

Standalone Annual Report of PFR S.A.

for 2020



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

2020 was a challenging year. That is why the report recapping this year is also exceptional. On one hand, we depict the core business of PFR S.A. and its Group in this report: investment exposure, support for innovation, care for business development, efforts conducive to local government investments, the Employee Capital Plans program and many others. On the other hand, however, the past year entailed exceptionally challenging and demanding work to counter the consequences of the COVID-19 pandemic. It posed the largest threat to the global economy in decades and that is why combating the effects of this crisis was our top priority. For this reason this report to a large extent pertains to the role played by the Polish Development Fund in the battle against the economic outcomes of the COVID-19 pandemic.

The pandemic precipitated a very dangerous recession in Q2 2020 in the global economy and in Poland. The outcome of this health threat involved turbulence on the financial and commodity markets, a supply-side shock due to the disintegration of various supply chains and a demand-side shock stemming from economies closing and the enormous amount of uncertainty. The stability of hundreds of thousands of companies and millions of jobs was in jeopardy during the greatest recession since the Great Depression. The government presented an action package under the Anti-Crisis Shield in March 2020. The PFR Corporate Group played a major role in stabilizing the economy, chiefly through the PFR Financial Shield and the credit guarantees provided by Bank Gospodarstwa Krajowego. The sheer magnitude of this aid was unprecedented in the history of Poland and it produced effects in the form of stabilizing the economy, strengthening the liquidity of businesses and protecting the labor market coupled with the programs administered by the ZUS Social Insurance Institution. In 2020 the pandemic triggered a 2.8% decline in GDP. However, this was the second lowest decline among European Union member states. Other economic data also testify to Poland having navigated the crisis induced by the pandemic as safely as possible and relatively better than the majority of countries belonging to the OECD. The exports of goods and services edged up by 0.4% and the unemployment rate is the lowest in the EU.

Almost immediately after the pandemic reached Poland work was begun on rolling out the PFR Financial Shield. The largest program in history to assist businesses and protect jobs worth PLN 100 billion was launched within a few weeks. It consisted of two components: the Financial Shield for Small and Medium Companies worth PLN 75 billion and the Financial Shield for Large Companies worth PLN 25 billion. Financial subsidies were disbursed within 48 to 72 hours after applications were submitted thanks to the latest technology and collaboration with banks, ZUS, KIR and KAS. I am confident that the actions taken by PFR S.A. in this area satisfied the expectations of businesses and secured millions of jobs. PFR transferred financial subsidies worth PLN 61 billion to small and medium companies under the Financial Shield for SMEs from the end of April to the end of July 2020. Nearly 350 thousand companies employing more than 3.2 million workers received support. 89% of the applications for subsidies were approved. PFR made almost 100 financial awards under

the Financial Shield for Large Companies, including awards to companies of strategic significance to the Polish economy.

The Polish Development Fund also lent a helping hand during the pandemic in other ways. The PFR Foundation conveyed support worth a total of PLN 6 million to six Polish hospitals. These funds were designated for the purchase of life-saving equipment, personal protection equipment for physicians and medical personnel and for COVID-19 tests.

Despite this highly demanding situation the PFR Corporate Group also effectively pursued its most important development projects. The value of our investments since 2016 has reached the PLN 12.5 billion watermark. Moreover, in 2020 we initiated more than 150 venture capital investments. Employee Capital Plans in which nearly 2.5 million people are saving for retirement are also developing. We are dynamically developing our innovation and education programs: in 2020 approximately fifteen thousand people took advantage of them. In 2020 we created an advisory center for businesses and employees to support our electronic contact channels using the pfr.pl and www.mojepkk.pl websites. Our company doing business as Operator Chmury Krajowej Sp. z o.o., which we established jointly with PKO Bank Polski S.A. is involved in setting up the vaccination system in Poland and entered into strategic partnerships with Google and Microsoft, whereby modern computation centers will be established in Poland.

We are conscious of the fact that 2021 will also be as demanding a year for the PFR Corporate Group as the previous one. However, the pandemic has brought not just problems but also new economic opportunities. We will support socio-economic growth while taking advantage of them. We will place great emphasis on supporting digital transformation and energy transition. Our program entitled PFR Green Hub will turn PFR green. We are already strongly involved in investments in the biogas and hydrogen sector. Executing the projects entrusted to PFR under the government's National Reconstruction Plan will also be an important undertaking for us. We believe, however, that 2021 will above all be an opportunity to get back to normal business and social activity. That is precisely what I would like to wish for you!

Good health for the coming year!

Respectfully,
Paweł Borys
President of the Polish Development Fund

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2020

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Description of the PFR Corporate Group

1. BUSINESS PROFILE AND KEY PERFORMANCE RATIOS

The Polish Development Fund S.A. Group (“**PFR Corporate Group**” or the “**Corporate Group**”) is a group of financial and advisory companies that works for businesses, local governments and private individuals and invests in the nation’s sustainable social and business development.

The Group consists of the following entities:

- Polski Fundusz Rozwoju S.A. (“**PFR**” or “**Company**”),
- PFR Towarzystwo Funduszy Inwestycyjnych S.A. (“**PFR TFI**” or “**Management Company**”),

- PFR Ventures sp. z o.o. (“**PFR Ventures**”),
- PFR Nieruchomości S.A. (“**PFR Real Estate**” or “**PFRN**”),
- PFR Portal PPK sp. z o.o. (“**PFR Portal PPK**”),
- PFR Operacje sp. z o.o. (“**PFR Operations**” or “**PFR O**”),
- PPP Venture sp. z o.o. (“**PPP Venture**”).

The PFR Corporate Group’s priorities are infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, supporting local governments, running the Employee Capital Plan program and handling foreign investments.

PLN 61 bn

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

PLN 2.5 bn

value of aid provided to enterprises under the Financial Shield for Large Companies and the LOT Support Program in 2020

348,000

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

Nearly 150

new investments in technology VCs managed by PFR Ventures

3.2 m employees

number of people employed by companies that received support under the Financial Shield for SMEs

Over PLN 10 bn

value of PFR investments in all projects since 2016

PLN 65.4 bn

value of bonds issued by PFR in 2020

Over 2.0 m

number of participants in Employee Capital Plans and Employee Pension Plans after stage III of the program

15,500

number of participants in PFR development programs who have collected PLN 131 million for the launch of their startup ventures

2. MOST IMPORTANT EVENTS IN 2020

26.2.2020

Launch of the "PFR for Cities" program for innovative local governments.



25.3.2020

Six Polish hospitals received a total of PLN 6 million from the PFR Foundation to fight the COVID-19 epidemic.



13.3.2020

Prime Minister Mateusz Morawiecki introduced a state of epidemic threat in the country. As a result, most of the PFR Corporate Group team was ordered to work remotely.



2.4.2020

PFR Ventures expanded its activity to include investments in private equity (PE) funds. By the end of 2022, the company will spend over PLN 600 million for this purpose.



January

February

March

April

May

8.4.2020

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



6.5.2020

The National Cloud Operator executed a partnership agreement with Microsoft, which has selected Poland for the launch of its first data processing region in Central and Eastern Europe.



27.4.2020

PFR completed the first issue of bonds worth PLN 16.3 billion. These funds were used to deploy the Financial Shield for SMEs. The PFR bonds debuted on the Warsaw Stock Exchange's ASO Catalyst market on 28 May 2020. Throughout 2020, PFR issued bonds with a total value of PLN 65.4 billion.



20.5.2020

The PFR Group Council, consisting of representatives of six development institutions, including PFR, adopted the PFR Group Strategy for 2020–2025. The document specifies 10 primary strategic directions of the PFR Group's operations and one that constitutes a response to the economic crisis caused by the COVID-19 pandemic.



4.6.2020

The PFR Consulting Center in Chełm was opened. The center disseminates information on PFR's flagship programs.



6.10.2020

Establishment of PFR Operacje, a wholly-owned subsidiary of PFR. The company's purpose is to provide IT and security-related services to members of the PFR Corporate Group.



5.10.2020

Launch of the construction of a 320-apartment estate in Toruń, which is the first investment project of PFR Nieruchomości executed with the use of modern prefabricated elements.



10.11.2020

Completion of the rollout of Employee Capital Plans in companies employing from 20 to 49 staff and from 50 to 249 staff.

To encourage people to stay in ECPs, an advertising campaign was run on TV, radio and the Internet under the slogan "I'm staying!".



June-August

September

October

November

December

3.12.2020

Totalizator Sportowy, PFR Ventures and NCBR established Tech & Gaming, a new corporate venture capital fund.



23.12.2020

The European Commission approved Financial Shield for SMEs 2.0, which went on to support micro, small and medium-sized enterprises in 54 industries most heavily affected by the restrictions imposed to fight the COVID-19 pandemic.



18.12.2020

PFR joined the group of institutions operating in the United Nations Global Compact. It is the world's largest initiative focusing on sustainable development, operating under the aegis of the UN General Secretary.



31.12.2020

PFR disbursed PLN 900 million of the first tranche of the loan to PLL LOT within the framework of the PLL LOT support program consisting of PLN 1.8 billion in loans from PFR.



3. VALUES AND ETHICAL NORMS

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

PFR's mission, vision and values are reflected by the PFR Corporate Group's Code of Conduct that depicts the principles and approach taken towards business ethics applicable to the employees in all of the companies belonging to the PFR Group.

