed by email about: management decisions, all-employee actions - events and initiatives, and received an electronic version of the employee quarterly magazine.

Production workers in factories, on the other hand, were covered by information circulation in the form of posters, printed quarterly magazines, and digital signage monitors in workers' kitchens and canteens. Expansion of the latter mode of communication is planned for the coming months.

Much information about the projects and the Company's team is published on the website and social media. Pekabex profiles on: Facebook, LinkedIn, Instagram or YouTube are followed by several - a dozen or so thousand people, including a large group of employees. This allows for an understanding of the general direction of activities, ongoing visibility of the work of other departments and individuals, ongoing projects, and thus transparency and equal access to information. In February 2022, the new website www.pekabex.pl was published, expanded with new modules dedicated to contractors and employees, and other stakeholders of the Group containing the most important information about the Group.

GRI: 103-1, 103-2

5.1.6.

Internal integration

The traditional integration events that take place every year, as well as new initiatives, are an important and long-awaited element of employee life. After the difficult previous year due to the pandemic, in 2021 we were able to return to participating in meetings, events and competitions for employees and their families:

- Great Orchestra of Christmas Charity headquarters 2021 - Pekabex employees' participation in a major charity event,
- support and participation in the Railway Festivities organised at the "Maszynowa" stop of the Pomeranian Metropolitan Railway under construction, which will run in the direct vicinity of two Pekabex plants in Gdańsk,
- two-day "Velo Dunajec" mountain bike rally for employees from all locations,
- support and participation in a concert for the local community, co-organised with the Podolany Housing Estate Council in Poznań,
- celebrations of the Builders' Day in the branches (company picnics),
- Santa Claus competition "Gingerbread Prefabs", and a Christmas jumper competition.

The Group supports grassroots employee initiatives by financing and co-financing them. These include the participation of athletes - employees of the accounting, logistics and production departments - in marathons, half-marathons and triathlons throughout Poland, and the international Iron Man 2021 in France.

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

5.1.7.

Employee development

Pekabex Group's most valuable asset is our people, which is why we strongly focus on their development and help them acquire the necessary qualifications.

The Pekabex Group 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.



Production Department Female Employee, Poznań

Pekabex is growing in technical and managerial competence. The vast majority of our training courses are technical courses for workers in factories 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 areas.

GRI: 405-1

5.1.8.

Diversity and social inclusion

The set of characteristics that make up the concept of diversity are gender, age, disability, work-life balance, ethnicity, religion, and sexual orientation. The fact that the Pekabex team consists of people who are different in so many ways, visible and invisible to the naked eye, is something we are very proud of.

We support women's employment, being at 37% in 2021 (non-worker positions). There are female construction engineers, project managers, quality controllers, board members, crane and designers among us. Many of them are mothers, often able to fulfil this role due to the possibility of flexible working. This has certainly been helped by efforts made during the two years of the pandemic, expanding remote working options. This flexibility applied equally to fathers.

We emphasise ethnic and national diversity not so much because of the differences, but because of the similarities and opportunities to learn about each other's cultures. One of the events in 2021 showcasing the richness of the different countries was the annual Builder's Picnic held in

In response to employee needs, and following the results of the "Employee Satisfaction Survey" conducted in 2021, the Group decided to introduce a number of training cycles such as development programmes, manager academies, negotiation, communication, computer, specialised, language and personal effectiveness training. Also, the Group annually subsidises employees' postgraduate studies and other courses and training to enhance their development path. In the coming years, training programmes will be developed in order to further improve competences and care for the development of human resources, as the Group's greatest asset is its employees. The Group is also building plans for further professional development for key managers, and aims to build an organisation based on a culture of clear feedback and open communication that helps to develop and improve.

Due to the Group's presence in foreign markets, we naturally offer language courses for employees. These are mainly English and German courses at different levels.

Poznań, which featured information boards about their history and present day, as well as stands with national cuisines, arousing undisguised interest from children and adults alike. Among them were stands of: Ukraine, Belarus, Georgia, Russia, Afghanistan, Azerbaijan, Egypt and Rwanda.

The Group creates a friendly workplace for people with disabilities. It currently has two people with a mild disability, and one with a severe disability.

5.1.9.

Recruitment

The Pekabex Group implements a recruitment policy aimed at attracting the best engineers and specialists from the market. We hire dozens of new employees every year.

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

The Group focuses primarily on internal recruitment: it promotes the initiative and ambition of current employees, giving them the opportunity to climb the career ladder, thus reinforcing their commitment to work. The Group has a new employee referral system, for which employees are additionally rewarded.

The Group is very active in the labour market, and has developed a number of ways to reach potential candidates, through direct searches, recommendations, advertisements on recruitment portals, industry forums, career offices. Every year we participate in many job fairs, industry meetings, recruitment events nationwide.

Pekabex actively cooperates with universities, and we organise annual summer internships and apprenticeships at its units.

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. It conducts patronage concrete placer and steel fixer classes at the State Construction Schools in Gdańsk, and at the Construction School Complex in Poznań. Often people without experience are hired who can gain the necessary knowledge and practice within the organisation. The Group, believes that the young generations are the future, so it is actively involved in the vocational training of graduates from various schools and colleges in many areas of its business.

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

5.2.

Pekabex for society

5.2.1.

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 activities have an impact on the improvement of housing conditions, and the development of infrastructure: in 2021, among the estates under construction were investments in: Toruń, Włocławek, Lublin, Poznań, Warsaw. The infrastructure included such important construction projects as the "Tunnel that connects Poland" in Łódź or projects to strengthen the transport infrastructure in Poznań, such as the new tram route to the Naramowice housing estate.

The Group has been engaged in social initiatives, employee volunteering and NGO support for years. The numerous activities in this area undertaken in 2021 include:

- involvement of employees in the charity action "Great Orchestra of Christmas Charity",
- activities as part of the "Pekabex Goes Green" initiative for environmental protection, including speeches for the "Innowo" organisation, and participation in the organisation of the "Smart Cities" exhibition together with the PFR Foundation and innovative Polish companies at Warsaw's Central Technology Centre,
- during the official opening of the animal shelter built by Pekabex in Poznań, food and specialist feeds for dogs and cats were donated,
- in 2021, the long-term support of the Oliwa Zoo in Gdańsk continued - as part of employee initiatives,
- charity collections were held at our premises, e.g. for such centres as the Addiction Treatment Unit at the hospital in Toszek,
- Pekabex financially supported, among others: The Malta



Visiting neighbours of Pekabex Plant, Poznań

- Charity Concert, theatrical performances in children's hospitals, a family of fire victims from the Poznań district of Podolany, the "Stelvio for Life" project to support oncological research, and the "Gazeta Wyborcza" campaign entitled "Christmas Tree of Donors", the proceeds of which were donated to the most needy for Christmas.
- the social and economic impact of the COVID-19 pandemic continued into 2021.
- Community engagement also means openly working to educate children, young people and local communities:
- In 2021, Pekabex, as a member of the Concrete Manufacturers Association, joined the "Builder for Young Engineers" and "Builder for Young Architects" initiatives, which include open lectures for students of Polish technical universities on modern technologies in construction. Traditionally, we have also held lectures outside the above-mentioned initiative.
- As a member of the Employers' Council of the School of Logistics, our specialists have participated in educational projects for students and pupils of logistics technicians (LogCamp2021, CorLog2021).
- For the sake of good neighbourly relations, we organised visits to the factories for local residents, including children, telling them about our daily work, and showing them the places that are important as points of contact.

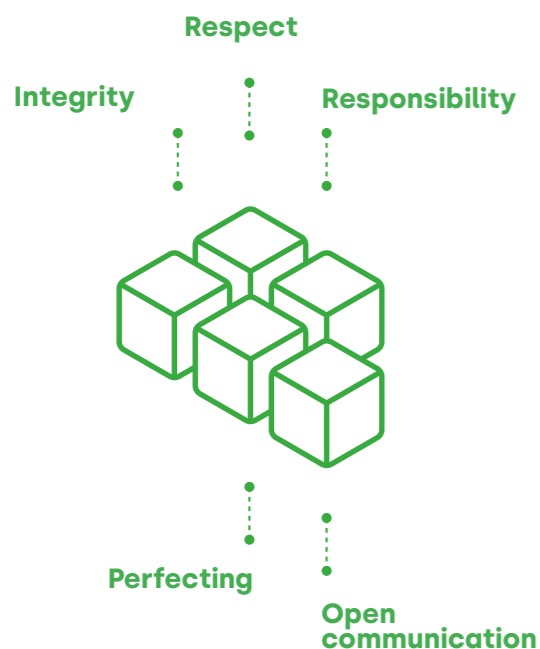
The war in Ukraine, which broke out in late February 2022, and its consequences have forced hundreds of thousands of people to leave their homes and seek refuge in Poland. Poles, as the closest neighbours, and often friends of the Ukrainian citizens living and working here, were the first to help the refugees, who are mainly women, children and elderly people. Pekabex Group has joined in the relief efforts. As a sign of support, Ukrainian flags were flown at

all Pekabex branches. On social media, logos have been changed, and information about the support provided is being released. There was also an information campaign targeting Ukrainian workers on the type and possibilities of assistance. The Group's Management Board decided to provide financial support for aid campaigns for people in need who live in the attacked areas of Ukraine. In addition, cash and in-kind collections have been launched in all Pekabex branches, with the participation of employees and Group partners. Items collected are distributed to refugees on an ongoing basis or sent to collection points. In the very first days of the war, the group provided cars from the company's fleet to transport people from the border, as well as company housing to accommodate mothers with children fleeing the war. The Group's management intends to continue its activities, adapting them to the current needs in this area, while being aware that the assistance provided must be of a long-term nature.

5.2.2.

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 works with most of the country's technical universities, offering them:

- 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 Poznan 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.

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.

Pekabex analyses and continuously improves the process of introducing new employees to the organisation. The Group offers great development opportunities for young people who are choosing our profession, and taking the first steps in their professional career. We have 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. Every year, the Group takes

on dozens of apprentices and trainees at construction sites, factories and offices, who learn about their future profession under the guidance of experienced employees, and, of course, we have specific job offers for the best. In 2021, 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.

GRI: 102-16

5.2.3.

Ethics and values

The Management Board of Pekabex pays special attention to ensuring that the companies belonging to the Group, their employees and associates act ethically, both in external and internal relations.

The Pekabex Code of Ethics was developed in 2021 and adopted at the beginning of 2022, containing the fundamental values to be followed by the Group's employees: **respect, integrity, responsibility, improvement and open communication** were defined as values of key importance for the organisation and the basis for the Group's existence and development. The Management Board of Pekabex Group is convinced that thanks to the principles adopted in the form of the Code of Ethics, attitudes such as good cooperation, respect for differences, engaging in new challenges, and being a good business partner will be reinforced. Compliance with the provisions of the Code of Ethics is supervised by the Ethics Committee, whose main task is to monitor compliance of professional ethics with the provisions of the Code. The Committee handles alleged breaches of the Code with due confidentiality. Any employee who has information regarding potential violations of the Code of Ethics has the right and obligation to inform the Ethics Committee by emailing komisjaetyki@pekabex.pl or by contacting the Committee's elected representative directly. Each of the reported cases is considered individually by the Committee.

GRI: 205-3

5.2.4.

Combating corruption

The considerable value of contracts executed by the Group companies generates the risk of corrupt behaviour. Group management has a zero tolerance policy in this regard.

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 2021, the Company Management Board did not record any corrupt 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 chapter 7. In order to minimise risk, the Management Board creates an atmosphere of mutual trust and rejects all manifestations of lack of transparency in actions taken within the Group.

GRI: 102-17

5.2.5.

Infringement reporting system

The Group has the "Procedure for anonymous reporting of violations of the law" in place adopted by the Management Board in 2018, which formalises the issues of reporting and responding to information about actual or potential violations of common law and the Group's procedures and standards. All Group employees have access to information and tools to enable them to report perceived breaches and irregularities. They are:

- e-mail addresses: azn.ppsa@pekabex.pl or aznrn.ppsa@pekabex.pl
- the possibility of reporting in person directly to a member of the Management Board or a member of the Supervisory Board
- by post to the Group's registered address

If the reporting person wishes to do so, he or she remains anonymous and is supported in making the report to prevent retaliation or other unfair treatment. The reporting person's data is protected, and appropriate measures are taken to maintain the confidentiality of the reporting person's identity. For each report, investigations are carried out and, depending on the findings, appropriate action is taken in accordance with procedure and legislation. Each investigation concludes with binding findings and a recommendation for remedial action.

The Group is working on a new procedure on whistleblowing and protection of whistleblowers, which will be aligned with the requirements of Directive (EU) 2019/1937 of 23 October 2019.

In 2021, there were no instances of non-compliance with the law resulting in significant financial penalties being imposed on the Pekabex Group. In 2021, there were no instances of violations of fair competition rules.



Employees of the Production Department, Mszczonów

GRI:406-1

5.2.6.

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 2021, the Management Board of the Company did not record cases of human rights violations in the Pekabex Group.

In order to minimise the risk 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.

The Group expects its contractors to respect human rights, a universally accepted value system, to respect its employees, and to treat them with dignity. With these principles, it is possible to create a value chain in an ethical manner.

5.2.7.

OHS

In 2021, the Pekabex Group maintained the 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 (not applicable to FTO). The scope of the Health and Safety System certification includes: assembly works and general contracting works.

The maintained system includes, among others: hazard identification, accident cause investigation, emergency situations, legal requirements and contractor safety management.

The Group has an Occupational Health and Safety Service composed of 9 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. It guarantees a thorough analysis of all incidents that could be classified as accidents at work or near misses, and makes it possible 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. Once a year, a comprehensive update of the occupational risk assessment is carried out, taking into account the results of measurements of harmful factors in the work environment, and corrective and preventive actions with regard to the occupational health and safety incidents that have occurred.

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



SK Innovation Hall, Dąbrowa Górnicza

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. Consultations with employees include meetings of the Health and Safety Committee, and meetings with the workforce under the name "Minutes for Safety".

- 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.

Monitoring the performance of the 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. Ongoing monitoring of health and safety takes place through daily visits to the workplace by employees, resulting in a report which is discussed with managers at a weekly production meeting dedicated specifically to health and safety.

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. In addition, an annual analysis of the state of occupational health and safety is drawn up once a year, and includes, among other things, the results of measurements of working environment factors, information on training in occupational health and safety, the most frequent irregularities and major problems, preventive measures.

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".

Health and safety at work 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,
- introduction of a procedure for testing for Sars-Cov-2,
- 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.

The Group organises initial and annual periodic training on occupational health and safety and fire protection, and 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. During the Covid-19 pandemic, the possibility of organising training and instruction was of a limited nature adapted to sanitary-epidemiological recommendations.