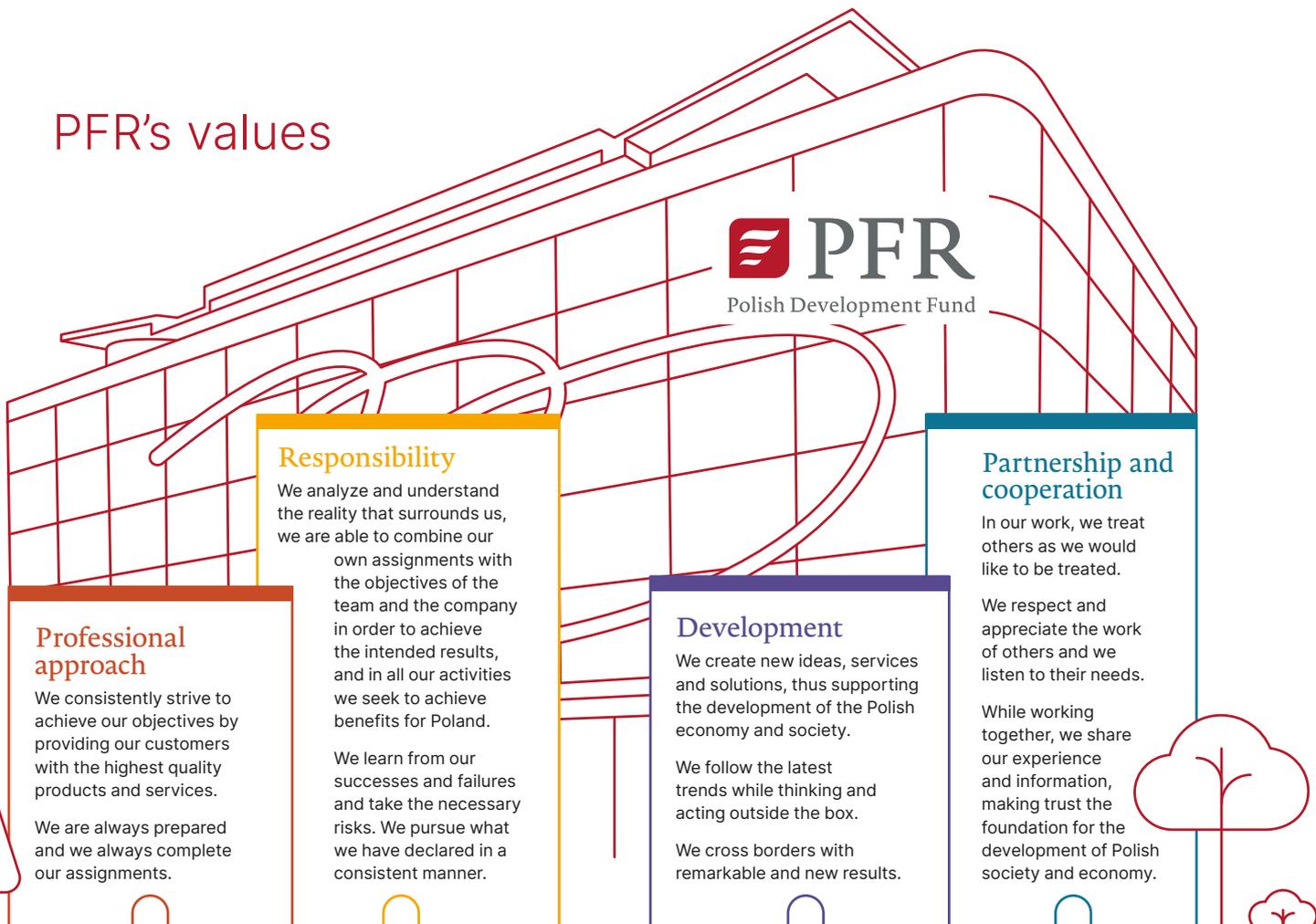
PFR's mission and values and the PFR Corporate Group's Code of Conduct played a very important role during the pandemic crisis, as PFR shifted to remote work while developing solutions to support businesses in the battle against the consequences of the COVID-19 pandemic. In the face of the enormous burden brought on by the additional tasks performed under these projects, remote work could have potentially posed a threat to effectively launching these projects.

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

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

Notwithstanding the measures to promulgate an ethical and transparent mindset, the team of experts also ran continuous efforts to enhance employee awareness of the requirements relating to internal regulations and the prevailing standards in PFR. One example of these measures is embodied by the regular training delivered to new hires to mitigate the likelihood of any irregularities occurring in the course of performing professional duties remotely and the ongoing advisory services and monitoring the compliance of the measures taken by PFR.

PFR's values



4. PARTICIPATION IN INTERNATIONAL ASSOCIATIONS

PFR is also engaged in the activities of international organizations and associations. In this manner, the Company exchanges experiences and best practices with other entities operating in similar areas. This

type of cooperation is also applied to gain knowledge and launch joint initiatives that enable the whole community to speak with one voice on matters of significance for its operations.



D20-LTIC / D20 Long-Term Investors Club

The D20-LTIC is an association of leading global development institutions, predominantly from the G20 countries. Its purpose is to encourage cooperation and establish conditions conducive to long-term investments that support sustainable economic growth. The Club was established in 2009 at the initiative of the French CDC, Italian CDP, German KfW and the European Investment Bank. Currently, the D20-LTIC consists of 21 members with a total balance sheet value of more than USD 5.4 trillion. PFR joined the organization in June 2018.



UNGC / United Nations Global Compact

The UNGC is the world's largest business initiative for sustainable development, involving 13,000 companies and stakeholders from 170 countries. The pact requires companies to align their strategies and activities with ten principles in the areas of human rights, labor standards, natural environment and counteracting corruption, and to take initiatives in support of the UN Sustainable Development Goals. PFR joined the UNGC in December 2020.



Invest Europe

Invest Europe (formerly known as EVCA) is the world's largest association representing European private equity, venture capital and infrastructure funds and their investors, including some of Europe's largest pension funds and insurers. Invest Europe is involved in the drafting and issuing of opinions on regulations and laws pertaining to investment, provides analyses of the role of its members in the economy and conducts research on trends and changes in the sector. The association also publishes the Professional Standards Handbook containing standards and guidelines for the PE industry. PFR became a member of the organization in January 2018.



ILPA / Institutional Limited Partners Association

ILPA is an industry association based in Washington, DC and Toronto, bringing together institutional limited partners (LPs) in the PE asset class. The organization owns over 500 institutions with a total of USD 2 trillion of assets under management, accounting for approx. 50% of all PE assets across the world. The association is the only global organization dedicated solely to protecting the interests of LPs and their beneficiaries through education, representation and organization of events. The Polish Development Fund has been an ILPA member since May 2018.



External environment

One of PFR’s tasks is to alleviate fluctuations in market conditions. 2020 produced Poland’s first economic recession since the time of systemic transformation. The change in the macroeconomic situation ensued chiefly from the restrictions imposed on businesses to prevent the spread of the SARS-CoV-2 virus. The legislation enacted to fight the COVID-19 pandemic contributed to the augmentation of the role played by the Company.

1. MACROECONOMIC ENVIRONMENT

The COVID-19 pandemic adversely affected Poland’s economy. According to preliminary estimates the Gross Domestic Product in 2020 shrank in real terms by 2.8% versus 4.5% growth in 2019. This was the first decline in Poland’s GDP since 1991 (graph 1).

This decline was relatively low against the backdrop of other European Union member states: according to preliminary estimates Germany’s GDP shrank 5.0%, France’s GDP shrank 8.3% and Spain’s GDP shrank 11.3%.

Prices in 2020 were 3.4% higher on average than one year ago (versus 2.3% growth in 2019). The growth in inflation was mainly driven by administrative prices: starting in March 2020 all of the measures of core inflation were in decline with the exception of the measure reflecting the impact exerted by the inflation of official prices (graph 2).

Inflationary growth was not a global trend: the eurozone posted deflation while in the United States inflation was down from the previous year.

The decline in the prices of services related to tourism and transport and slower growth of food prices were among the factors contributing to deflation in the eurozone. In turn, in the United States the CPI growth was driven in part by the rebounding prices of goods and services that had suffered the most during the initial phase of the pandemic (cars among others).

The pandemic exerted an adverse impact on the labor market; however, the rapid rollout of stimulus packages managed to dampen the scale of the increase in unemployment. According to the data in the Labor Force Survey (LFS), the number of people working at the end of Q3 2020 (the most recent data) was slightly lower than one year earlier (down 0.6%) and totaled 16,512 thousand people. The unemployment rate according to the LFS edged up to 3.0% at the end of Q3 of last year versus 2.9% in the corresponding period of 2019. The average monthly gross salary in the company sector in 2020 rose by 4.7% per annum (in 2019 it rose by 6.5%).

NBP’s interest rates were cut three times in 2020: in March, April and May. In response to the ongoing COVID-19 pandemic and its impact on the economy, the Monetary Policy Council cut interest rates to 1.0%, 0.5% and 0.1%, respectively. The current level of interest rates is the lowest interest rate level seen since the systemic transformation (graph 3).

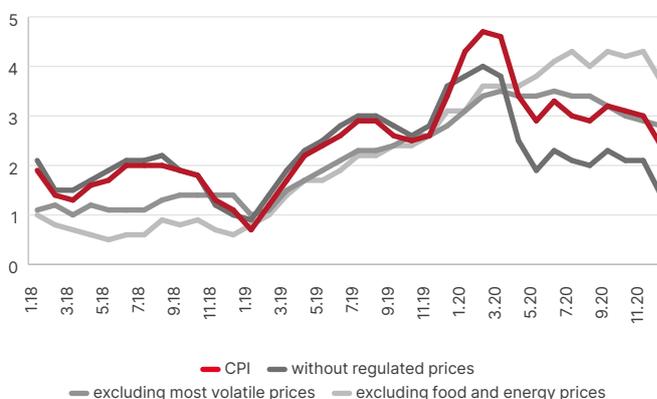
The slump in economic activity triggered by the pandemic unfavorably affected Poland’s foreign trade results, though the decline seen during the first phase of the pandemic was offset through exports

Graph 1. Poland’s GDP growth rate in 2000-2020 (%)



Source: Statistics Poland / * - preliminary estimates

Graph 2. Core inflation vs. overall inflation (% y/y)



Source: National Bank of Poland

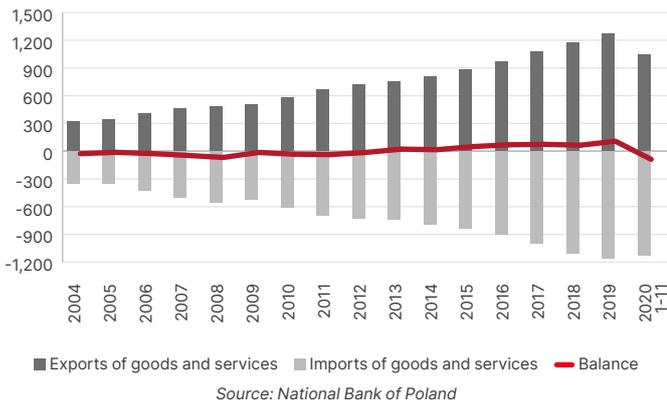
Graph 3. NBP reference rate (%)



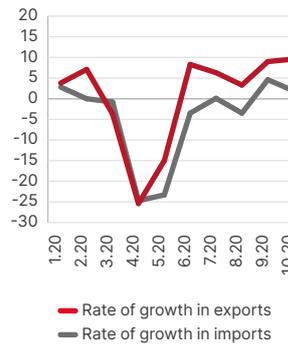
Source: National Bank of Poland



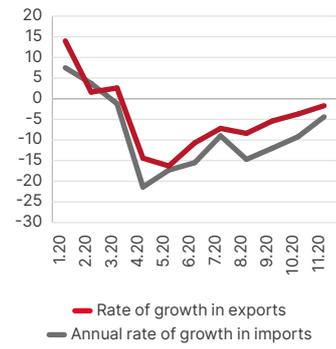
Graph 4. Poland's foreign trade (PLN billion)



Graph 5. Rate of growth in sales of products by month in 2020 (% y/y)



Graph 6. Rate of growth in sales of services by month in 2020 (% y/y)

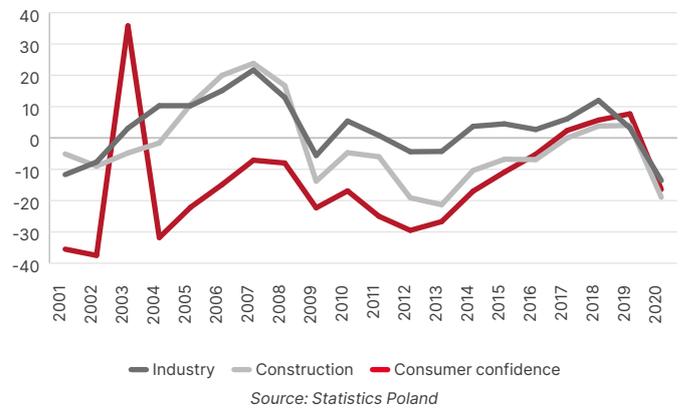


and a slight increase was generated. The data for the period from January to November (the most recent data) indicate that the exports of goods and services totaled PLN 1,040 billion while imports totaled PLN 1,129 billion. Exports edged up 0.4% while imports fell 4.0% compared to the corresponding period of the previous year (graph 4).

Trade in goods and services started the year with growth, which decelerated drastically in the period from March to May. Since that time the trade in goods started to grow again while trade in services continued to contract (graphs 5 and 6).

The data available from the Central Statistical Office (GUS) pertaining to the results of non-financial businesses indicate that the net financial result of businesses in the period from January to September 2020 was down 11.4% from the previous year.

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



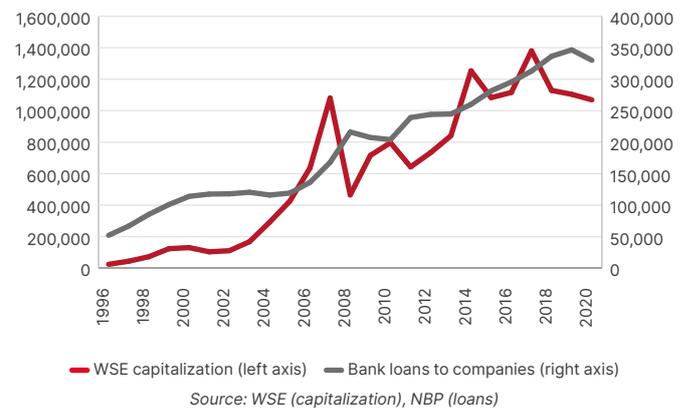
According to estimates concerning the performance of the state budget in the period from January to November 2020, budgetary proceeds totaled PLN 382,487.5 million while expenditures totaled PLN 395,692.3 million. The budget was therefore negative and totaled PLN -13,204.8 million.

The ongoing pandemic very strongly suppressed the measures of market conditions among consumers and businesses. Industry saw its first reduction in the annual average measure of market conditions since 2013. In turn, consumers negatively evaluated their financial position for the first time since 2016 (graph 7).

2. INDUSTRY CONTEXT

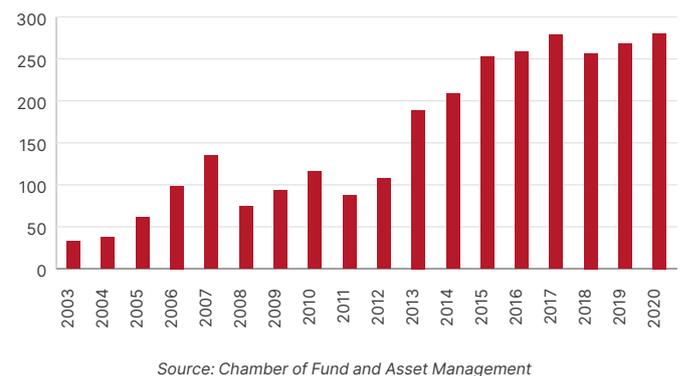
The macroeconomic environment, in particular the COVID-19 pandemic, the persisting concerns related to Brexit and the trade war between the US and China were not conducive to financial investments in the emerging markets. As a result, the capitalization of the Warsaw Stock Exchange slipped by 3.2% versus 2019. Bank loans to companies also shrank by 4.8% (graph 8).

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



At the end of 2020 the net asset value in investment funds was PLN 280.5 billion versus PLN 268.0 billion one year earlier (+4.7%). The net asset value constitutes roughly 12% of GDP, which continues to be a substantially lower percentage than in the eurozone member states where the net asset value in investment funds stated as a percentage of GDP surpasses 90% (graph 9).

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



According to the data published by the Polish Financial Supervision Authority the net result generated by investment fund management companies (TFI) in Q3 2020 (the most recent data) totaled PLN 589.3 million, or 16.8% less than in the corresponding quarter of the previous year.



The target date funds in Employee Capital Plans (ECP or PPK in Polish) were the fastest growing group of funds measured in percentages. This was due to the launch of the ECPs in the latter half of 2019. At the end of 2020 the net asset value of the target date funds was PLN 2,818.1 million versus PLN 84.7 million at the end of 2019 (graph 10).

The net asset value in open-end pension funds (OFE) declined. At the end of 2020 their assets were worth PLN 148.6 billion, or 4.0% less than one year earlier (graph 11).

3. REGULATORY ENVIRONMENT

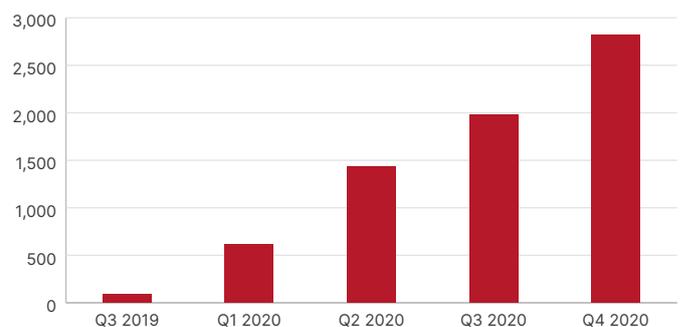
The regulations in the Commercial Company Code and the Act on the Development Institutions System are of particular importance to PFR and the business the Company does. The Act on the Development Institutions System defines the role played by PFR as a participant in the integrated system of Poland’s development institutions – namely by the Polish Development Fund Group (“**PFR Group**”), which coordinates the actions taken to provide support and services to businesses.