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

In 2021, the Group won second and third place in the "Build Safely" competition awarded by the National Labour Inspectorate. The awards were given for carrying out works to a high standard of health and safety. Second place was awarded to the team building the housing estate in Okólna Street in Toruń, carried out by Pekabex as general contractor. The third prize was awarded to the construction team of "Enter" Stage I, a housing estate being built as a general contractor by Pekabex in Poznań's Naramowice district for client ECHO Investment.

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

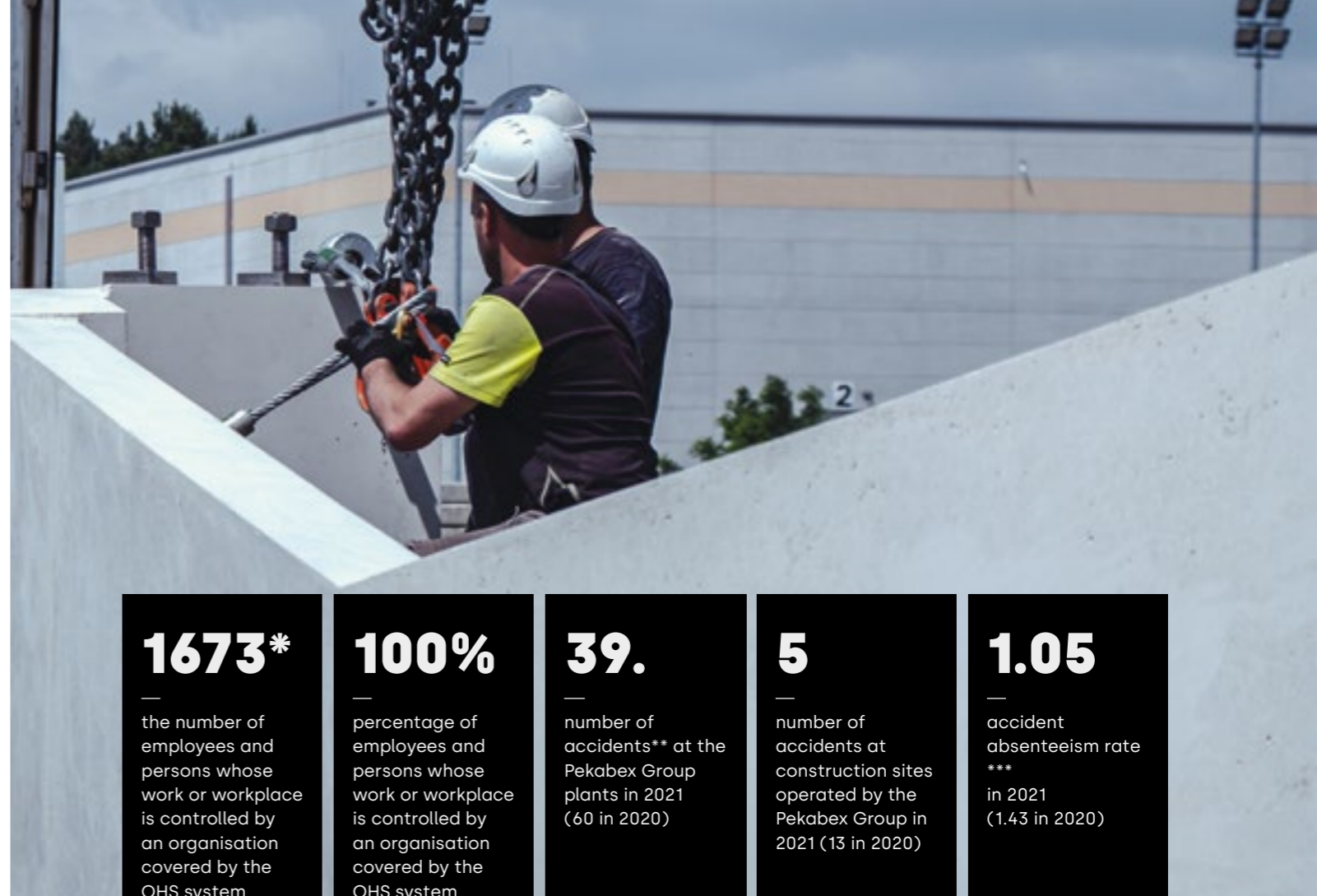
- of increased risk,
- daily workplace inspections, weekly health and safety audits and monthly reviews of working conditions,
- personal and collective protective equipment, appropriate to the parameters of given hazards,
- certified work equipment/tools in good technical condition,
- safety information 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).

Analysis of the data on accidents at work shows that in 2021, compared to the same period in 2020, there was a decrease in the number of accidents at work to 39 incidents (a decrease of 21 incidents or 35% per year. The risk of accidents at work is relatively high for workers in manual occupations. Among workers posted abroad, there was also a decrease in the number of accidents at work (down by 2 incidents or 22.22% per year). Most of the incidents that were classified as accidents at work depended on the length of service of the victims. The established circumstances and causes of incidents show that people with longer work experience (more than 36 months) are more likely to have an accident at work. Longer-serving workers are often lost to routine and habitual practices that do not necessarily comply with OSH legislation. The frequency rate of accidents at work has a very similar course to the



Pekabex Finished Goods Warehouse, Poznań

1673*

the number of employees and persons whose work or workplace is controlled by an organisation covered by the OHS system

100%

percentage of employees and persons whose work or workplace is controlled by an organisation covered by the OHS system

39.

number of accidents** at the Pekabex Group plants in 2021 (60 in 2020)

5

number of accidents at construction sites operated by the Pekabex Group in 2021 (13 in 2020)

1.05

accident absenteeism rate*** in 2021 (1.43 in 2020)

* Status as at 31 December 2021 excluding the German companies FTO and G+M

** Defined as work-related emergencies with an external cause and resulting in injury

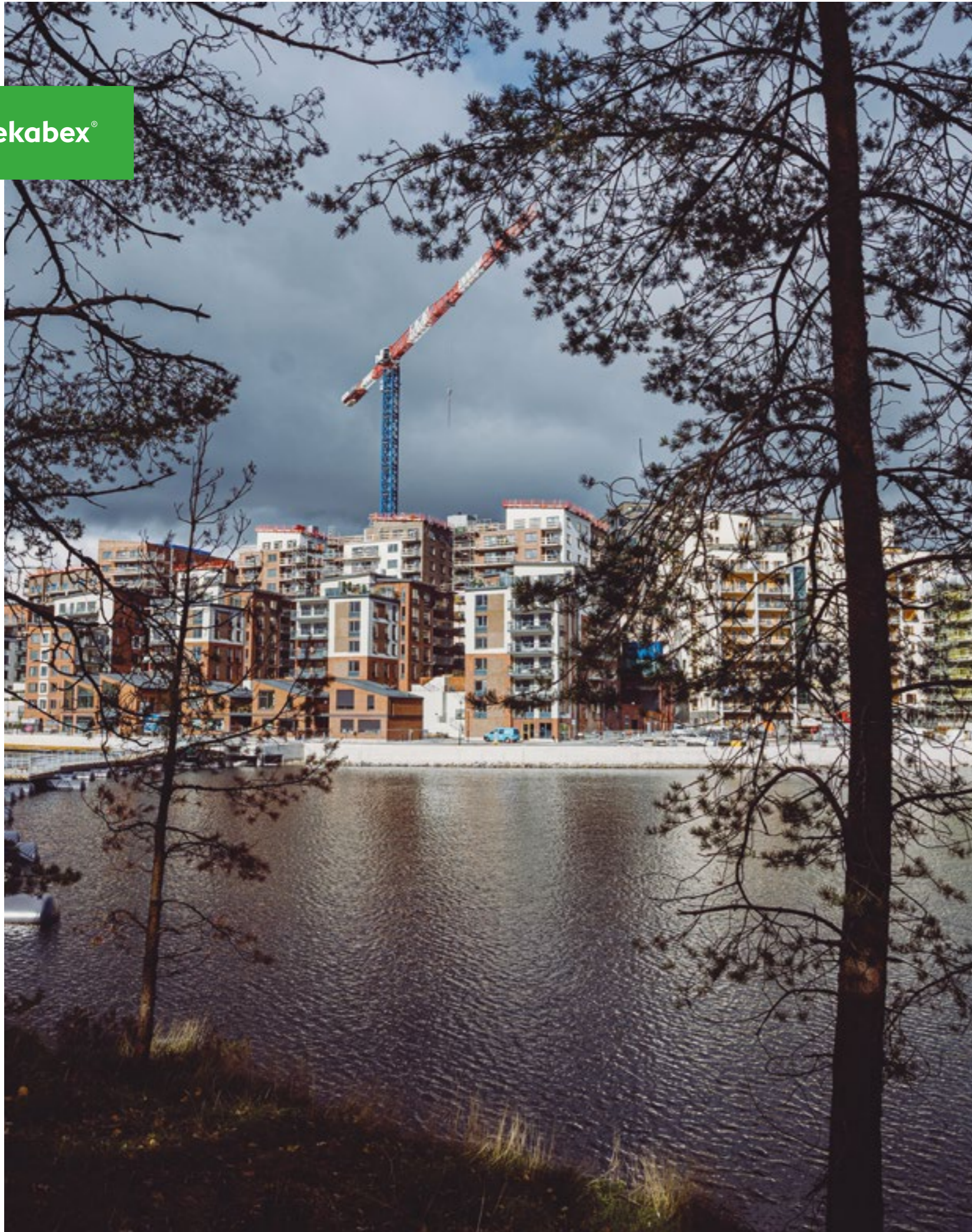
*** Average number of hours of absence caused by accidents per 1,000 hours worked

There were no fatal accidents at the German law company FTO in 2021. There were 14 cases of injuries occurring at work, resulting in 399 days of sick leave.

number of accidents at work and is characterised by a period of decline. The trend of the frequency rate of occupational accidents per 1,000 employees shows a decrease in value by 14.43% compared to 2020 and stands at 23.28%. Compared to 2020, there has been an increase of 3.81% in the value of the occupational accident severity rate, which expresses the number of days of temporary incapacity to work per victim, and is currently at 39.79%.

The accident absence rate is the average number of hours of absence due to accidents per 1,000 working hours worked. Compared to 2020, there has been a decrease of 0.4% in the indicator in question, and its current level is 1.03%.

The Group periodically conducts a thorough data analysis of health and safety indicators, and investigates all incidents and accidents for recurring risks. This makes it possible to take effective preventive and corrective action, and to view safety as a process of continuous improvement.



Tollare Marina estate in Stockholm, Sweden

Natural environment

6.0



www.pekabex.pl

6.1.

Pekabex Group's climate policy

The Management Board of Pekabex Group is aware of the progressing climate change and its effects on a micro and macro scale, as well as the important role of business in the transition to a low-carbon economy. Due to the importance of climate issues, the Pekabex Group Management Board decided in early 2022 to adopt and implement the Pekabex Group Climate Policy. This policy provides Pekabex Group with a reference and basis for all decisions and actions taken in the course of its business.

Pekabex Group implements the assumptions of the Paris Agreement, the Climate Policy of Poland and the European Union, and operates on the basis of appropriate relations between the company's development and care for the environment and human health.

Pekabex takes a number of measures to reduce its carbon footprint and limit its negative impact on the environment, among them:

- Establishment of short- and long-term climate-related objectives, and implementation of a monitoring and reporting system to periodically review progress towards achieving them.
- Annual monitoring of carbon footprint emissions carried out in accordance with the Greenhouse Gas Protocol (GHG) standard, enabling estimation of reduction efficiencies and adjustment of reduction targets.
- Identifying and documenting the significant areas of climate impact of all Pekabex Group activities at each stage of the product life cycle.
- Continuously improving energy efficiency to reduce or not increase fuel and energy consumption, but also increasing the share of renewable energy in total energy consumption.
- Investing in our own green renewable energy sources - installation of photovoltaic panels on the Group's production sites - 50 - 500 kWp installations.
- Retrofitting of office buildings and production halls to improve energy efficiency.
- Implementation of advanced technologies within the production line - new investment purchases, and modernisation of the current fleet of machinery and equipment used for production.
- Continuation or launch of research and development work in selected areas related to climate protection, as well as the launch of pilot projects.
- Implementation of innovative solutions to reduce direct

emissions, both for the organisation and the product. Introduction of products or services related to activities contributing to climate change mitigation or adaptation through, among other things, the use of low-carbon production materials.

- Continuous development of the knowledge and culture of climate responsibility of employees, contractors, service contractors and suppliers within the Pekabex Group value chain, and in particular the promotion of access to knowledge on climate issues.
- Cooperation with local self-governments, governmental bodies and units, as well as non-governmental organisations dealing with climate issues in order to develop recommended actions and solutions related to adaptation to climate change.
- Implementing the 5Rs - minimising the waste generated, sorting it and sending as much as possible for processing - recycling and reuse.
- The use, in decisions on new investments, of the environmental impact of the investment as an assessment criterion.
- Modernisation of the car fleet - development of electromobility.
- Protection and restoration of biodiversity and ecosystems.

The Climate Policy is complemented by the Group's Integrated Management System Policy, in which we also refer to the ISO 14001:2015 Environmental Management System.

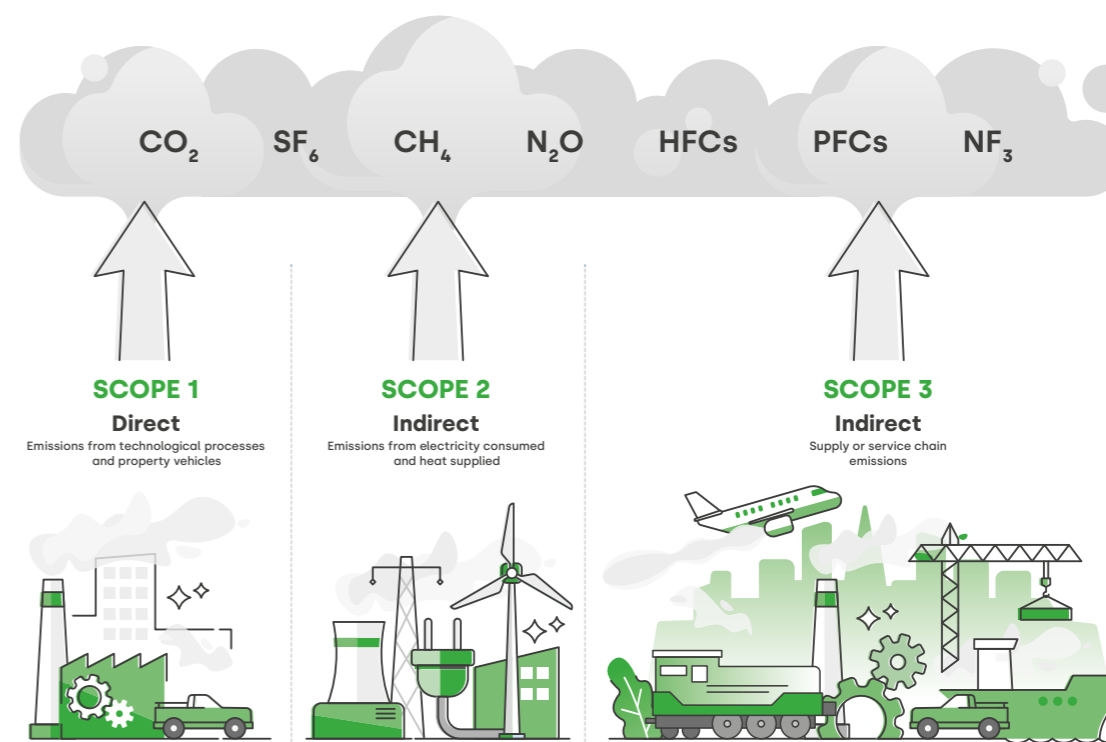
The Group identifies and assesses climate risks that occur within its business processes to ensure the safe continuation of its operations, and to take any preventive action that may be required. This is described in more detail in chapter 7.2. of this Report. In addition, the Group is working to align its business strategy and investment plans with the requirements of the low-carbon economy and the Paris Agreement.