The state of the epidemiological threat involving infections with the SARS-CoV-2 virus was enacted in Poland under the Health Minister’s Regulation of 13 March 2020 and was followed by the state of epidemic enacted in Poland under the Health Minister’s Regulation of 20 March 2020. These events and the measures undertaken to prevent the effects of the epidemic triggered the implementation of major changes in the law that had a direct impact on PFR’s activities.

The legislation to counter the COVID-19 pandemic, including in particular the amendments to the Act on the Development Institutions System translated into augmenting the role played by the Company by creating a legal framework enabling PFR to take actions to prevent or alleviate the repercussions of crisis situations within the meaning of Article 3 item 1 of the Crisis Management Act of 26 April 2007 (Journal of Laws of 2019, Item 1398 and of 2020 Items

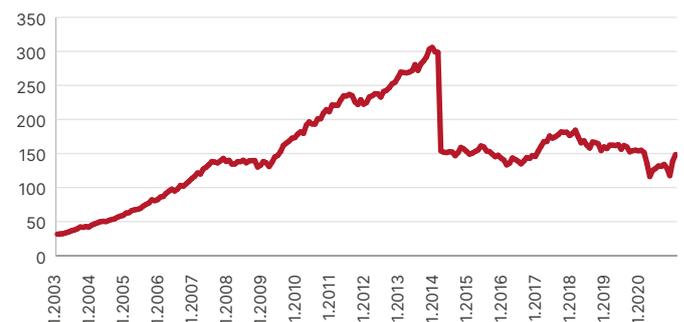
148, 284, 374 and 695), including the repercussions of the spread of COVID-19. The adopted solutions made it possible in particular for the Council of Ministers to entrust PFR with executing government programs of providing financial support to businesses in connection with the effects of COVID-19.

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



Source: Polish Financial Supervision Authority

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



Source: Polish Financial Supervision Authority



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

- “The Polish Development Fund’s financial shield for small and medium enterprises” (“**Financial Shield for SMEs**”),
- “The Polish Development Fund’s financial shield for large companies” (“**Financial Shield for Large Companies**”),
- “The Polish Development Fund’s financial shield 2.0 for micro, small and medium enterprises” (“**Financial Shield for SMEs 2.0**”),
- “Support program for Polskie Linie Lotnicze LOT S.A.” (“**PLL LOT Support Program**”),

(hereinafter jointly referred to as the “**Programs**” or “**PFR Financial Shield**”)

entrusting PFR with the implementation of the Programs.

The state of epidemic and entrusting the Company with the implementation of the PFR Financial Shield greatly affected how the Company operated in that it became necessary to set up new organizational units, build processes and update the Company’s internal organizational structure. Two projects among others to align the Company to the modified environment were implemented:

- review and update of all internal regulations based on monitoring the legal environment: review of 137 regulations and update of 64% of all documents while a schedule was prepared to change the others;
- classification of the Programs’ documents and the following were checked:
 - 18 dedicated internal regulations describing how the Company’s internal process operates;
 - 35 documents related to the administration of the Programs (including instructions, rules and regulations, prospectuses);
 - 140 contracts (signed with third parties: state institutions, banks and IT companies).

Besides the activities performed on a project basis the Company continued to handle its standing processes. This led to the drafting and enacting another 31 internal regulations.

4. DRIVERS OF THE PFR CORPORATE GROUP’S FINANCIAL RESULTS IN 2021

The major drivers shaping the environment in which the PFR Corporate Group operates and that will affect its operations in 2021 may be divided into two categories: direct and indirect, including macroeconomic factors.

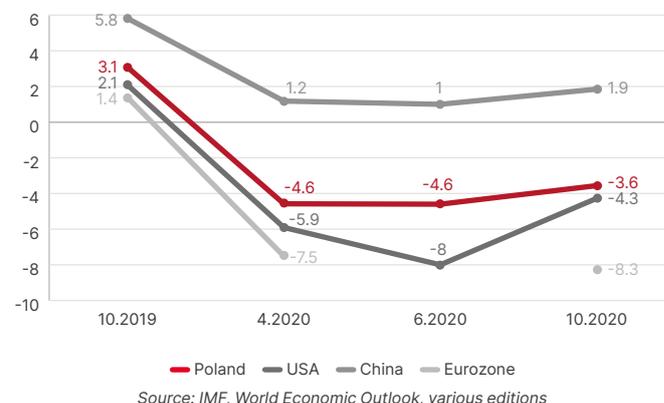
The economic situation precipitated by the COVID-19 pandemic and the measures taken by the regulatory authorities, in particular the Monetary Policy Council and the Polish Financial Supervision Authority will continue to have a direct effect on PFR Corporate Group’s financial results in 2021.

The decisions made by the Monetary Policy Council in 2020 to make the first interest rate cuts in Poland in the last five years translated into all of the Group’s companies generating lower financial income. The PFR Corporate Group’s financial result in 2020 fell by PLN 6.4 million versus 2019. The effects of these decisions will still be noticeable in 2021.

The recommendation made by the Polish FSA in the spring of 2020 that banks and insurers suspend dividend payments to strengthen the capital base of financial institutions also exerted an adverse impact on the results generated by the PFR Corporate Group. As a result, in 2020 PFR did not receive a dividend on the equity stake held in Bank Pekao S.A. – in 2019 the income generated thereby was PLN 221.7 million. In December 2020 the Polish Financial Supervision Authority upheld its recommendation for commercial banks to refrain from paying dividends in the first half of 2021 (i.e. on 2020 earnings). The Polish FSA’s stance on the dividend policy of commercial banks in the latter half of 2021 will be presented separately after analyzing the financial standing of the banking sector in the first half of 2021.

From a macroeconomic perspective, the most important factor affecting the PFR Corporate Group’s operating conditions and results will be heightened uncertainty. The forecasts for 2020 were modified multiple times, which suggests that heightened uncertainty will also be applicable to the forecasts for 2021 and the long-term forecasts formulated at present (*graph 12*).

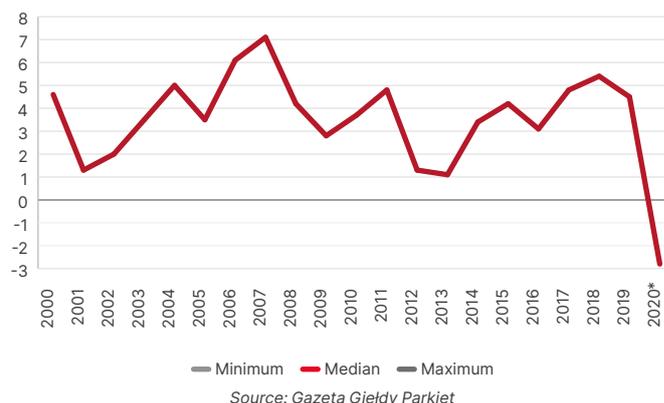
Graph 12. Forecasts of GDP growth rate for 2020 prepared between October 2019 and October 2020 (% , y/y)



The volatile expectations concerning the main economic parameters create a greater risk of changing the strategy and current operating plans during the course of the year. This may exert a significant and unpredictable impact on the financial results.

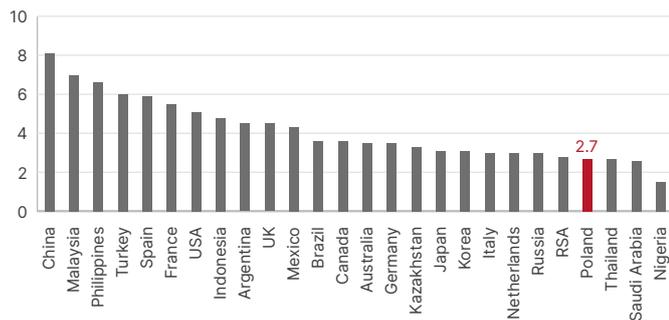
The GDP growth rate forecasts for 2021 available at the turn of January and February 2021 displayed an extensive range. The table prepared by the Parkiet newspaper depicting the forecasts of domestic forecasting teams had GDP growth forecasts ranging from 2.0% to 5.8% with a median of 4.2% (*graph 13*).

Graph 13. GDP in constant prices – consensus between 22 teams (% , y/y)

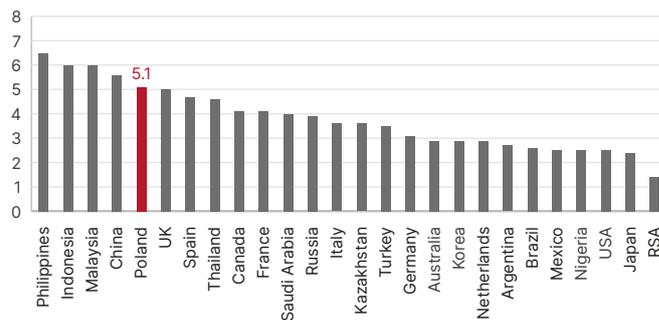




Graph 14. GDP forecast for 2021 (%)

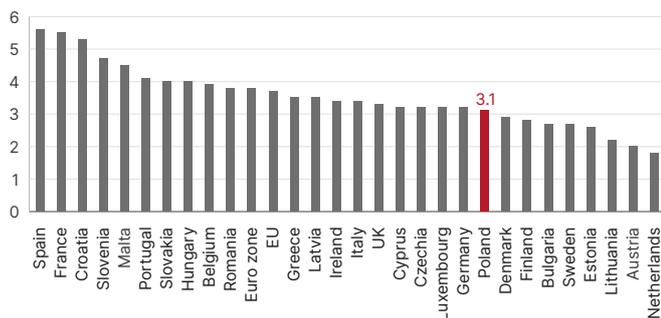


Graph 15. GDP forecast for 2022 (%)

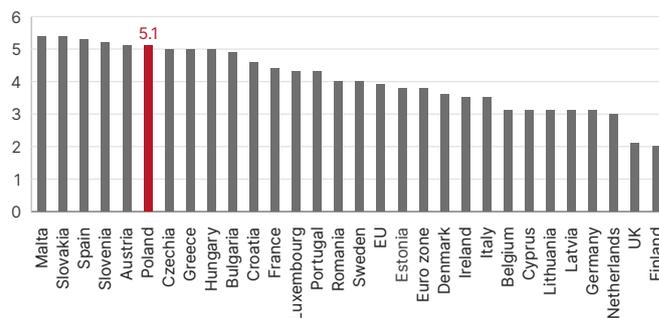


Source: IMF, World Economic Outlook, January 2021 update

Graph 16. GDP forecast for 2021 (%)



Graph 17. GDP forecast for 2022 (%)



Source: EU Commission, Winter 2021 European Economic Forecast

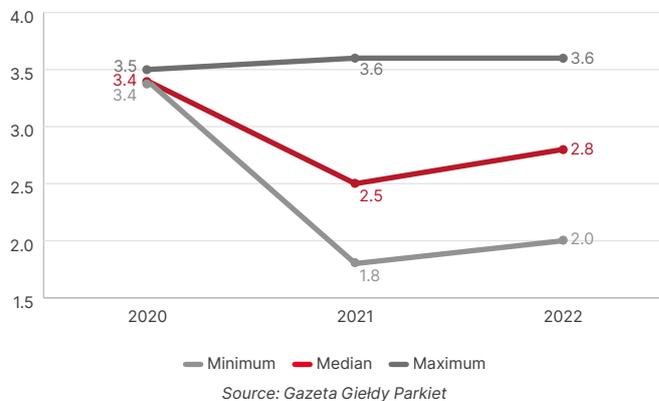
More recent GDP forecasts prepared by the International Monetary Fund (IMF) in January 2021 are close to the minimum levels in the table containing the forecasts of domestic forecasting teams and they assume that Poland will have a relatively soft 2021 and a better 2022 (graphs 14 and 15).

Similarly, the EU Commission's latest GDP forecast published in February 2021 contains estimates of Poland's GDP growth that are softer in 2021 and better in 2022 (graphs 16 and 17).

The consensus among the teams of economic analysts developed by the Parkiet newspaper indicates a possible inflation path in Poland that is similar to the one based on the NECMOD model in the National Bank of Poland's projection, with the median dropping to 2.5% in 2021 and the median climbing to 2.8% in 2022 (graph 18).

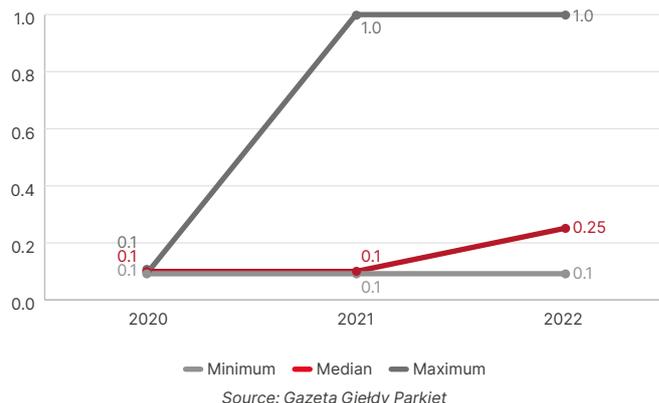
The announcements made by Polish and foreign central banks and the statements of monetary policy analysts point to interest rates remaining low in the upcoming months. However, if GDP growth were to start rebounding quickly, then the probability of interest rate hikes will rise. The table prepared by the Parkiet newspaper containing interest rate forecasts in Poland suggest that interest rates will be kept at a low unchanging level in 2021 and that they will merely edge up slightly in 2022 (graph 19).

Graph 18. Annual CPI – consensus between 22 teams (% y/y)

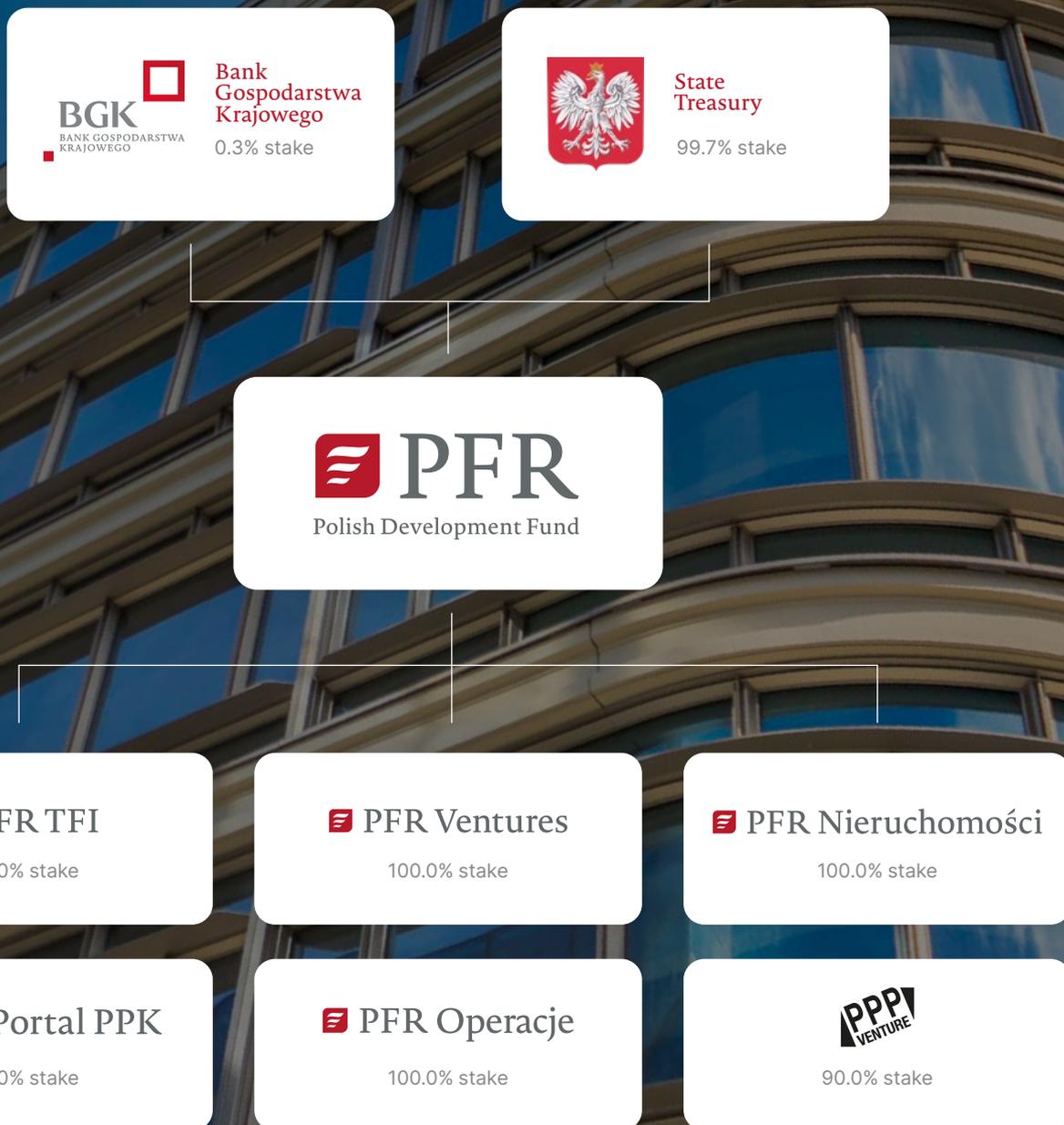


Source: Gazeta Gieldy Parkiet

Graph 19. NBP reference rate at yearend – consensus between 21 teams (%)



Source: Gazeta Gieldy Parkiet



Structure of the PFR Corporate Group

1. PARENT – PFR

PFR with its registered office in Warsaw is a Polish development institution doing business in the form of a joint stock company whose majority shareholder is the State Treasury. It was established on 28 December 2012 by the State Treasury Ministry and it did business as Polskie Inwestycje Rozwojowe S.A. until 13 April 2016.

PFR's goal is to do business in its own name in accordance with the principles of best commercial practices while endeavoring to generate a market return on invested capital in the long-term. The Company places the greatest emphasis on infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, supporting local governments, running the Employee Capital Plan program and handling foreign investments. PFR's mission reads "Investments for Poland".

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

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

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

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

The PFR Foundation ("**Foundation**") in which the Company is the founder is also part of the PFR Corporate Group's ecosystem. Activities to make positive changes in the Group's social environment are conducted through the Foundation.