6.2.

Greenhouse gas emissions

Under the adopted Climate Policy, the Group's main objective is to reduce greenhouse gas emissions, and consequently achieve climate neutrality. In view of the crucial importance of combating climate change, the Policy commits to successively reducing negative environmental impacts and maximising positive climate action along the entire value chain.

Pekabex Group implements the Paris Agreement, taking



action to limit global warming by keeping the temperature increase below 2° C above pre-industrial levels, and aiming to limit the temperature increase to 1.5° C above pre-industrial levels.

The Group is already running a number of carbon reduction projects, mainly through potential increases in process efficiency, implementation of innovative technologies, and also through the development of new products that reduce the negative impact on the climate. The Group's Research and Development Centre also operates within the Group's structure, which carries out work aimed at improving design technology and organisational and production changes that will contribute to reducing steel and concrete consumption, while maintaining or improving product properties.

Activities leading to the reduction of the Group's carbon footprint currently include:

- installation of a photovoltaic system on the premises of the production plant in Mszczonów, and investment plans related to covering other locations with the investment,
- purchase of electricity from renewable energy sources,
- reduction of electricity consumption - (LED, retrofitting of equipment, power guards),
- recycling of process water,
- modernisation of the fleet to EURO 6/hybrid/electric standard,
- the Group's green campaigns conducted under the slogan "Pekabex Goes Green", which, in addition to implementing specific pro-environmental measures, are aimed at broadening climate awareness among the Group's employees and stakeholders,

- implementation of innovative technological solutions in the area of production (modernisation of the machine park and improvement of technology).

One of the important projects carried out by the Group as part of its strategy to reduce the organisation's negative impact on the climate is the process of obtaining EPDs (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 products that have been certified to date are: prefabricated filigran panels, prefabricated walls (one, two and three layer walls, as well as brick walls), prefabricated reinforcement elements, prefabricated prestressed elements, hollow core slabs, prefabricated stairs, docks, and balconies. 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.

As part of its investments, Pekabex works with contractors to obtain BREEAM and LEED environmental certification. These are the two most popular certifications allowing buildings to be assessed on the basis of objective sustainability criteria with an emphasis on reducing climate impact. The assessment is made on the basis of clearly defined technical parameters which include, among others, the origin and characteristics of the building materials used, energy and water consumption, proximity to public transport stops, and impact on biodiversity.

The most important environmentally friendly investments carried out by the Group include a business centre -Olivia Business Centre, and halls built in cooperation with MLP, Prologis or Panattoni.

The table below shows the share of revenue from the construction of projects subject to BREEAM and LEED environmental certification in the Group's operating revenue

Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
% share of revenue	21.3%	14.9%	19.8%	24.4%	17.3%	15.6%	9.9%	8.8%	6.1%	15.7%	7.8%

Pekabex Group's Climate Policy is also a commitment to make cyclical disclosures as part of non-financial reporting, and to implement emissions management with clearly defined reduction targets. The Group is currently in the

process of developing a methodology for calculating direct and indirect emission factors, and how to present them.

6.3.

ISO 14001:2015 - Environmental Management System

In 2021, the Pekabex Group obtained an Environmental Management System certificate according to the ISO 14001 standard: 2015 in the installation of reinforced concrete and prestressed concrete elements, and the construction of buildings, including residential buildings with infrastructure.

In connection with the implementation of the system, an Environmental Management System Representative has been established in the organisational structure, who identifies the environmental aspects of the activity, and is to ensure that the established system is maintained in accordance with the standard.

As part of the procedures implemented, a record is also kept of the environmental impact of the Group and its products and services within the scope submitted for certification. Maintaining the system requires periodic audits at the Group's construction sites for compliance with ISO 14001 and environmental legislation. The conclusions of the audits are reported to the Management Board of the Group. The procedures and environmental objectives operating within the system will also be reviewed periodically to highlight areas for improvement.



SK Innovation Hall, Dąbrowa Górnicza

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

No.	Environmental aspect	Source of aspect: process/activity/service	Location
1	Non-hazardous waste generation	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites
2	Hazardous waste generation	Production processes, general contracting, component assembly	Production plants, construction sites
3	Electricity consumption	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites
4	Emission to the air	Production processes, general contracting, component assembly	Production plants, construction sites
5	Natural resource consumption	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites
6	Noise emission	Production and storage processes, general contracting, component assembly	Manufacturing plants and construction sites in areas where noise-emitting machinery and equipment are present,
8	Vibration emission	Production processes, general contracting,	Production plants and construction sites in areas with machinery and equipment emitting mechanical vibrations
9	Exhaust emission	Transport, administrative services, general contracting, assembly of elements	Plants, administration and office buildings, construction sites (diesel-powered forklift trucks, dump trucks, machinery and equipment, process boiler houses)
10	Water consumption	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites
11	Discharge of waste water	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites

6.4.

The Group's activities in the field of environmental protection

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 2021, there were no significant incidents resulting in environmental damage and no penalties were imposed on Group companies on this account. There was also no environmental accident.

The prefabricated elements produced by the Group 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 cement. 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. Very importantly, concrete and steel is 100% recyclable.

Pekabex Group takes a number of measures at its production sites to minimise environmental impact, and reduce the organisation's carbon footprint.

Such activities include:

- **efficient electricity management** through investments in renewable energy sources, compensating reactive capacitive power, changing to LED lighting,
- **heat recovery** by using warm air from compressors to heat the hall, reheating aggregates with heat from the process or using insulated production tables to reduce heat loss,

- **technological changes:** changing the heating of production halls to less carbon-intensive fuels, using semi-finished products with a reduced carbon footprint.

Additionally, in line with a closed loop economy, Pekabex Group:

- uses rainwater in the concrete production process,
- uses recycled water from the washing processes of concrete bins, mixers, and water from cutting elements in the concrete production process,
- repeatedly uses wooden sleepers and stiffening channels to transport the elements,
- reuses wooden formwork as moulds for prefabricated elements,
- returning the dust generated to the technological process.

The Group continuously modernises the existing machinery and equipment and purchases modern equipment for the production of prefabricated elements. Each investment decision is analysed in terms of its potential environmental impact, which enables the Group's climate policy objectives to be monitored.

Out of concern for the end user, the Group also manages Pekabex's own development projects in a way that takes into account the climate impact of the investment, allowing for sustainable construction objectives. Aspects of the environmental impact of the investment are taken into account already at the stage of project development, allowing for this impact during the entire period of operation. The following areas are analysed during the investment process:

- place and location,
- reducing the impact of construction,
- materials and resources,
- comfort of use,
- optimisation and energy consumption.

The Group has procedures in place to limit the negative impact on the environment, and the local community during construction activities, which include the construction site and neighbouring areas. The procedures assume, among other things, the following actions:

- fencing off the construction site and keeping the area for construction work to a minimum,
- proper marking and monitoring of the site entrance,
- the delineation of communication routes using existing communication routes,
- preparing construction sites, taking account of emergency situations,
- implementation of high impact construction phases at appropriate times,
- placing boxes for neighbourhood complaints and requests,
- carrying out periodic servicing of plant and equipment used on site in order to check their technical condition,
- equipping every construction site with eco-friendly first aid kits to deal with potential chemical spills,
- ongoing monitoring of the quantities and types of hazardous and non-hazardous waste generated,



Casa Baia housing estate, Hel (visualisation)

- restoring construction sites to their pre-work condition,
- carrying out regular training among employees on environmental protection measures.

According to the Group's Management Board, sustainable construction is a strategy for the future, and therefore the inclusion of climate and social responsibility aspects in its investments is one of the most important assumptions in its operations. There is a perceived emphasis by investors and end customers on sustainability, which has a practical dimension that translates into business decisions. The Group uses the highest quality raw materials and materials in its production and on its construction sites. Construction is carried out in a linked modular system, which is directly related to the fact that a minimum of materials are used during the building process. The Group is also pursuing a strategy of automating and robotising work in its production facilities, which allows for the application of precise production technology, which in turn translates into increased efficiency in the use of materials: the equipment precisely measures the amount of raw materials needed to produce a given component.

Pekabex products have EPD environmental declarations verified by independent authorised institutions for a given product group.

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,
- significantly reduce transport-related emissions through the use of materials produced within a radius close to the site.

6.4.1.

Use of resources and environmental protection

The Group pays particular attention to optimising processes in order to reduce the use of resources, and limit the Group's negative impact on the environment.

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

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

→ Materials and raw materials

The Group aims at making the best possible use of available raw materials and materials. It introduces innovations and processes that contribute to reducing consumption as well as waste.

Ongoing efforts are aimed at further automating the operating steel yards at all sites, 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	2021	2020	2019	2018
Consumption in production and on site (thousand kg)	36,310	30,950	25,000	32,000
Waste (thousand kg)	2,933	2,384	1,693	2,110
Percentage of waste (%)	8.08%	7.70%	6.77%	6.59%
Production volume (m ³)*	239,401	203,846	143,492	181,688
Waste as percentage of production volume (%)	1.23%	1.17%	1.18%	1.16%

*production volume in plants located in Poland

The Group purchases recycled steel; this applies to up to 90% of the steel it purchases.

GRI: 302-1

→ 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 the fleet 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 management has initiated a programme to use energy from renewable sources by installing photovoltaic panels on the roofs of production factories. In 2020, the Group completed the first such investment and launched a photovoltaic installation at its production plant in Mszczonów. Further such investments are planned in other locations - the Group is in the process of obtaining formal and legal permits and connection conditions in this respect.

The table below shows the amount of electricity generated in connection with the commissioning of the PV photovoltaic installation at the Mszczonów factory:

Amount of electricity generated (MWh)	2021	2020
Mszczonów	49.43	10.39

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

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)	2021	Consumption per m ³ of production	2020	Consumption per m ³ of production	2019	Consumption per m ³ of production	2018	Consumption per m ³ of production
Poznań	3542	0.058	3104	0.048	2,160	0.048	2,519	0.039
Mszczonów	2,680	0.028	2,390	0.032	2,091	0.040	2,219	0.034
Gdańsk I	1,882	0.040	1,649	0.042	1,502	0.048	1,658	0.045
Gdańsk II	697	0.044	568	0.060	-	-	-	-
Bielsko-Biała	860	0.041	671	0.045	555	0.038	609	0.039
Total	9,661	0.040	8,382	0.041	6,308	0.044	7,005	0.039

Thanks to an investment involving the replacement of the boiler room at the Poznań plant, which heats water used in production processes and office space, it is possible to recover heat generated in the heating process to heat aggregates and water, which makes it possible to achieve the optimum temperature of the concrete mix.

The Group also carried out an investment involving the replacement of the boiler room at the plant in Mszczonów, where the type of fuel was changed to one with lower emissions (heating oil was replaced by LPG).

Other factories use district heating (Gdańsk, Bielsko Biała) or high-methane natural gas (Gdańsk II).

GRI: 303-1, 306-1

→ **Water**

By its actions, the Group aims at reducing the exploitation of water resources. Water is a key raw material in the concrete mix production process. 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 reclamation of water from the technological process.

Aggregate resulting from the process 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.

Water drawn directly from the water mains.

Water consumption in m ³	2021	Consumption per 1 m ³ of production	2020	Consumption per 1 m ³ of production	2019	Consumption per 1 m ³ of production	2018	Consumption per 1 m ³ of production
Poznań	24,681	0.402	22,248	0.345	14,529	0.323	14,442	0.226
Mszczonów	17,831	0.187	13,762	0.183	10,227	0.196	11,464	0.174
Gdańsk I	16,608	0.356	15,467	0.390	12,753	0.404	15,155	0.416
Gdańsk II	2,135	0.137	1,564	0.165	-	-	-	-
Bielsko-Biała	5,251	0.253	6,200	0.414	5,421	0.368	3,949	0.2590
Total	66,506	0.277	61,261	0.301	44,949	0.313	47,028	0.259

FTO water is drawn from its own intake.

Water consumption in m ³	2021	Consumption per m ³ of production
FTO	4400	0.163

Volume of wastewater discharged by individual plants

Amount of wastewater discharged in m ³	2021	Consumption per m ³ of production	2020	Consumption per m ³ of production	2019	Consumption per m ³ of production	2018	Consumption per m ³ of production
Poznań	16,452	0.268	14,705	0.228	11,267	0.251	8,494	0.1330
Mszczonów	3,168	0.033	2,604	0.015	1,306	0.025	2,527	0.038
Gdańsk I	13,914	0.299	10,569	0.267	5,712	0.181	7,198	0.197
Gdańsk II	525	0.034	854	-	-	-	-	-
Bielsko-Biała	-	0.090	-	-	-	-	-	-
Total	2,536	0.122	4,084	0.273	3,351	0.228	2,081	0.136

GRI: 303-1, 306-1

→ **Transportation**

In connection with the adoption of a strategy to reduce CO2 emissions, following the new emission standards, Pekabex Group is gradually replacing its fleet of vehicles. New vehicles purchased as part of the group fleet have a minimum EURO 6 standard. In 2021, the fleet was expanded to include vehicles with MHEV engines that recover energy during braking. The Group plans to purchase plug-in hybrids and electric vehicles.

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	2021	2020	2019	2018
Average load weight [t]	19.62	21.12	21.00	20.55
Permissible load [t]	24.00	24.00	24.00	24.00
Utilisation of semi-trailer load capacity [%]	81.7	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	2021	2020	2019	2018
Number of orders received	5,345	2,635	2,323	2,287
Number of loads prepared	3,758	1,586	1,463	1600
– Reduction in the number of transports thanks to load picking [%]	30%	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.

Each factory has a waste permit specifying the types and quantities of waste along with an annual limit in accordance with current legislation.