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

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

According to its shared strategy the PFR Group focuses on the six most important areas of business. A leading institution has been designated in each one of them. PFR plays this role in investments; BGK in banking; KUKE in export insurance; PAIH in foreign trade; ARP in industry; and PARP in entrepreneurial development. The law facilitates tighter cooperation, better coordination of activities and regular sharing of information and knowledge among the Group's institutions.

The Act on the Development Institutions System also allows for the PFR's share capital to be increased by transferring treasury securities. It also makes it possible to extend sureties or guarantees on behalf of the State Treasury on the repayment of liabilities stemming from loans or bonds issued by PFR. In addition, according to the regulations laid down by the Act on the Development Institutions System, PFR may issue bonds on the domestic market and on foreign markets to obtain funds to carry out its Programs. PFR's liabilities by virtue thereof are backed by a State Treasury guarantee. This financing scheme was crucial to obtain funds to run the Programs that buffered Polish businesses from the consequences of freezing the economy to fight the COVID-19 pandemic.

The Group's Supervisory Board oversees the PFR Group and constitutes a platform for coordinating collaboration between the six development institutions. The Group's Supervisory Board consists of the presidents of the aforementioned institutions and its chairman is the President of the Management Board of PFR.



1.1. HISTORICAL BACKGROUND





<p>September 2018 PFR receives the title of the Company of the Year at the Krynica Forum</p>			<p>October 2018 PFR becomes the owner of a 100% stake in BGK Nieruchomości S.A. (currently PFR Nieruchomości)</p>
<p>October 2018 PFR acquires a 99.77% stake in Polskie Koleje Linowe S.A.</p>			<p>October 2018 Adoption of the Act on Employee Capital Plans</p>
<p>December 2018 Gdynia signs an investment agreement with PFR for the sale of a 25% stake in Przedsiębiorstwo Wodociągów i Kanalizacji</p>			<p>January 2019 PFR Portal PPK commences operations and the mojeppk.pl portal is launched</p>
<p>March 2019 PFR becomes a shareholder in the consortium that acquired DCT Gdańsk S.A., Poland's largest container terminal</p>			<p>May 2019 PFR receives a special award of the Polish Association of Capital Investors (PSIK)</p>
<p>July 2019 Entry into force of the Act on the Development Institutions System</p>			<p>August 2019 PFR Foundation opens the Central House of Technology</p>
<p>August 2019 Execution of an investment agreement under which PFR acquires a 50% stake in the National Cloud Operator</p>			<p>October 2019 PFR signs an agreement with the municipality of Wałbrzych for the acquisition of a 49.02% stake in the Municipal Buildings Administration</p>
<p>December 2019 PFR and the municipality of Tarnobrzeg sign an investment agreement to acquire a 45% stake in Tarnobrzekskie Wodociągi</p>			<p>December 2019 Completion of the first stage of the launch of Employee Capital Plans in companies employing over 250 staff</p>

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

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

Shareholders	Number of shares	Number of votes	Par value of shares	Stake in the share capital	Percentage (%)
State Treasury	4,938,252,553	4,938,552,553	4,938,252,553	99.70%	99.70%
BGK	15,000,000	15,000,000	15,000,000	0.30%	0.30%
Total	4,953,252,553	4,953,552,553	4,953,252,553	100.00%	100.00%

1.2. SHAREHOLDING STRUCTURE AND SHARE CAPITAL

PFR's shareholders as at the balance sheet date included:

(i) State Treasury, which held:

1. Series A shares with numbers from A 1 to A 300 000, paid in full, in the amount of PLN 300,000.00,
2. Series C shares with numbers from C 1 to C 1 143 062 525, paid in full, in the amount of PLN 1,143,062,525.00,
3. Series D shares with numbers from D 1 to D 1 294 964 028, paid in full, in the amount of PLN 1,294,964,028.00,
4. Series E shares with numbers from E 1 to E 2 499 926 000 covered by a non-cash contribution in the amount of PLN 2,499,926,000.00,

(ii) Bank Gospodarstwa Krajowego, which held Series B shares with numbers from B 1 to B 15 000 000, paid in full, in the amount of PLN 15,000,000.00 (*Table 1*).

Up to the date of drawing up this report, the above has not changed.

SPECIAL ENTITLEMENTS OF THE STATE TREASURY

Each Series A share is preferred in such a way that there are two votes per share. All the registered Series A shares were subscribed for by the State Treasury.

RESTRICTIONS IN EXERCISING THE VOTING RIGHT AT THE SHAREHOLDER MEETING

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

The share capital of PFR as at the balance sheet date was PLN 4,953,252,553.00 and was divided into:

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

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

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

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

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

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

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

As at the date of preparation of these statements, the share capital of PFR is PLN 4,953,252,553.00 and has been paid in full.

1.3. PFR ON THE CAPITAL MARKET

In connection with the fact that PFR has been commissioned to perform the PFR Financial Shield Programs under a contract, the Company is pursuing a bond issue program in the total amount up to PLN 100 billion.

The proceeds from the issue were used to finance the Programs and accordingly to support companies affected by the COVID-19 pandemic. Under the Programs, micro businesses are to receive PLN 25 million in total, small and medium-sized enterprises PLN 50 billion and large companies PLN 25 million.

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

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

As at 31 December 2020, the Company had issued bonds for the total amount of PLN 65.4 billion. Additionally, in 2021, for the purposes of the Programs, after the balance sheet date PFR issued bonds in the total amount of PLN 8.5 billion.

On 28 May 2020, the first bonds issued by PFR debuted on the Catalyst ATS public bond trading market. As at the end of 2020,

Table 2. Basic parameters of PFR bonds listed on the Catalyst market at yearend 2020

Bond series and ISIN code	Basic information		
	Issue size	Type and annual interest rate	Maturity date
PFR0324 (ISIN: PLPFR0000019)	PLN 16,325 million	fixed 1.375%	29 March 2024
PFR0325 (ISIN: PLPFR0000027)	PLN 18,500 million	fixed 1.625%	31 March 2025
PFR0925 (ISIN: PLPFR0000035)	PLN 15,175 million	fixed 1.625%	22 September 2025
PFR0627 (ISIN: PLPFR0000043)	PLN 10,000 million	fixed 1.750%	7 June 2027

four series of PFR bonds were listed on the Catalyst ATS market: PFR0324, PFR0325, PFR0925 and PFR0627 (Table 2).

A detailed description of the bonds issued previously was concluded in item "Financing of aid programs" of this report.

2. SUBSIDIARIES

The subsidiaries, which are 100% held by PFR include the following companies: PFR TFI, PFR Ventures, PFR Nieruchomości, PFR Portal PPK and PFR Operacje. Additionally, the Company holds 90% of shares in PPP Venture.

PFR TFI

2.1. PFR TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH

PFR TFI manages closed-end investment funds of private assets and represents them before third parties and manages open-end target date funds. The activities of PFR TFI focus on three areas:

- management of closed-end investment funds, which invest in the Polish economy and in development of Polish companies,
- international expansion, and
- management of an open-ended investment fund within the framework of Employee Capital Plans (ECPs).

At the end of 2020, PFR TFI managed 16 funds.

Closed-end investment funds:

- Foreign Expansion Fund FIZAN
- Housing Sector Development Fund FIZAN
- PFR Starter FIZ
- PFR BIZNEST FIZ
- PFR KOFFI FIZ
- PFR Otwarte Innowacje FIZ
- PFR NCBR CVC FIZ AN
- Rental Housing Fund FIZAN

- Local Government Investment Fund FIZAN
- Polish Corporates Mutual Fund FIZAN
- Infrastructural Investment Fund - Equity FIZAN
- Infrastructural Investment Fund - Debt FIZAN in liquidation¹
- PFR Inwestycje FIZ
- PFR Fund of Funds FIZ
- FIZAN of ARP Companies

Open-end investment funds:

- PFR PPK Specialist Open-end Investment Fund with separated sub-funds: PFR PPK 2025, PFR PPK 2030, PFR PPK 2035, PFR PPK 2040, PFR PPK 2045, PFR PPK 2050, PFR PPK 2055, PFR PPK 2060, PFR PPK 2065

As at 31 December 2020, the Company itself managed the investment portfolio of the Foreign Expansion Fund FIZAN, FIZAN of ARP Companies and PFR PPK SFIO, while it employed external professional entities to manage a portion of the investment portfolio of some of its funds:

- PFR Nieruchomości manages the Rental Housing Fund FIZAN and the Housing Sector Development Fund FIZAN,
- PFR manages the Local Government Investment Fund FIZAN, the Polish Corporate Investment Fund FIZAN, the Infrastructural Investment Fund – Equity FIZAN and the PFR Inwestycje FIZ fund,
- PFR Ventures manages PFR Starter FIZ, PFR BIZNEST FIZ, PFR Otwarte Innowacje FIZ, PFR KOFFI FIZ, PFR NCBR CVC FIZ AN, PFR Fund of Funds FIZ.

In the four most recent years, the value of assets managed by PFR TFI more than tripled and at the end of 2020 it exceeded PLN 9 billion².

The company's Management Board consists of:

- Ewa Małyszko – President of the Management Board,
- Piotr Kuba – Management Board Member for Investments,
- Tomasz Orlik – Management Board Member for Operations.

¹ On 21 January 2021, the fund was removed from the Register of Investment Funds.