Waste, including hazardous waste, is stored in accordance with the below 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.

Factory waste	2021
Total waste generated [Mg]	9,745
Quantity of hazardous waste generated [Mg]	40
Quantity of non-hazardous waste generated [Mg]	9,705
Production volume (m ³)*	239,401
Waste to production volume [Mg/ m ³]	0.041

*production volume in plants located in Poland

A summary of waste management at Pekabex Group is presented in the table below:

Type of waste treatment	% share in total waste
Waste undergoing recovery operations	99
Waste to be disposed of	1
Total	100

The Group recycles 99% of the waste generated in the production process.

* 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 (Dziennik Ustaw of 2020, items 797 and 875).

GRI: 304-1, 304-3

→ **Impact on biodiversity**

Pekabex Group is committed to sustainable development and environmental protection; the Group's activities may affect biodiversity. The areas of the Group's activities that pose the greatest potential risk are those associated with construction work and the resulting transformation of the land used as a construction site and pollution caused by an accident. The Group makes every effort to limit its potential negative impact on biodiversity. As part of its efforts to achieve this objective, the Group uses, among other things:

- protecting trees in the construction impact zone from mechanical damage by fencing off the area around them and/or applying cladding directly to tree branches,
- in the tree protection zone, it is forbidden to locate storage places, to lay traffic routes
- if necessary, monitoring of the site by naturalists including ornithologists, ichthyologists, herpetologists, entomologists and botanists,
- construction work are halted if animals are present in the project area,
- relocation to new sites of amphibians and reptiles previously living in water bodies destroyed by construction,
- the timing and cycle of the work is correlated with the natural cycle,
- aiming for the top layer of soil (humus) used for finishing works to be of local origin,
- keeping tree felling to a minimum, moving plants to other locations and carrying out compensatory planting.



Tollare Marina estate in Stockholm, Sweden



Pekabex Finished Goods Warehouse, Poznań

6.4.2.

Compliance with the EU Taxonomy

As a result of the obligation under Regulation (EU) 2020/852 of the Parliament and of the Council of 18 June 2020 and in accordance with the content of the Commission Delegated Regulation (EU) 2021/2178, for the purposes of this Report, an analysis of the share of qualifying business activities and business activities not qualifying for the EU Systematic Taxonomy of Environmentally Sustainable Activities in Pekabex Group's total turnover, capital expenditures and operating expenses was carried out without verification of the Technical Qualification Criteria. The presented indicators simultaneously refer to the systematics related to climate change mitigation and adaptation, however, compliance with the systematics is not revealed. As 2021 is the first year of disclosure for the data presented, the Group does not present comparative data from previous years.

As at the date of publication of the Report, the Group has not developed or implemented the plan referred to in section 1.1.2.2 of Annex 1 of EU Commission Delegated Regulation 2021/2178 of 6 July 2021, supplementing Regulation 2020/852 by specifying the content of the presentation of the information on environmentally sustainable business activities to be disclosed by companies subject to Article 19a or 29a of Directive 2013/34/EU, and the method for complying with this disclosure obligation (Regulation 2178).

→ Revenue

Sales revenues constitute revenues from contracts with customers covered by the scope of IFRS 15. The method of sales revenues recognition in the consolidated financial statements of the Group, including both the value and the moment of revenue recognition is determined by a five-stage model covering the following steps:

- identification of the contract with a customer,
- identification of the performance obligations,
- transaction price determination,
- allocation of the transaction price to each performance obligation,
- recognition of the revenue when a performance obligation has been satisfied or is in progress of being satisfied.

The Group has checked the eligibility of its business activities to the EU Taxonomy systematics, and discloses the percentage of eligible and non-eligible business activities in the total turnover.

code	Type of activity	turnover in thousand PLN	revenue share [%]
Activities eligible for systematisation			
7	Construction and real estate activities		
7.1.	Construction of new buildings	786,470	52%
	total	786,470	52%
Non-systematically eligible activities			
	Other activities	718,392	48%
	total	718,392	48%
	total	1,504,862	100%

The Group's activity classified under the EU system is 7.1. Construction of new buildings, consisting in the realisation of building projects for the erection of residential and non-residential buildings through the accumulation of financial, technical and physical resources with a view to the realisation of building projects intended for subsequent sale, and construction work for the erection of complete residential and non-residential buildings, either on their own

account for sale or on a fee or contract basis. Pekabex carries out construction projects spanning various industries. The largest number of contracts executed in 2021 were for volume construction and residential buildings, including self-development activities.

→ Capital expenditure (CapEx)

CapEx capital expenditures are increases in tangible and intangible assets during the financial year before revaluations (including impairment calculations), deducting depreciation for the relevant year, and excluding changes in fair value, and increases resulting from acquisitions through business combinations.

The Group defines capital expenditures as costs accounted for on the basis of: IAS 16 section 73 (e) (i) and (iii); IAS 38 section 118 (e) (i)-development work, IAS 40 section 76 (a) and (b); IAS 40 section 79 (d) (i) and (ii) (for the cost model); IAS 41 section (b) and (e); and IFRS 16 section 53 (h). Expenditures arising from acquisitions (IFRS3) and joint operations (IFRS11) are also included.

In the case of capital expenditure, the Group assessed whether, and to what extent the assets would be used to carry out the activities previously classified as systematic. In the case of capital expenditures that cannot be clearly attributed to activities that qualify for systematics due to the fact that the Group uses assets on various contracts, including those related to activities that do not qualify for systematics, the proportion method was applied, i.e. capital expenditures were attributed to individual activities in the proportion corresponding to the proportion of revenue from the contracts concerned.

code	Type of activity	capital expenditures in thousand PLN	share of capital expenditures [%]
Activities eligible for systematisation			
7	Construction and real estate activities		
7.1.	Construction of new buildings	15,858	40%
total		15,858	40%
Non-systematically eligible activities			
	Other activities	24,225	60%
total		24,225	60%
total		40,083	100%

Capital expenditures for systematic eligible activities incurred in 2021 were primarily related to the purchase of vehicles, equipment and machinery.

→ Operating expenses (OpEx)

Operating expenses are defined as non-capitalised costs, including research and development, building renovation methods, short-term leases, maintenance and repairs, and other direct costs associated with the day-to-day servicing of property, plant and equipment necessary to ensure the continuity and efficiency of their operation.

In the case of operating expenses, the Group assessed whether and to what extent an operating expense directly relates to an activity or fixed asset previously classified as a qualifying systematic activity or related process. In the case of operating expenses that cannot be clearly attributed to activities that qualify for systematics due to the fact that the Group uses the assets to which the expenses relate on various contracts, including those related to activities that do not qualify for systematics, the proportion method was applied, i.e. operating expenses were allocated to the various activities in the proportion corresponding to the proportion of revenues from the contracts concerned.

code	Type of activity	capital expenditures in thousand PLN	share of operating expenses [%]
Activities eligible for systematisation			
7	Construction and real estate activities		
7.1.	Construction of new buildings	7,306	52%
Total		7,306	52%
Non-systematically eligible activities			
	Other activities	6,744	48%
Total		6,744	48%
Total		14,050	100%

The Group's operating expenses related to activities eligible for systematisation in 2021 mainly concerned the maintenance of vehicles, equipment and machinery in good condition.

The Group is in the process of working to implement procedures and mechanisms to comply as fairly as possible with the disclosure obligations under Parliament and Council Regulation (EU) 2020/852 of 18 June 2020. Due to the lack of detailed regulations on the introduced provisions of the EU Taxonomy and the need for additional guidance and interpretations, the Group reserves that the disclosed indicators may be subject to modification in subsequent reporting periods.



SK Innovation Hall, Dąbrowa Górnicza

7.0

GRI: 102-15

Risk management


www.pekabex.pl

Implementation and operation of the risk management system is the responsibility of the Company's Management Board. The Board carries out a regular process of risk analysis and identification of key risks. All risks identified during this process are assessed in terms of frequency and severity of materialisation.

The Management Board of the Parent Company is continuously monitoring developments related to the war in Ukraine and the possible further development of the COVID-19 pandemic. Detailed information on the possible impact of the war in Ukraine and the COVID-19 pandemic on the Group's operations is provided in the introduction to the Pekabex Group consolidated financial statements.

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, environmental and climate 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.

7.1.

Relevant risk and hazard factors



The Pekabex Group is exposed to risks associated with its operations, which it actively manages.

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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
Risk related to the macroeconomic situation		
<p>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.</p> <p>In connection with the economic and political situation (war in Ukraine), 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 programmes and changes in the investment conception, often after the completion of two-stage tendering procedures, which are costly for bidders.</p> <p>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.</p>	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.
Risk of slowdown in the development of the industries in which the Group operates		
In connection with the current economic and political 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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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, including political factors directly or indirectly (war in Ukraine), 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.
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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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. The high price volatility observed recently may adversely affect the Group's results. An increase in raw material prices results in an increase in the Group's production costs. There is a significant risk that the prices of strategic raw materials it uses will increase which will cause the prices of the offered products to further 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. In certain contracts with counterparties, the Group also uses price indexation provisions for the most volatile and cost-critical items.
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 organisationally 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 prefabricated 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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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 and EURIBOR 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. For part of the investment / long-term loans, the Group enters into interest rate hedging (IRS) transactions. 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.
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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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.
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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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.
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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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.
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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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.
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 Group may also experience an exodus of employees related to the political situation - particularly in terms of employees from abroad. 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 an adequate number of suitably qualified people, the Group has created, and is intensively expanding its internal recruitment department, uses internal incentive programmes and cooperates with employment agencies. The Group also hires employees from abroad.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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.
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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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.
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.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
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><u>Risk related to suspension of trading</u> 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><u>Exclusion risk</u> 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><u>Risk related to share price volatility</u> 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><u>Risk of limited liquidity of shares</u> 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><u>Risk related to administrative sanctions for violation of the Public Offering Act and the Act on Trading in Financial Instruments</u> 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><u>Risk associated with publishing reports on the Company or changing the recommendation to a negative one</u> Reports on companies published by stock analysts have an impact on the stock price and liquidity of shares.</p>	2	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.

7.2.

Climate risk management

In 2021, the Management Board of Poznańska Korporacja Budowlana carried out an analysis of risks and opportunities related to climate change and sustainability issues for the first time, both in terms of physical risks and transformation (transition) risks. The categorisation of risks was done in accordance with the TCFD (Task Force on Climate-Related Financial Disclosures) guidelines.

The Management Board identifies and assesses climate risks that occur within the business processes to ensure the safe continuation of the Group's operations, and to take possible preventive action. The Group is working to align its business strategy and investment plans with the requirements of the low-carbon economy and the Paris Agreement.

Under the adopted Climate Policy, the Group's main objective is to reduce greenhouse gas emissions, and consequently achieve climate neutrality. Pekabex Group implements the Paris Agreement, taking action to limit global warming by keeping the temperature increase below 2° C above pre-industrial levels, and aiming to limit the temperature increase to 1.5° C above pre-industrial levels.

According to IPCC (Intergovernmental Panel on Climate Change) publications, the world is currently on the way to warming by 4°C or more. The Paris Agreement aims to limit global temperature rise to well below 2°C by 2100. This is why the Board chose these 2 scenarios for the climate scenario analyses.

Transformation (transition) risks are risks associated with social and political pressures that will change regulations and expectations for reducing the climate impacts of economic activity. Economic pressures and good risk management practices will force companies to adapt to changing social, technological, economic, environmental and political (STEEP) conditions. Analysing the risks and opportunities associated with climate change involves

determining the level of sensitivity to global pricing of emission rights, taxes, the need to seek low-carbon technological solutions, and the potential for breakthrough operational methods.

Physical risks are the effects of climate change that are gradual in nature, appropriate to the timescale of cause (increasing concentration of greenhouse gases) and effect (new level of thermal equilibrium of the globe).

The following table presents the risks identified in the analysis process:



Risk category	Description of the risk	Counteracting
Transformation Risks - Regulatory and Legal (Compliance)	<u>Issue pricing and reporting obligations</u> Due to the impact of the construction sector in CO2 emissions, environmental regulatory measures are being taken to minimise them. There is a risk of a significant increase in the cost of operations through the introduction of additional or increased emission charges which will translate in particular into the prices of materials purchased by the Group. In addition, the rapid regulatory changes make it necessary to regularly adjust the reporting and emissions monitoring processes for each of the Group's activities.	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. The Group monitors greenhouse gas emissions in Scope 1 and Scope 2, and is developing a system for reporting and monitoring sustainability indicators.
Transformation Risks - Regulatory and Legal (Compliance)	<u>Regulation of product solutions</u> Due to the impact of the construction sector in CO2 emissions, environmental regulatory measures are being taken to minimise them. This may materially affect the products manufactured and offered by the Group, and the need to adapt them to the requirements of stricter regulations (for example, on the energy efficiency of buildings). The risk of a significant increase in the price of the products and services offered by having to use more expensive technologies and materials is important here.	Risks are reduced by carrying out thorough calculations and obtaining Environmental Product Declarations (EDP), which detail the environmental impact of a product over its entire life cycle (LCA). The threat is also mitigated by promoting LEED and BREEAM products and services to investors and increasing in sales revenue.
Transformation Risks - Regulatory and Legal (Compliance)	<u>Exposure to litigation</u> Due to the impact of the construction sector in CO2 emissions, environmental regulatory measures are being taken to minimise them. There is a risk that the Group will not be able to meet all the requirements imposed on it, which may translate into administrative and judicial proceedings.	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
Transformation risks - Technology	<u>Replacement of existing products and services with lower emission options</u> There is a significant risk that the current transformation processes will significantly affect the range of products produced by the Group, and there will be a need to replace them with other products and services with significantly lower carbon footprints. Important here is the risk of a significant increase in the price of the products and services offered by having to use more expensive technological processes - the purchase of innovative machinery and technological lines and more expensive materials.	Risks are reduced by carrying out thorough calculations and obtaining Environmental Product Declarations (EDP), which detail the environmental impact of a product over its entire life cycle (LCA). The threat is also mitigated by promoting LEED and BREEAM products and services to investors and increasing in sales revenue. The Group is increasingly introducing technological solutions in line with the principles of the closed-loop economy, increasing the share of renewable energy consumed in the Group, and planning significant investments in this area.