² Data for 2020 based on the most recent available valuations of funds. Financial data from annual financial statements of investment funds will be available by the end of April 2021.



PFR Ventures

2.2. PFR VENTURES

PFR Ventures manages the funds of funds dedicated to venture capital (VC) and private equity (PE) investments and is the largest entity of this type in Central and Eastern Europe. The funds are used to increase the financing of innovations in the sector of small and medium enterprises (start-ups) and they provide capital to mature companies. Investments are carried out by financial intermediaries (teams managing VC and PE funds). The funds held by PFR Ventures came from the Smart Development Operational Programme 2014-2020, the Innovative Economy Operational Programme 2007-2013, the Swiss-Polish Cooperation Programme, the Ministry of Economy and the Polish Development Fund, and are equal to PLN 2.5 billion in total.

Currently, there are 34 VC funds supplied with capital from PFR Ventures. They hold more than PLN 2.8 billion for investments in innovative, young companies. So far, they have invested PLN 0.7 billion in 142 companies. 18 VC funds from the PFR Ventures portfolio are at the exit stage. The average cash-on-cash (CoC) ratio for exits from 86 out of 212 companies is 1.4x. The top 10 exits ranged from 2.8x to 34.8x. The 7 PE funds, in which PFR Ventures invested, have nearly PLN 7 billion for investments. So far, they financed the development of 27 companies.

PFR Ventures manages 7 funds of funds. Each one of them activates a different market segment: co-investments, business angels

or fund creation for corporations (Corporate Venture Capital). The funds have been allocated to more than 50 teams, which invested in more than 350 companies. They included brands such as: Audioteka, Booksy, Brainly, Brand24, Frisco.pl, iTaxi or Oshee. PFR Ventures funds financed growth of 6 out of 10 largest start-ups in Poland.

The company's Management Board consists of:

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

PFR Nieruchomości

2.3. PFR NIERUCHOMOŚCI

PFR Nieruchomości is the leader in the institutional rental market in Poland, offering professional support for investments in housing projects across Poland. By building and purchasing apartments for rent on commercial terms, PFR Nieruchomości is expanding the Polish market, creating an alternative to buying an apartment on credit. The company's offer is addressed to people at the beginning of their professional careers and to young families. PFR Nieruchomości is also interested in Poles who have no credit capacity or who are not interested in buying their own apartments for other reasons.

PFR Nieruchomości was established in 2013 by Bank Gospodarstwa Krajowego and until September 2018 it operated under the name of BGK Nieruchomości S.A.

New VC funds supported by PFR Ventures

Nearly PLN 3 billion for investments in innovation



Within its operating activity, the Company manages assets of two closed-end investment funds:

- Rental Housing Fund FIZAN (“RHF”),
- Housing Sector Development Fund FIZAN (“HSDF”).

Through the first fund, it offers a stable, long-term, commercial institutional rent of high-standard apartments in attractive locations of large Polish cities. The RHF offers finished, “turn-key” apartments with fully equipped kitchens and bathrooms, in buildings with garages, commercial establishments and storerooms. The portfolio of RHF contains 1969 apartments in 16 housing projects in the largest cities in Poland: Warsaw, Kraków, Wrocław, Gdańsk, Katowice and Poznań. In the spring of 2021, the Fund made 80 apartments located at ul. Wspólna in Łódź available for rent.

The other fund carries out activities on the market pursuing the National Housing Programme. The mission of the Housing Sector Development Fund is to built apartments for rent at accessible cost, also in the institutional renting model, with a path to ownership. The investment projects – carried out at an arm’s length basis – are developed mainly in cooperation with local governments, but also with State Treasury companies and private entities. The Fund owns 1017 apartments in locations such as: Wałbrzych, Gdynia, Kępno, Kępice and Jarocin township. Their occupation rate is 99%. At the end of 2020, another 2451 apartments were built in Kraków, Katowice, Dębica, Radom, Nowy Targ, Oława, Mińsk Mazowiecki,

Łowicz, Zamość, Świdnik and Września. The Fund has PLN 6 billion of resources, which will be enough to build approximately 15 thousand more apartments.

The company’s Management Board consists of:

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

PFR Portal PPK

2.4. PFR PORTAL PPK

PFR Portal PPK is a company responsible for collecting and reporting information on Employee Capital Plans (ECPs, PPK in Polish) in accordance with Article 77 of the Act of 4 October 2018 on Employee Capital Plans (consolidated text: Journal of Laws of 2020 Item 1342, as amended) (“ECP Act”). The company’s goals and tasks include mainly promotion of the private retirement savings program for employees working in Poland under the Employee Capital Plan program and operating a web portal dedicated to the program.

The company’s Management Board consists of:

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

Main activity areas of PFR Portal PPK



Information and education activities: mojeppk.pl website

The mojeppk.pl website is the only official source of information about Employee Capital Plans. It also publishes guides, answers to frequently asked questions, podcasts, videos, forms of documents, legislative acts, calculators of payments, savings, taxes and management costs, offerings of financial institutions and e-books on various legal issues and HR and payroll regulations. Materials on ECPs are published not only in Polish, but also in English, Ukrainian, Belarusian and Vietnamese.



Educational and training activities

The Company’s educational and information activities involve the conduct of training classes and conferences for employers and employees across the country, teaching knowledge and skills in the rollout of the ECP program. The Company’s representatives also take part in external events, providing substantive content and customized consultations for the largest companies in Poland.



Editorial and legal activities

The Company’s key objectives also include the interpretation and harmonization of the provisions of labor law, the social security system, the labor code and the publication of guides necessary in the ECP rollout process. The Company deals with inter-ministerial cooperation and the development of non-governmental views on the application of the ECP Act in consultation with pertinent institutions, including the Polish Financial Supervision Authority, the Ministry of Finance and other market participants.



Student dormitories at ul. Badurskiego in Kraków

PFR Operacje

2.5. PFR OPERACJE

PFR Operacje was formed on 6 October 2020 and is the youngest entity in the PFR Corporate Group. Its main objective is to act as the centralized provider of IT and cybersecurity services in the PFR Corporate Group in order to increase the professionalism of both these areas.

PFR Operacje cooperates closely with the National Cloud Operator as a strategic partner, with which it implements new solutions and migrates the existing systems and operations to modern solutions based on cloud technologies.

Services provided by PFR Operacje to PFR Corporate Group companies include:

- provision of IT services,
- provision of telecommunications services,
- user support activities,
- maintenance and development services for ITC systems used in the PFR Corporate Group,
- monitoring of the PFR Corporate Group's infrastructure for vulnerabilities, registration and service of events breaching safety of the Corporate Group's infrastructure,
- actively responding to security incidents in the ITC infrastructure,
- researching trends in cybersecurity,

- acquiring information and cooperating with other CERT/CSIRT/SOC teams in Poland,
- developing own tools to detect, monitor, analyze and correlate threats,
- expanding informational and educational activities to boost awareness of ITC security,
- developing, planning and testing business continuity plans for the PFR Corporate Group.

The company's Management Board consists of:

- Radosław Hoc – Management Board Member.



2.6. PPP VENTURE

PPP Venture was formed on 22 September 2011. PFR currently holds 90% shares in its share capital.

The company implements the project under the public-private partnership ("PPP") agreement of 14 October 2013, as later amended, with the Jagiellonian University – Collegium Medicum, for the design, rebuilding, financing and maintenance of student houses at ul. Badurskiego in Kraków.

The Management Board is composed of:

- Zbigniew Karwowski – Management Board Member,
- Jan Woźniak – Management Board Member.

Information on other subordinated entities

Other entities covered by the consolidated financial statements of the PFR Corporate Group also include: the National Cloud Operator, in which PFR holds 50% of shares, PAR, in which PFR controls 35.9% of shares and SKB Drive Tech S.A. ("SKB Drive Tech"), in which PFR Ventures (itself a subsidiary of PFR) holds a 23.1% stake.

OPERATOR CHMURY KRAJOWEJ

Operator Chmury Krajowej (the National Cloud Operator) is a technology company established in 2018 at the initiative of PKO Bank Polski and PFR in order to ensure access to advanced cloud computing services to Polish companies and public institutions. Today, the entity is the most specialized supplier of cloud solutions on the Polish market.

Operating in the multicloud model, the NCO offers its own products and services within the framework of the National Cloud Platform, as well as solutions of its strategic partners – global public cloud suppliers, Google and Microsoft.

The company's Management Board consists of:

- Michał Potoczek – President of the Management Board,
- Dariusz Śliwowski – Vice-President of the Management Board.

POLSKA AGENCJA RATINGOWA

Polska Agencja Ratingowa (Polish Rating Agency) was established by a notary deed of 20 June 2014 to conduct rating and analytical

activity. Its main line of business includes analysis of credit risk of entities and debt instruments.

On 5 July 2018, PFR, the Warsaw Stock Exchange and the Credit Information Bureau signed an investment agreement, under which each of the shareholders became the owner of a 33% stake in the company. Following an increase of the company's capital in 2020, the shareholder structure changed and is currently as follows: BIK S.A.: 28.28%, GPW S.A.: 35.86% and PFR: 35.86%.

The company's Management Board consists of:

- Piotr Kowalski – Supervisory Board Member seconded to temporarily serve as the President of the Management Board.