Risk category	Description of the risk	Counteracting
Transformation risks - Technology	<u>Failed investments in new technologies</u> The need to apply new technological solutions in order to reduce the carbon footprint of the products and services produced by the Group carries the risk that the planned investments will not be realised, and that they will not yield a satisfactory return on the capital employed.	If 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.
Transformation risks - Market	<u>Changing customer behaviour, and uncertainty in market signals</u> Climate change and new trends may cause customers to turn away from traditional and prefabricated building solutions. The Group may misinterpret market signals and expectations, which may result in poor decisions being made by the Group's management.	Risks are reduced by carrying out thorough calculations and obtaining Environmental Product Declarations (EDP), which detail the environmental impact of a product over its entire life cycle (LCA). The threat is also mitigated by promoting LEED and BREEAM products and services to investors and increasing in sales revenue. The Group is increasingly introducing technological solutions in line with the principles of the closed-loop economy, increasing the share of renewable energy consumed in the Group, and planning significant investments in this area.
Transformation risks - Market	<u>Increased cost of raw materials</u> There is a significant risk that both the current transformation processes forcing manufacturers of materials used by the Group to adapt to the necessary changes, and the rapid climate change causing extreme weather events, and thus also a significant reduction in the availability of materials and raw materials will significantly increase their prices.	The Group's activities are focused on working with suppliers who have a far-reaching awareness of the changes taking place and who are actively working to reduce emissions during production processes. Pekabex Group is developing a plan for supply chain sustainability in the face of weather changes, which will include scenarios for dealing with natural disasters.
Transformation risks - Reputation	<u>Changing consumer preferences, stigmatisation of the sector, and increased stakeholder concerns / negative feedback</u> Climate change and new trends may cause customers to turn away from traditional and prefabricated building solutions. Increased stakeholder concerns and possible stigmatisation of the sector may reduce the availability of funding sources.	The Management Board monitors market trends; Group companies are members of many associations and organisations that have an impact on the sector, and are leaders of change. The Group employs qualified staff and cooperates with recognised external advisers. In the event of changes in regulations and reporting requirements, the Group constantly adjusts to the requirements of the new rules and obligations.

Risk category	Description of the risk	Counteracting
Physical risk	<u>Chronic: changing weather patterns, and rising average temperatures and sea levels</u> <u>Sharp: extreme weather events</u> Extreme weather conditions, including heat waves, droughts and floods, are expected to become more frequent and intense. This affects natural ecosystems, human health and water resources. Extreme weather conditions and events, in particular, could result in a material adverse effect on the Group's supply chain, and thus on the implementation of the Group's strategy.	Pekabex Group is developing a plan for supply chain sustainability in the face of weather changes, which will include scenarios for dealing with natural disasters.
	The occurrence of the climate risks described above according to the TCFD guidelines could result in a significant slowdown in the Group's growth and the implementation of its strategy.	production processes. Pekabex Group is a leader in the production of prefabricated elements in Poland. Thanks to its experience, qualified staff working on innovative solutions, it is an opportunity for the Group to be a leader of change, and introduce innovative products and services to the market, as well as reduce energy consumption and emissions. Other opportunities identified by the Management Board are mainly access to cheaper financing and cost reduction through reduced consumption of materials and raw materials.
	The Management Board of Pekabex Group is taking active measures to mitigate these risks and take advantage of the opportunities that arise in this situation. Pekabex cooperates with suppliers who are aware of the changes taking place, and actively work to reduce emissions during	



PFR Real Estate, Toruń

GRI: 102-6, 102-15, 103-3

Outlook

8.0



www.pekabex.pl

8.1.

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. The Group is also active in the development of residential and commercial buildings.

The Group also acts as a developer, and carries out development projects on its own account, drawing on the experience of the other business lines.

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, while production services are carried out in Poland and Germany. Residential development projects 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,

- 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 percent 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. This is one of the Group's main lines of development.

According to the Spectis report published in 2022, the Pekabex Group is the largest manufacturer on the heavy concrete prefabrication market in Poland. According to the report, Pekabex's share in the production of the 50 companies analysed is 18.3 per cent, while the 10 largest companies in the report account for 68.8 per cent of the heavy prefabrication segment.

8.2.

Determinants of further development of the Group

Construction market in Poland

The year 2021, despite an increase in construction and assembly production compared to 2020, was a difficult year for the construction industry due to the record rate of increase in the prices of materials, services, and labour costs and severe constraints with access to labour. All this has translated into the performance and financial health of companies operating in this market.

According to a preliminary estimate by the Central Statistical Office, gross domestic product (GDP) in 2021 was 5.7 per cent higher in real terms than in 2020, compared to a decline of 2.5 per cent in 2020 (in constant previous year's prices). Based on preliminary data published by the CSO, total construction and assembly production was 3.2 per cent higher than in 2020. For the specialised construction enterprises segment, construction output was higher by 9.3 in January-December 2021 (compared to the same period in 2020), per cent, while for enterprises constructing civil engineering works it was higher by 2.8 per cent. Lower production was recorded by entities specialising in the construction of buildings (by 1.2 per cent).

According to the latest PMR report entitled "Construction sector in Poland - Market analysis and development forecasts 2022-2027", the year 2021 proved to be a growth year for this sector of the economy. The market has returned to uptrends after a weaker 2020, which was characterised by lower capacity utilisation among companies in the construction sector (the underperformance was the result of negative investment risks related to the Covid-19 pandemic). The construction market is a branch of the economy that, despite initial concerns, was not directly affected by the significant negative impact of the Covid-19 pandemic. However, 2021 was a difficult year for the construction sector in Poland, in terms of dynamically increasing prices of many construction production factors with their simultaneous limited availability. Especially the price increases concerned production raw materials and construction materials. It has become crucial, in a period of high market volatility, to properly estimate costs when valuing ongoing projects. Serious challenges for companies in the construction industry in 2021 were furthermore, the still ongoing pandemic and associated problems in maintaining the continuity of supply chains, and the waves of Covid-19 disease among workers, which only exacerbated the problem that has plagued the industry for years, namely the shortage of labour. This has been compounded by a slowdown in investment in the public segment, which is also linked to delays in the disbursement of funds from the EU Reconstruction Fund.

Despite all the challenges faced by the sector in 2021, a very good recovery was recorded in residential construction. The Central Statistical Office reports that more dwellings were completed in 2021 than the year before. Preliminary figures from the CSO show that a total of 234,900 dwellings were completed (6.4 per cent more than in 2020). This means that Poles have bought the highest number of real properties in over 20 years. The record number relates not only to residential units but also to building and recreational plots. Compared to all construction sectors, volume construction, primarily related to the warehouse and logistics market, also achieved very good results in 2021. This is thanks to another year of dynamic development of the e-commerce market, which has even accelerated during the pandemic period, receiving an additional positive impulse for growth. As stated in its report "Rynek magazynowy. Polska, IV kw. 2021" JLL in 2021, put into use 2.9 million m² of warehouse space. New supply in Poland accounted for more than 15 per cent of total space delivered in Europe in 2021. The existing stock in the country has increased by as much as 15 per cent year-on-year.

At the beginning of 2022, construction output broke out high above the long-run trend, and recorded an increase of 20.8 per cent in January and 21.2 per cent in February compared to the same period of 2020. Year-on-year statistics show increases in all divisions compared to the same period last year: construction and assembly production in companies involved in the construction of buildings increased by 38.7 per cent, those performing specialised construction work by 22.2 per cent, and in units specialising in the construction of civil engineering structures by 2.9 per cent.

Despite very good readings from construction and assembly production at the beginning of 2022, economists dampen enthusiasm, and forecast a slowdown in growth in this sector of the economy, mainly due to a decline in demand caused by a rapid increase in inflation, rising interest rates, and the uncertain geopolitical situation related to the war in Ukraine, which could have a significant negative impact on the country's economy as a whole, including the construction sector in particular. In the longer term, further increases in inflation, limited availability of certain raw materials and materials, and longer delivery times due to disruptions in the global flow of goods caused by geopolitical instability are to be expected.

The challenge of the final months of 2021 and future periods for the construction market has been the availability and rising prices of raw materials, building materials and energy. The perceived increase in the prices of goods and services, especially in the second half of 2021, has made the inflation rate an important macroeconomic factor to be taken into account when making macroeconomic forecasts. The average annual consumer price index in 2021 reached 5.1 per cent, compared to 3.4 per cent in 2020. The year-on-year increase in inflation was most affected by the acceleration of price increases in the third and fourth quarters of 2021. In December 2021, the consumer inflation rate reached 8.6 per cent, 6.2 percentage points higher than in December the previous year. At the beginning of 2022,

the CSO reported that the inflation rate was 9.2 per cent year-on-year in January, and 8.5 per cent year-on-year in February. Economists' predictions do not point to a significant change in the trend or a reduction in the growth rate of goods and services in the economy in the near future. Approaching the NBP inflation target (2.5 per cent. +/- 1 percentage point) is defined as a process spread over a longer period of time. Rising price levels and further expectations of rising inflation in the future could have a negative impact on the economy in the long term in the form of a reduction in the rate of economic growth.

Among the new challenges facing the construction industry is the European Union's climate policy, and the associated green revolution seeking to reduce the carbon footprint of the economy. This will redirect the attention of market participants towards decarbonisation, the responsible use of raw materials throughout the supply chain, and the transition to a closed loop economy. In addition, the current geopolitical situation related to the war in Ukraine is forecast to accelerate the transformation of the European Union's energy policy, which may also translate into the construction sector, which will have to adapt even faster to new regulatory requirements to reduce the energy intensity and carbon intensity of both newly constructed and revitalised buildings.

PMR experts forecast that the construction market growth rate will slow down between 2022 and 2027, and will average 1.7% annually throughout the six-year period, which will be significantly lower than the rate observed in the last five years (7.5%). The most important construction-related factors affecting the construction market outlook are cited to be the following:

- Strong price increases for construction materials in 2021, and an expected continuation of the trend in 2022.
- Problems with availability of basic building materials.
- A key phase of infrastructure programmes using EU funds from the 2014-2020 EU budget.
- Outflow of workers from Ukraine as a result of Russia's aggression against Ukraine.
- The impact of the situation in Ukraine on EU and Polish energy policy.
- The inevitable investment in renewable energy sources (RES) and decarbonisation of the economy, the need for modernisation and investment in transmission infrastructure.
- Record investor activity in the warehouse and logistics market.
- Record residential construction figures for 2021 and expected cooling in 2022.
- Slowing demand for home loans in 2022.

Construction market in Poland – prefabrication

The value of the prefabrication market in Poland has doubled over the last 5 years. Experts predict that in the coming years the prefabrication market will experience further growth. The currently rather small share of prefabrication in the construction market in Poland is expected to increase from an estimated 5% to the level of Western European or even Scandinavian countries, where prefabrication

accounts for 40-50% of the construction market. The strong increase in costs currently observed in the construction industry will further accelerate the process of developing construction projects using this technology. In fact, the construction industry is facing one of the biggest challenges of adapting to dynamic increases in construction costs. Modern prefabrication could be the answer. The reduction in the number of employees on construction sites, the significant reduction in the length of the investment process compared to traditional methods by up to 40%, and the greater resistance of prefabricated projects to sudden and unexpected increases in the prices of raw materials and materials, resulting from short lead times, are the key factors of prefabrication's competitive advantage in times of challenges related to cost optimisation.

Another advantage of building with prefabrication technology is the possibility to apply a number of pro-environmental solutions, which makes the resulting buildings more energy efficient, and contributes to the idea of sustainable construction. This is important in an era of widening awareness of the social and climate responsibility of investors and end customers. Increasing market expectations in this respect are forcing the construction industry to change its approach to the construction process. Modern prefabrication meets new market needs because, among other things, it uses less cement and steel, which contributes to a smaller carbon footprint, construction sites where prefabrication technology is used generate less pollution and waste, and the possibility of reusing recycled prefabricated elements makes a closed loop economy possible.

It is anticipated that the development of the prefabrication market will depend primarily on the development of the housing and volume construction market. Further implementation of the government's Mieszkanie Plus programme may contribute to growth in the property market. The Group has so far implemented two investments under the government housing programme: in Toruń in Okólna Street, and in Sianów in Słowackiego Street. 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 and process automation, which significantly increases the quality and efficiency of production. 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. A great advantage of the Group, which has considerable impact on its results, is the fact that it has five production plants in Poland and one in Germany, which allows for significant optimisation of transport costs.

In the long term, infrastructure investments in the area of expanding the national railway network also represent

an opportunity for the development of prefabrication. These are to be co-financed under the European Funds for Infrastructure, Climate, Environment 2021-2027 (FENIKS) programme, and the Connecting Europe Facility (CEF) 2021-2027 programme. There are plans to build a 1,800-kilometre railway line by 2034 to provide transport to, among other things, the Central Airport.

Development of non-residential construction (industrial and warehouse facilities)

According to the Central Statistical Office, in 2021, 22,500 new non-residential buildings were commissioned, and 2,400 were extended. (down 12.7% on the previous year). In 2021, industrial and warehouse buildings accounted for as much as 46.5 per cent of the space commissioned. Industrial and warehouse construction is the largest, but also the most promising non-residential construction segment. According to the report "Rynek magazynowo-przemysłowy w Polsce", published by the consulting company Newmark Polska in March 2022, the volume of transactions in 2021 reached a record level of 7.35 million m², an increase of 41 percent year-on-year, and 175 percent of the annual average from 2016 to 2020. Poland is one of the fastest growing warehouse and logistics markets in Europe. The year 2021 was marked by very good performance on the demand and supply side. New demand in Poland was around 58 percent higher in 2021 compared to 2020 reaching 5.4 million m². Meanwhile, the total volume of space under construction in Poland reached another record high of 4.3 million m², making it the second most active market in Europe, with a higher result only seen in Germany.

According to the report "Rynek magazynowy. Polska, IV kw. 2021" by the consultancy JLL, the dynamic growth of the warehouse and logistics space market is largely due to the e-commerce sector, which is currently the second most active sector in Europe, just behind contract logistics (3PL - Third Party Logistics). In just the last two years, e-commerce's share of total European demand has risen from 12 percent to as much as 23 percent. Online sales are also developing dynamically in Poland. The three largest transactions in 2021 were related to the e-commerce market, with total demand realised directly by e-commerce estimated at around 1.3 million m². Overall, logistics and retail (including e-commerce) dominated Poland in 2021, together accounting for around 77 per cent of net demand.

The Covid-19 pandemic was an additional boost to growth in the warehouse and logistics space market through the development of e-commerce and nearshoring, i.e. moving operations closer to markets. The current geopolitical situation related to the war in Ukraine and its consequences for the global economy has further increased the trend of relocation from unstable to stable regions, as Poland is considered to be. Experts believe that in the long run, investments that will serve Ukraine and other countries in the region in the future will largely be located in Poland.

Forecasts associate the development of the warehouse and logistics space market with the further expansion of the e-commerce sector and the development of light

manufacturing. Automation and progress of technological processes allow for rapid development of light manufacturing in Europe, including Poland. Halls adapted for light production can be located in logistics parks, which diversifies the use of these facilities. In addition, there is a great deal of interest in city logistics, which is forecast to become increasingly popular as competition between companies is no longer just about price and product quality, but also about speed of delivery to customers. This type of facility is also attractive to courier companies. Last mile logistics facilities, located close to large urban agglomerations, respond to the market's need to reduce delivery times to end customers, so developers are bringing more and more of these types of facilities to the market, and their share of total warehouse and logistics space will grow steadily.

The Pekabex Group has an answer to market demand in the form of the "Pekabex® Hall System". 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 "Hal Pekabex® 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

Data from the Central Statistical Office shows that in 2021, compared to the previous year, there was an increase in the number and area of dwellings put into use. In contrast, the area of non-residential buildings put into service fell. In 2021, 234,900 dwellings with a total floor area of 21.8 million m² were put into use. Compared to the previous year, increases were recorded: in the number of dwellings - by 14.1 thousand. (6.4 per cent), the floor area of dwellings - by 2.2 million m² (11.3 per cent). Developers put into use 141,700 dwellings - 0.7 percent less than in 2020, while private investors put into use 88,300 dwellings, 19.4 percent more. Developers built 60.5 per cent of all newly completed dwellings, while individual investors built 37.6 percent. The very good housing sales performance recorded in 2021 may be in some part the realisation of demand postponed during the first two waves of the pandemic in 2020. However, there is a clear decline in sales in the second half of 2021 compared to the first half, although still at a high level, approaching 2016 levels. By 2021, housing prices were rising faster than rapidly rising inflation. Rising inflation and low interest rates on bank deposits have caused the market to believe for almost a whole year that buying a flat is a good way to protect the value of savings or profit from its subsequent resale. The Central Bank's belated response to the high inflation rate in the form of an increase in the reference rate meant that the ease of obtaining credit finance for home purchases continued virtually throughout most of 2021. The National Bank only raised interest rates in the last quarter. In April 2022, the reference rate rose to 4.5 per cent from September's 0.1 percent.

The growth outlook for the housing market remains positive as the property market is considered to be relatively stable. Demand for new housing continues to significantly outstrip supply. Rising prices for building materials and services, as well as rising inflation, are pushing up property prices, but this is not translating significantly into a fall in demand in the property market. This is because there is a large proportion of investment clients, including increasingly investment funds, among real estate clients. Foreign investment institutions operating on the Polish market purchase dwellings or even entire estates in large numbers, which drives up prices on the market. With rising rental prices and rapid depreciation over time, the profitability of such an investment is attractive. Experts predict that the increase in real property prices may only slow down the growth of demand, but will not halt it.

Residential construction was dominated by traditional improved construction technology, which was used in the construction of 98.6 percent of new residential buildings put into use. At the same time, there is a noticeable trend of increasing popularity in Poland of the application of solutions in the field of prefabricated housing; It meets the market demand, mainly due to the speed of erection of buildings and the repeatability of solutions. 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 percent in the last few years to 8-10 percent in 2020-2025.

The Group sees great potential for the development of prefabrication in the residential segment. The interest in modular construction among other developers is very high, especially due to the pace of work. Building with prefabricated elements speeds up investments, guarantees repeatable high quality and, as prices rise and construction services become less available, becomes relatively cheaper and more convenient. Over the last 5 years, the value of the prefabricated concrete elements market in Poland has doubled. The share of prefabricated construction is following the patterns in Western Europe, and this disparity will continue to decrease. In addition to selling prefabricated products to the residential market, the Group also carries out development projects as a general contractor. It has realised, among others, flats as part of the Mieszkanie Plus programme in Toruń and Sianów, as well as for other investors of multi-family buildings, e.g. in Włocławek and Poznań. The Group also carries out its own property development projects. Pekabex is currently in the process of completing or preparing to complete projects in Poznań: Ja_Sielska III, Ja_Sielska IV, Ja_Sielska V, Ja_Sielska VI, in Warsaw: Casa Fiore in Hafciarska Street, in the vicinity of Gdańsk: Casa Baia Apartments in Hel, Origin Mechelinki Apartments, Revital Apartments and Origin Mechelinki Centre, in Częstochowa: in Katedralna Street and near Berlin (Germany): apartments in Falkensee. 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, the Group has also developed the "Pekabex® Residential Buildings System". 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.

8.3.

Short-, medium- and long-term perspective



The Group's management is committed to safe and sustainable growth that takes into account the expectations of shareholders, customers and other stakeholder groups.

The Group's value is being built by focusing on improving the margins of its order book and acquiring new construction contracts and its own development projects. The Group's Management Board implements a policy of geographical diversification (the largest markets are, apart from Poland, also Scandinavia and Germany), segmental diversification (three business lines: prefabrication, general investment execution, property development) and product diversification (prefabricates can be used in every segment of the construction market: warehouse and logistics buildings, production halls, residential buildings, etc.)

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 operates an Integrated Management System based on three cooperating systems, namely: Quality Management System according to the PN-EN ISO 9001:2015 standard, Health and Safety Management System according to the PN-ISO 45001:2018 standard and Environmental Management System according to the PN-EN ISO 14001:2015 standard.

The Group has adequate intellectual resources and production capacity to implement the most difficult projects, and its highly qualified personnel, through their experience, knowledge and competence, further strengthen Pekabex's competitive advantage.

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, investors 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.

Expansion

At the end of 2020, the Group made its first overseas acquisition through the purchase of shares (in cooperation with the Foreign Expansion Closed-end Investment Fund, managed by PFR) in the German law company G+M GmbH, and became the owner of its sixth production plant, located in Marktzeuln (Bavaria). The current production potential of the plant is about 30,000 m³ of prefabricated elements per year. The Group intends to increase its production capacity and expand its scope of operations.

In connection with the German companies and the production plant in Marktzeuln acquired at the end of 2020, Pekabex focused in 2021 on the process of integrating the acquired entities into the Group, with a primary emphasis on effective cooperation between both parties. Actions taken in this regard included creating a team of people working on the process, planning a timetable for further, operational work, and establishing an effective communication system. These activities translated into business results, opening the field for the exchange of experience. As part of cooperation between the Polish and German factories, a software application for the calculation of prestressed structures is being implemented at one of the Group's plants in Poznań, which in a few months' time will result in cost optimisation of the prestressed elements manufactured in Poland, as well as in the possibility of eliminating or significantly reducing steel roof bracing. Experiences are also exchanged in terms of stakeholder communication channels and social media presence, approaches to promotion and increasing interest in the offer from customers and potential employees. An important aspect of cooperation is also process integration and the creation of space for the realisation of common goals. Through its activities, the Group aims to achieve synergies,

which opens up new opportunities for expansion into new markets. The presence of German companies in the Group has increased their potential, which has made them more competitive, especially when it comes to projects in Eastern Germany. The Group's capabilities increase the strength of its offering by increasing the scope and complexity of its proposed solutions, as well as by increasing its production capacity. This also opens up prospects for the introduction of new housing products (prefabricated façade walls) to the German market, which has not previously been included in the portfolio of the Marktzeuln production site. This broadens the group of target customers, and is in line with the Group's strategy.

At the end of 2021, the Group acquired a German company through which it plans to implement its first pilot development project in Germany consisting of the construction of two multi-family buildings in Falkensee, an exclusive suburb of Berlin, Germany.

For many years the Group has been developing its operations, and successfully executing contracts on the Scandinavian and German markets - on the latter on an increasing scale. Currently, revenues from these markets account for 29 percent of total 2021 revenues.

Automation and digitisation

Automation and digitalisation is embedded in Pekabex Group's strategy as one of the key factors for increasing competitive advantage. 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.

As part of the strategy chosen by the Management Board to automate production in factories, a Pekabex Engineering unit dedicated, among other tasks, to the implementation of this strategy has been operating within the Group's structure since 2020. The Group's management believes that the future belongs to new technologies, which is why Pekabex Engineering employs high-class specialists whose primary aspect of work is to strive to streamline, improve, and perfect production processes based on innovative solutions.

After the balance sheet date in January 2022, in order to further develop the automation processes in the Group, Pekabex together with Rebuild sp. z o. o. registered a new entity called Rebuild Construction Automation sp. z o. o. Pekabex took a 50 percent stake in the company. The company is dedicated to the implementation of innovative projects designed to result in the creation of prototypes of machines and production equipment used later in the Group's factories. The new company combines engineers specialising in automation and R&D with specialists in prefabrication. This combination is expected to guarantee the automation of the company's production processes, which will lead to the strengthening of Pekabex Group's position on the market. In addition, within the structure of the IT department, a section dedicated to supporting the automation and computerisation of processes carried out in the Group was separated.

In 2021, the Group also continued the implementation of ERP-class systems integrating most of the processes in the Group.

Strong financial position

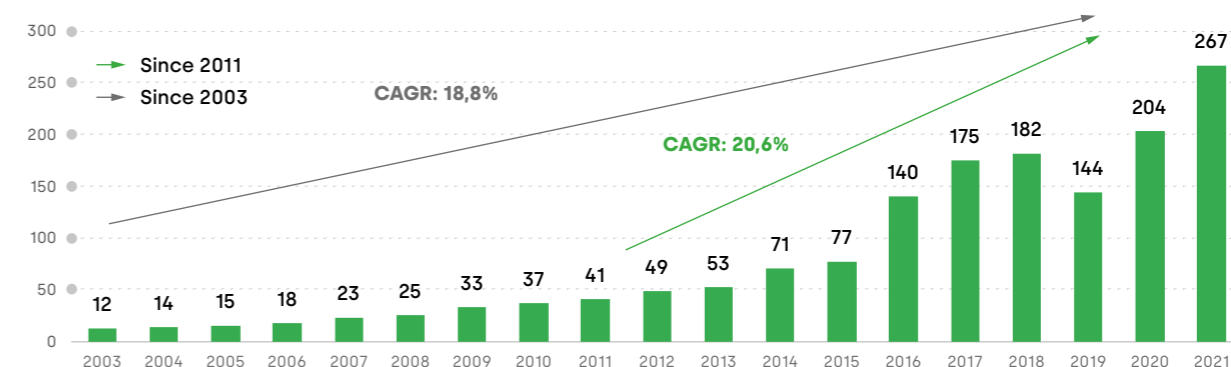
The Pekabex Group has significant financial resources which it manages with a view to, among other things, fulfilling its financial forecasts by meeting budget assumptions and achieving the assumed rate of return on long-term investments.

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.

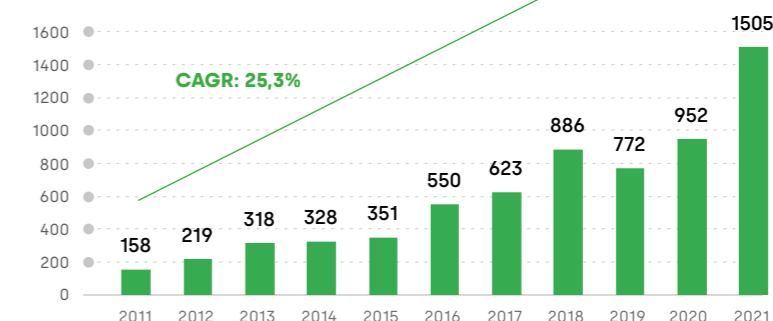
The charts below present the basic values and indicators showing the development of the Group in recent years.



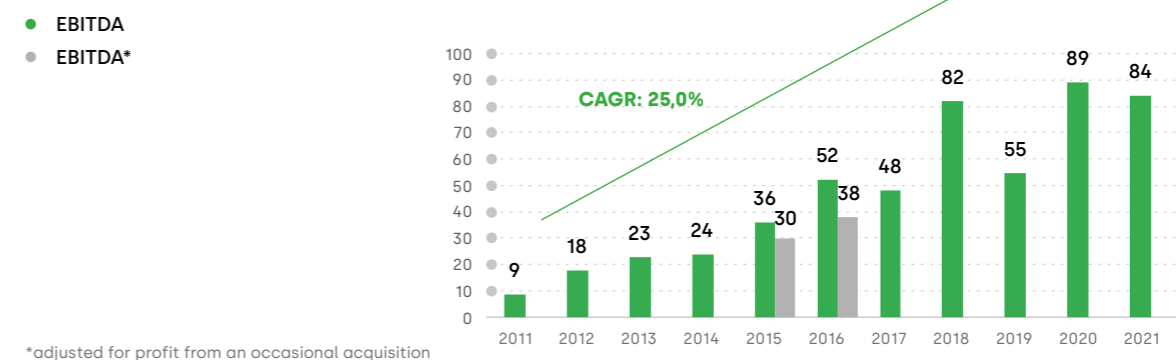
Production volume in the years 2003-2021 (in thousand m³)



Sales revenue (in PLN million)

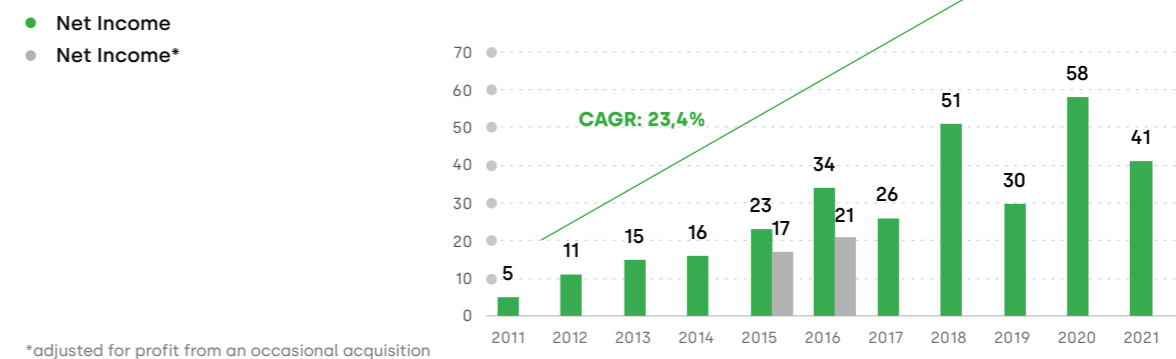


EBITDA (in PLN million)



*adjusted for profit from an occasional acquisition

Net result (in PLN million)



*adjusted for profit from an occasional acquisition

General contractor service costs

The year 2021 was marked by marked increases in construction costs and labour shortage problems. As steel prices on the market have soared, so have the prices of all building components containing steel, which in the face of reduced supply has resulted in major market turbulence. Rising prices of other construction materials, labour costs (pressure on wages due to rising inflation), and high turnover of construction crews were also a major problem in 2021, which in some cases could affect construction delays. The Group outsources most of its construction work to reliable external entities, with which it has cooperated for many years, which has made it possible to ensure, to a large extent, the continuity of its investments and avoid delays in construction projects.

Over the coming year, the Group anticipates a relative stabilisation of the increase in the prices of construction materials, but also their limited availability, and a possible further increase in the prices of subcontracting services and lower 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. Consequently, the situation in the residential segment remains relatively stable, and is characterised by less pressure to increase costs compared to the hall segment.

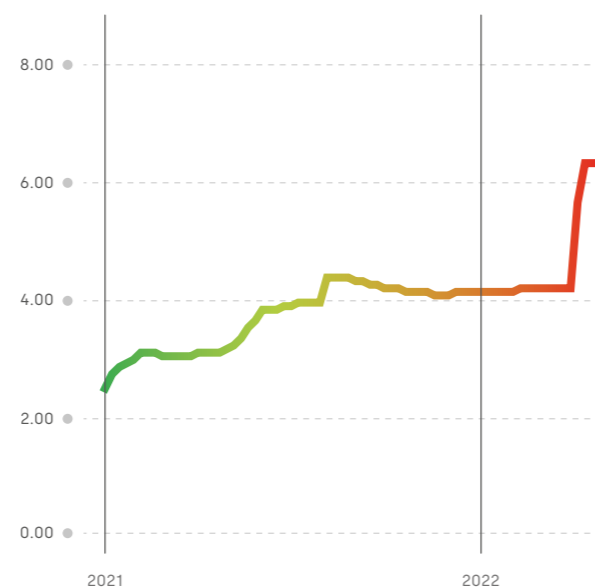
The Group has identified major challenges related to the increase of costs of raw materials, supplies and services. It ensures the necessary volumes of supplies and subcontracted services for the contracts concluded, and works out the actual costs of performing the various scopes of work. There is growing pressure on employee salary increases, but from the point of view of the Group's strategy this is a positive trend, affecting the competitiveness of the Group's offering. The Group is committed to automating production and increasing the efficiency of human labour.

Costs of raw materials and consumables

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.

At the end of 2020, and in particular in the first half of 2021, the prices of steel as well as of building components containing steel increased by leaps and bounds (steel price increase of 120 percent, sheet metal price increase of 300 percent), relative to the average of recent years. This was mainly due to a decrease in the supply of raw material on the markets and, at the same time, high demand, caused by investments carried out as part of the recovery of the world economy after the Covid-19 pandemic. At the end of the third and the beginning of the fourth quarter of 2021, there was a slight downward price correction of 10-15 percent from the values of the first half of 2021, and prices stabilised at this level until the beginning of 2022 and the outbreak of the war in Ukraine, which severely destabilised global markets. The geopolitical turmoil resulted in a jump in the prices of almost all raw materials and materials, particularly noticeable in the spectacular increases in the price of steel. Within 2 weeks, steel product prices reached unprecedented highs. The biggest increase was recorded in cold-formed sections, whose price jumped by 74 per cent week-on-week. The price of HRC sheet increased by more than 50 percent (228 per cent year-on-year), by 40 percent for ribbed bars (195 percent year-on-year), and by 32 percent for profiles (211 percent year-on-year). Ribbed bar prices have increased by around 50 per cent. The increase in prices was mainly related to the cutting off of supply chains from the east due to warfare, which translated into less availability of scrap metal and iron ore feedstock for steel furnaces. Limited supply in combination with high demand and panic in the markets has pushed prices to levels previously unknown. Price increases of 70-100 percent for metallurgical materials have strongly shaken the domestic construction market as well. Almost half of Polish demand for this material came from Ukraine, Belarus, Russia and Moldova. Steel wholesalers stopped sales in the first two weeks of the war in Ukraine, and reduced supply when sales resumed, which must have translated into high prices in the market.

Steel prices in PLN/kg in 2021



Ekebäckshöjd Estate, Goteborg

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.

In 2021, there was also a significant increase in the prices of raw materials and building materials from other product groups such as insulation materials, among others. The market of thermal insulation materials was unstable, mainly due to the limited availability of products, which resulted in significant price increases, e.g. the price of mineral wool increased by 100 percent, PIR insulation boards by 60 percent, polystyrene by 60 percent, and so on. This was due to a reduction in the supply of raw material, but also to increases in energy prices and logistical costs. At the end of the third and beginning of the fourth quarter of 2021, the availability of this product range improved with the exception of hard wool, where there were still difficulties in purchasing it. However, the year 2022 brought further price increases for mineral wool and polystyrene foam. It is also to be expected that the prices of PIR insulation board, which have been stable for the last few months, will go up as well. This is due to rapidly rising inflation, currency depreciation, dynamic increases in energy, gas and fuel prices, and increases in raw material prices.

The countries of the European Union import about 80% of the wood used in the internal market. Difficulties related to the logistics of supply from China and the introduction of new customs tariffs on goods from Russia and Belarus have resulted in a drastic increase in the prices of plywood (material mainly used for mould construction), and wood (material mainly used for transporting components) on EU markets. Year-on-year prices have risen in individual wood products by 80-200 percent, which has been strongly felt by the construction market in Poland. At the end of the third and the beginning of the fourth quarter of 2021, the price of plywood began to fall to reach a price around 8 - 10 percent below its peak, this was due to an increase in supply by China. However, in Q1 2022, plywood prices again returned to their 2021 peak, due to reduced supplies from Russia, and increased transport prices.

In 2021, aggregates prices were stable compared to other components used by the Group. In aggregates, we could only see increases of a few percent due to higher logistics costs, and increased demand caused by more infrastructure projects in the country. The first quarter of 2022 saw aggregate price increases due to the drastic rise in fuel prices and increasing market demand.

With regard to the prices of another important material for the Group, cement, the market situation in 2021 was unstable due to numerous breakdowns at cement plants in connection with the increased production of this raw material. There were situations where cement was rationed, and its availability was highly organic. By diversifying its

suppliers, the Group managed, and was able to supply 100 percent of its work-in-progress. In the cement market, prices rose by about 15-20 percent, but were stable for the Group until the end of the year. Due to the high (at capacity limit) production of cement plants, the occurrence of breakdowns and the still limited supply - the Group expects a further increase in cement prices of approximately 10 - 15 percent by the end of 2022. Expectations of price increases occur despite cement companies claiming greater stability in production, assuring that they have made appropriate upgrades to their plants to ensure uninterrupted production. In order to maintain continuity of supply, Pekabex Group has signed 4 supply contracts with 4 different sources.

The procurement of some materials and raw materials is based on forward contracts, which reduce to some extent the risk of sudden price increases, and enable the liquidity of supplies to be secured. However, the dynamic market situation and restrictions in the supply of raw materials and materials have made suppliers reluctant to enter into long-term contracts for further periods. A way out of the situation is to use provisions on indexation of key price drivers in contracts with suppliers.

In terms of sales, as a rule, the Group executes contracts in the medium and short term, which allows it to react quickly to market changes, and to translate rising material costs directly into the valuations prepared for customers, but the recent unprecedented price increases in the market have shown that a partial solution for securing the level of planned margins is to introduce price indexation mechanisms in contracts with contractors in relation to changes in the level of prices of the main materials in the contracts concluded by the Group, which the Group also applies.

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.

The Group has been working on the development of prefabrication technology for years, and has its own Research and Development Centre. 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, assembly process-accelerating connectors for prefabricated elements, modern and high-quality finished prefabricated

elements and innovative technological processes. 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.

The Group has signed an agreement for funding under the Intelligent Development Operational Programme 2014-2020 co-financed by the European Regional Development Fund for research and development work on the development of an innovative prefabricated bathroom module together with its production technology, and has commenced work in this area.

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 percent of the purchased steel is recycled), and recycled waste from the prefabrication process (concrete is 100 percent 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 worked intensively on the "Pekabex Group Climate Policy" in 2021, resulting in the adoption and implementation of the document at the beginning of 2022. The Group has identified and assessed risks related to climate change, as described in chapter 7.2 of this Report. Efforts are currently underway to set sustainability goals for the organisation, and directions for adapting the business model, especially in the context of climate change, taking into account the potential risks and economic benefits involved.

Order portfolio

The Group started 2022 with a strong and diversified order portfolio (backlog). It contains the aggregated value of contracts signed by the Group until 31 December 2021, which are/will be implemented and recognised in sales revenue after the balance sheet date.

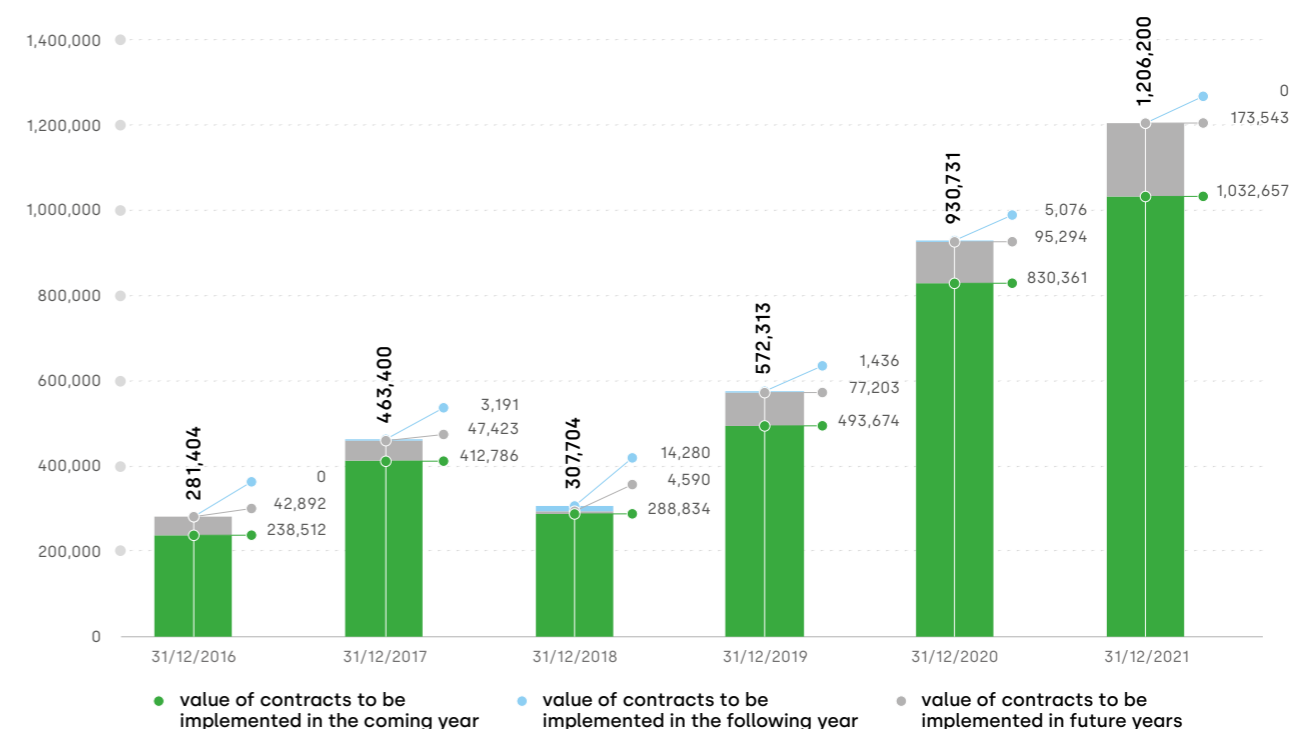
The values of the order portfolio for individual periods/years result from the schedules indicated in the contracts and assume their timely implementation.

The order portfolio also includes revenues from the segment Execution of real estate development projects on the Group's own account. 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. In 2021, part of the revenue from the Ja_Sielska II project was recognised (80 percent was already recognised in the consolidated statement of results in 2020), as well as all of the revenue from the Osiedlowa 43 (Józefosław) project. The remaining planned* and estimated** revenue relates to the sale of flats within the Casa Fiore, Ja_Sielska III and Casa Baia (flats in Hel) projects.

* Planned revenue – based on signed developer agreements
 ** Estimated revenue – based on the Group's budget assumptions

Order portfolio in 2016-2021 (in PLN thousand)



As at 31 December 2021, the value of signed contracts amounted to PLN 1,206,200 thousand, including PLN 1,032,657 thousand to be implemented in 2021, whereas at the end of 2020, the value of signed contracts amounted to PLN 930,731 thousand, including PLN 830,361 thousand to be implemented in 2021.



SK Innovation Hall, Dąbrowa Górnicza

Additional information

9.0



www.pekabex.pl

9.1.

Possibilities of implementing investment plans and information on the Group's connections with other entities

Information on the intentions is described in chapter 8 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.

9.2.

Unusual events affecting the result of activities

In 2021, 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.

9.3.

Disputes and litigations

As at 31 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 2021:

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 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 2,192 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 4,192 thousand.

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. On 30 April 2021, the Poznań Court of Appeal upheld the judgement of the first-tier tribunal, dismissing the contractor's appeal in its entirety. The judgement is now final and binding. The Group received the amount awarded plus interest. Marathon International filed a cassation appeal with the Supreme Court. The company filed an answer to the complaint indicating, among other things, that there were no grounds for accepting the complaint.

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. Evidentiary proceedings are currently pending.

The total value of allowances for receivables and provisions due to the dispute with Marathon amounts to PLN 7 192 thousand.

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.



Prefabricated three-layer wall, Pekabex Gdańsk



Prefabricated wall with matrix, Pekabex Gdańsk

10.0

About the report



www.pekabex.pl

GRI: 102-45, 102-46, 102-47, 102-50, 102-52, 102-53, 102-54, 102-56

10.1.

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 prepared 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 2021.

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

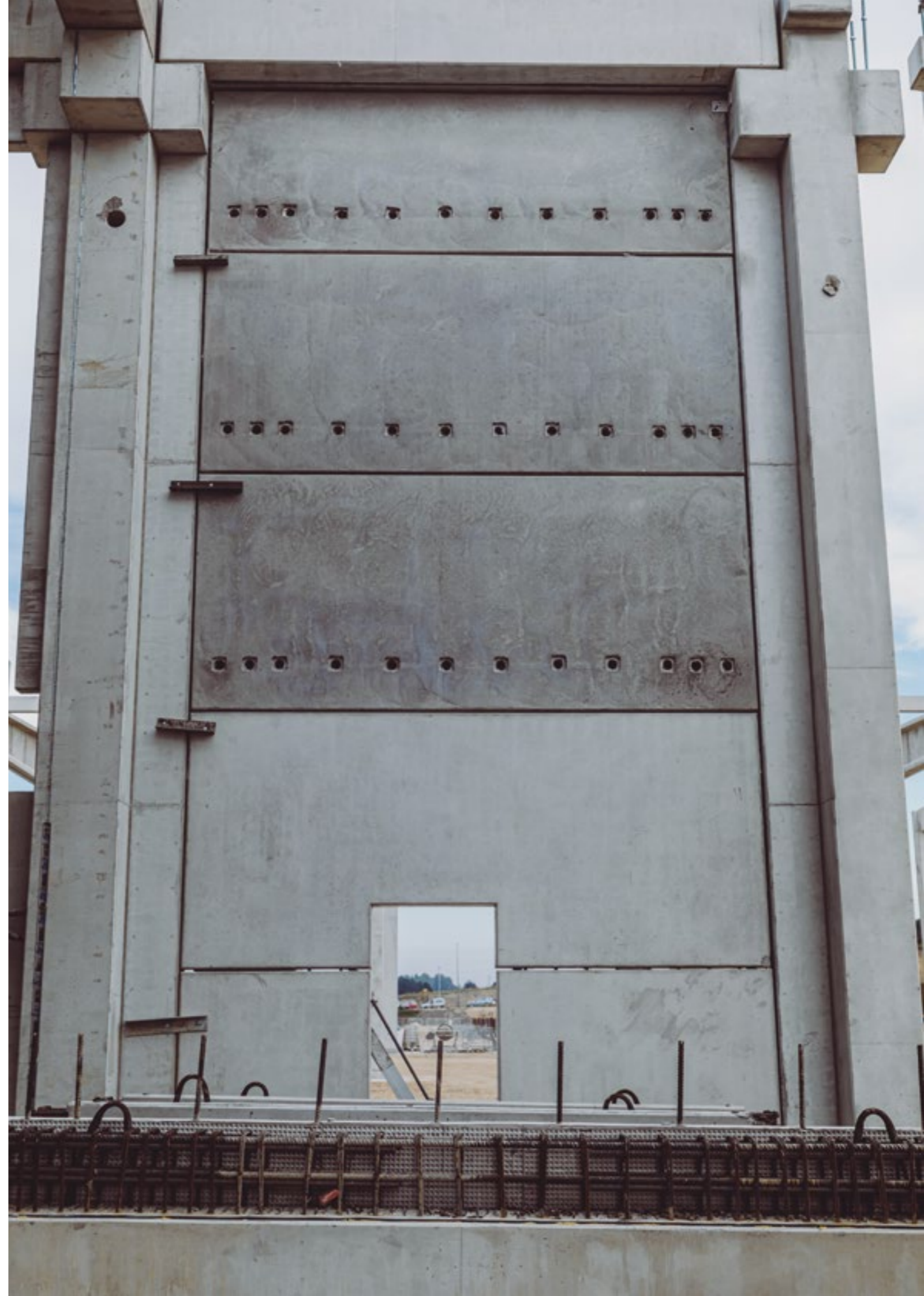
10.2.

Approval for publication

This Report of the Pekabex S.A. Group, prepared as at and for the period ended 31 December 2021, was approved for publication by the Management Board of the Parent Company on 26 April 2022.

Date	Full name	Function	Signature
26/04/2022	Robert Jędrzejowski	President of the Management Board	Robert Jędrzejowski
26/04/2022	Beata Żaczek	Vice-President of the Management Board	Beata Żaczek
26/04/2022	Przemysław Borek	Vice-President of the Management Board	Przemysław Borek
26/04/2022	Tomasz Seremet	Member of the Management Board	Tomasz Seremet

SK Innovation Hall, Dąbrowa Górnicza





SK Innovation Hall, Dąbrowa Górnicza

**Tables with
GRI numerical
indicators**

11.0



www.pekabex.pl

Employment

As at 31 December 2021, Pekabex had more than 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 2021 only under an employment contract.

Not included here are persons employed under civil law contracts, the self-employed, and staff of subcontractors.

a. Total number of employees by type of contract and gender	IN TOTAL	Pekabex Group	
		women	men
Type of employment contract:			
fixed period	725	172	553
Indefinite period	1,068	171	897
ALL EMPLOYEES	1,793	343	1,450

b. Total number of employees broken down by place of employment	IN TOTAL	Pekabex Group	
		women	men
Poznań	797	196	601
Mszczonów (Badowo Mściska)	246	52	194
Łódź	11	3	8
Gdańsk	247	66	181
Bielsko-Biała	147	20	127
Marktzeuln (Bavaria)	120	3	117
Germany Branch	164	1	163
Germany (construction sites)	13	0	13
Denmark (construction sites)	1	0	1
Warsaw	4	2	2
Sweden (construction sites)	43	0	43
TOTAL	1,793	343	1,450



Ekebackshöjd construction site, Goteborg

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	0	2
IN TOTAL	10	2	8
Supervisory Board			
under 30 years of age	-	-	-
30 to 50 years of age	2	0	2
over 50 years of age	5	0	5
IN TOTAL	28	4	24
Employee categories			
Breakdown by structure and age:	IN TOTAL	Women	Men
senior management*			
under 30 years of age	-	-	-
30 to 50 years of age	28	10	18
over 50 years of age	5	0	5
IN TOTAL	33	10	22
mid-level management**			
under 30 years of age	30	16	14
30 to 50 years of age	129	33	96
over 50 years of age	25	1	24
IN TOTAL	184	50	134
blue collar workers***			
under 30 years of age	252	9	243
30 to 50 years of age	487	16	471
over 50 years of age	230	11	219
IN TOTAL	969	36	933
other employees****			
under 30 years of age	247	131	116
30 to 50 years of age	309	107	202
over 50 years of age	51	9	42
IN TOTAL	607	247	360

* 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

Employment rates

		2021	
Total number of new employees (employed in 2021) broken down by:	IN TOTAL	women	men
senior management	2	1	1
mid-level management	28	2	26
blue collar workers	455	12	443
other employees	167	78	89
TOTAL	652	93	559
Employment rate	36%	27%	39%
Number of all employees	1,793	343	1,450
		2021	
Total number of employees who left the company in 2021 broken down by:	IN TOTAL	women	men
senior management	1	0	1
mid-level management	22	6	16
blue collar workers	452	6	446
other employees	104	50	54
TOTAL	579	62	517
Employment turnover rate	32%	18%	36%
Number of all employees	1,793	343	1,450

Employment turnover rate* in the Pekabex Group by:

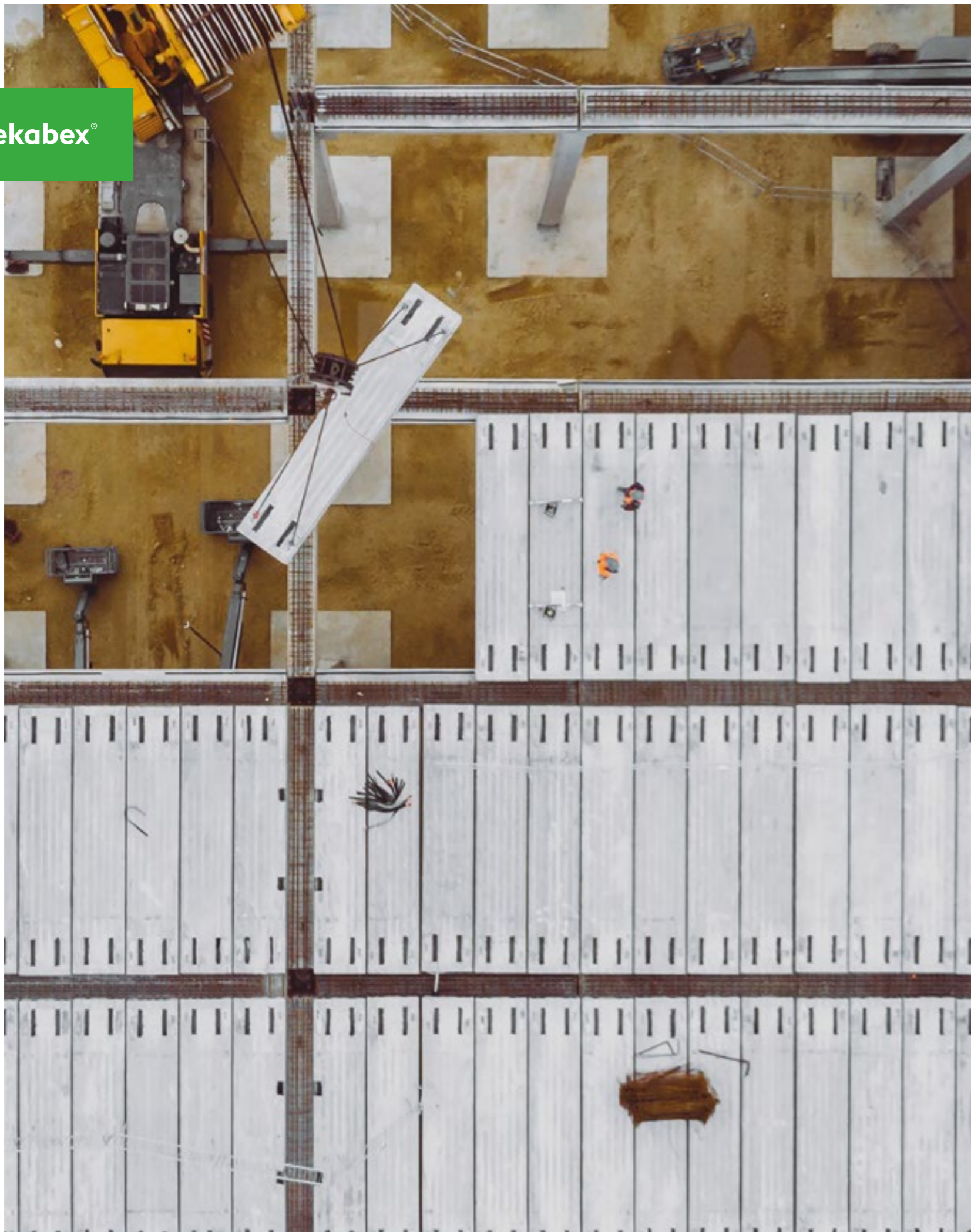
- voluntary employment turnover rate (when an employee decides to leave his or her job or retires).

	2021	2020	2019
	23.4%	20.2%	22.8%

- forced employment turnover rate (when an employer decides to terminate an employee's contract due to planned layoffs, budget cuts, or does not renew the contract due to lack of performance or inappropriate behaviour of the employee or downsizing).

	2021	2020	2019
	9.5%	10.2%	9.5%

*the ratio is calculated by dividing the number of employees who left during the reporting period (voluntary or involuntary) by the average number of all employees in the period



SK Innovation Hall, Dąbrowa Górnicza

GRI: 102-55

GRI content index

12.0.



www.pekabex.pl

Indicator no.	Indicator name	Comment/description	Page no.
102-1	Name of the organisation	About the Group	7
102-2	Description of the organisation's activities, main brands, products and/or services	Business model, Main products manufactured by Pekabex	20, 28
102-3	Headquarters location	About the Group	7
102-4	Location of operational activities, including the number of countries in which the organisation operates, together with the names of those countries where the main operations of the organisation are located or which are particularly important in relation to the content of the report	Group composition, Markets and sources of supply	16, 34
102-5	Form of ownership and legal structure of the organisation	Shareholders of Pekabex S.A. holding significant blocks of shares	92
102-6	Markets served	Markets and sources of supply, Significant agreements, Conditions for further development of the Group	34, 44, 161
102-8	Data on employees and other persons working for the organisation	Employment	184
102-9	Supply chain description	Supply chain	56
102-13	Membership in associations and organisations	Membership in organisations	32
102-14	Statement by top management	Letter from the President	4
102-15	Description of key impacts, opportunities and risks	Relevant risk and hazard factors, Conditions for further development of the Group	139, 161
102-16	Organisational values, code of ethics, rules and standards of conduct	Strategy and development of the Pekabex Group, Value creation model	35, 51, 114
102-17	Internal and external mechanisms for obtaining advice on ethical and legal behaviour and matters relating to the integrity of the organisation	Infringement reporting system	115
102-18	Supervisory structure of the organisation together with committees reporting to the highest authority	Composition of the Management Board, Pekabex S.A. bodies and their composition	8, 100
102-22	Number and gender of the members of the highest supervisory/management body and its committees	Composition of the Management Board, Pekabex S.A. bodies and their composition	8, 100
102-23	Chairman of the highest governing body	Composition of the Management Board	8
102-45	Business entities recognised in the consolidated financial statements	Group composition, Methodology and scope of the report	16, 180
102-46	Process of defining report content and aspect scopes	Methodology and scope of the report	180
102-47	Relevant topics identified	Methodology and scope of the report	180
102-50	Reporting period	Methodology and scope of the report	180
102-52	Reporting cycle	Methodology and scope of the report	180

Indicator no.	Indicator name	Comment/description	Page no.
102-53	Contact person	Methodology and scope of the report	180
102-54	Statement on reporting in accordance with GRI Standards	Methodology and scope of the report	180
102-55	GRI Index	GRI content index	195
102-56	External report verification policy and current practice	Methodology and scope of the report	180
103-1	Clarification of topics identified as relevant with indication of limitations	Set of rules to which Pekabex S.A. is subject, Internal communication, Integration internal Affairs, Climate Policy, Workforce Development, Waste Management	54, 92, 110, 122, 132
103-2	Management approach and its elements	Set of rules to which Pekabex S.A. is subject, Internal communication, Integration internal, Employee development, Climate policy, Environment, Waste management, Pekabex for society	54, 92, 110, 112, 122, 132
103-3	Evaluation of approach to management	Set of rules to which Pekabex S.A. S.A., Climate Policy, Outlook	54, 122, 161
203-1	Contribution to the development of infrastructure and the provision of services to society	Pekabex for society	112
203-2	Identification and description of the significant indirect economic impact, with the indication of scale and scope of the impact	Pekabex for society	112
205-3	Action taken in response to corruption cases	Combating corruption	114
301-1	Raw materials/materials used by weight and volume	Materials and raw materials	128
301-2	Percentage of recycled materials used in the production process	Materials and raw materials	128
302-1	Energy consumption of the organisation by raw material type	Energy	129
303-1	Total water consumption per unit of production by source	Water	130, 131
304-1	Location and size of owned, leased or managed land located in protected areas or areas of high biodiversity value outside or adjacent to protected areas	Biodiversity	133
304-3	Protected or revitalised habitats	Biodiversity	133
305-1	Direct greenhouse gas emissions	Climate policy	122
306-1	Total volume of waste water by quality and destination	Water	130, 131
306-2	Waste by type of waste and disposal method	Materials and raw materials, Waste management	128, 132

Indicator no.	Indicator name	Comment/description	Page no.
307-1	Monetary value of penalties and total number of non-financial sanctions for non-compliance with environmental laws and/or regulations	Environment	126
401-1	Total number of new hires, employee turnover rate	Employment	187
401-2	Fringe benefits provided to full-time employees that are not available to temporary or part-time employees	Policies applicable to employees, Employee development	108, 110
403-1	Occupational health and safety management system	OHS	116
403-2	Hazard identification, risk assessment and incident analysis	OHS	116
403-5	Occupational health and safety training	OHS	116
403-7	OHS prevention and hazard mitigation in the context of business relationships	OHS	116
403-8	Employees covered by the occupational health and safety management system	OHS	116
403-9	Accidents at work	OHS	116
405-1	Composition of supervisory bodies and staff by gender, age and other diversity indicators	Employment, Diversity and social inclusion	105, 111, 186
406-1	Number of cases of discrimination and actions taken	Respect for human rights	115