SKB DRIVE TECH

SKB Drive Tech is an entity with more than a century of experience in the engineering industry, offering solutions associated with the manufacturing and assembly of power transmission systems for the industrial sector. As a result of the equity financing granted in 2016 in the amount of PLN 12 million, PFR Ventures currently holds a 23.1% stake in the company.

The Management Board is composed of:

- Jacek Lis – President of the Management Board,
- Marek Wodzisławski – Vice-President of the Management Board.

National Cloud Operator: a comprehensive offering of cloud services

Platforms	Products	Services and IP	
 	<p>Infrastructure</p> <hr/> <p>Modern workplace</p> <hr/> <p>Backups</p> <hr/> <p>Container platform</p> <hr/> <p>Data & AI solutions</p>	<p>Digital transformation</p> <hr/> <p>Management services</p> <hr/> <p>Software (SaaS)</p> <hr/> <p>Education</p>	<ul style="list-style-type: none"> ■ Strategic partnerships: with Google and Microsoft ■ Multicloud: a mix of services provided through the National Cloud Platform and solutions from global public cloud providers ■ Transformation: provision of support to enterprises and institutions in the pursuit of digital strategies to access the cloud ■ Security: security mechanisms based on recognized norms and highest standards: ISO 27001, ISO 22301, ISO 27017, ISO 27018 and CSA STAR ■ Team: over 100 top experts ■ Efficiency and speed in creating specialized software (e.g. Online PKO BP Customer Service Specialist; Tele-Appointment and e-Registration at the e-Health Center)

HR and payroll situation

1. ANNUAL AVERAGE AND YEAR-END HEADCOUNT

	Average headcount		As at 31 December 2020	
	Persons	FTEs	Persons	FTEs
PFR	174	170.7	219	213.5
PFR TFI	75	73.9	86	83.6
PFR Ventures	50	49.1	51	50.3
PFR Nieruchomości	216	213.4	203	200.4
PFR Portal PPK	44	42.1	46	42.2
PFR Operacje	n/a	n/a	3	1.3
PFR Foundation	5	4.5	8	7.1

As a special purpose vehicle, PPP Venture does not have any employees.

2. PROJECT TO MODIFY HEADCOUNT AND ITS COMPOSITION

As of 31 December 2020 the headcount in PFR was 219 employees. Compared to the end of 2019, the headcount increased by 82 people, i.e. 60%. The annual average headcount was 170.66 FTEs or 174 employees.

At the end of 2020, employment in the PFR Corporate Group increased by 24% compared to 2019, up to 608 employees.

New projects and PFR's involvement in a broad range of anti-crisis tasks forced the Company to increase its headcount considerably. It was mainly a result of handling several hundred thousand inquiries and applications from businesses under the Programs. In the areas indispensable for the execution of these measures, the demand for

additional employees was particularly high – this included, among others, the newly-established business service center in Chełm and operations and investment divisions.

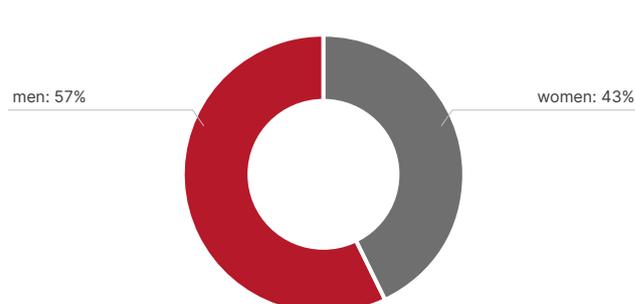
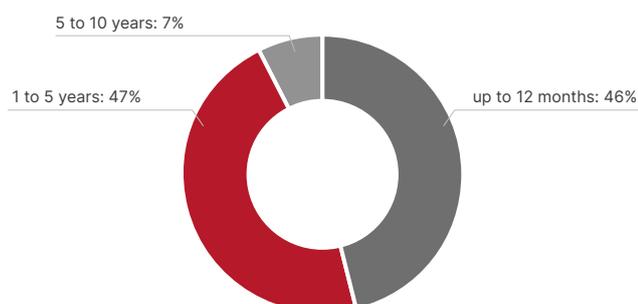
PFR pursues a compensation policy harmonized with the strategy and values of the Corporate Group. The key internal regulations in this respect include the "Remuneration Policy for PFR Employees" and the "Rules and Regulations for Awarding Bonuses to PFR Employees", which define the terms and conditions of remunerating employees and awarding other work-related benefits. PFR applies the rules supporting diversity in recruitment of its employees. According to the Labor Regulations in place in PFR, employees are treated equally with regard to establishment or termination of the employment relationship, terms and conditions of employment, promotion and access to training to improve their professional qualifications.

Employment structure in PFR by length of service in the Company

	up to 12 months	1 to 5 years	5 to 10 years
Management staff	3	18	2
Other employees	98	84	14
Total	101	102	16

Employment structure in PFR by gender

	women	men
Management staff	13	10
Other employees	81	115
Total	94	125



Corporate governance

The corporate governance principles in place in PFR set forth the key guidance for managing the Company and relations between its bodies. In connection with the bond issue carried out by the Company and introduction of the bonds into the alternative trading system ASO Catalyst run by the Warsaw Stock Exchange, the Company started to be bound by the relevant disclosure obligations of bond issuers.

1. CORPORATE GOVERNANCE PRINCIPLES

PFR is a commercial law company with 99.70% of its shares held by the State Treasury. In its activities, PFR attaches great importance to transparency of its operations and decision-making processes, which are carried out in accordance with generally applicable laws and best market practices.

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

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

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

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

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

2. AUDIT FIRM AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The Supervisory Board of PFR selected PKF Consult sp. z o.o. sp. k. in Warsaw to audit the Company's financial statements and the consolidated financial statements of the PFR Corporate Group for 2019 and 2020.

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

3. SHAREHOLDER MEETING

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

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

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

Resolutions of the Shareholder Meeting must be adopted with a qualified majority of 2/3 (two thirds) of votes cast, unless the law or the articles of association provide for a more strict requirements for adopting a resolution.

A resolution of the Shareholder Meeting adopted with a qualified majority of 3/4 (three fourths) of the votes is required to remove an item from the agenda or refrain from reviewing a matter put on the agenda at the request of shareholders.

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

1. reviewing and approving the activity report and the financial statements for the previous financial year,
2. adopting a resolution on distribution of profit or coverage of loss,
3. reviewing and approving Supervisory Board activity reports,
4. granting a discharge to members of the Supervisory Board and Management Board on the performance of their duties,
5. specifying the dividend record date and the dividend payment date;
6. selling or leasing an enterprise or an organized part thereof and establishing a limited right in rem thereon,
7. amending the Articles of Association,
8. increasing or decreasing the share capital,
9. issuing bonds, convertible bonds or bonds with a pre-emptive right to shares and issuing subscription warrants,
10. retiring shares and defining the terms and conditions of the retirement,
11. merger, demerger or liquidation,
12. forming and merging with a European company,

13. establishing and liquidating special-purpose funds,
14. appointing and dismissing Supervisory Board members,
15. adopting rules of compensation for Supervisory Board members,
16. adopting rules of compensation and setting compensation amounts for Management Board members, including the President of the Management Board,
17. giving consent to a disposal of non-current assets within the meaning of the Accounting Act, in the cases and on the terms set forth in the PFR Articles of Association;
18. giving consent to a purchase of non-current assets within the meaning of the Accounting Act, with the value exceeding: (a) PLN 100,000,000 or (b) 5% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;
19. giving consent to a subscription for or purchase of shares in another company with a value exceeding: (a) PLN 100,000,000 million, or (b) 10% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;
20. giving consent to a disposal of shares in another company with a value exceeding: (a) PLN 100,000,000 million, or (b) 10% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;
21. a purchase and sale of real properties, perpetual usufruct rights or interests in real properties do not require a resolution of the Shareholder Meeting, subject to items 17-18 above.

The Act of 16 April 2020 on special support instruments in connection with the spread of the SARS-CoV-2 virus (consolidated text: Journal of Laws of 2021, item 737) excluded the application of the requirements referred to in items 17-20 above to the extent related to PFR's performance of the tasks set forth in Article 21a of Act on the Development Institutions System.

4. SUPERVISORY BOARD

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

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

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

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

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

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

On 27 July 2017, the Supervisory Board appointed the Strategy Committee from among its members.

The Strategy Committee's tasks include in particular issuing opinions and recommendations to the Supervisory Board with respect to strategic plans and projects presented by the Management Board and the Supervisory Board's comments on such plans, in particular on the key strategic scenarios. The Committee also conducts work and prepares recommendations for the Supervisory Board regarding strategic projects associated with the development of the PFR Corporate Group, monitoring of changes in industry relations within the PFR Corporate Group and projects including strategic contracts of the PFR Corporate Group, which may be consulted with the Committee. The Committee focuses in particular on:

- strategic contracts, acquisitions and joint ventures, including aspects of strategic partnerships involving entities of the PFR Corporate Group;
- significant purchases and sales of assets, to the extent that they require consent from the Supervisory Board according to the PFR Articles of Association,

if these matters are reviewed at a Supervisory Board meeting.

As at 1 January 2020, the Supervisory Board was composed of:

- Magdalena Piłat – Supervisory Board Chairwoman,
- Piotr Szwarz – Supervisory Board Deputy Chairman,
- Kamila Majcher-Zalewska – Supervisory Board Secretary,
- Izabela Antos – Supervisory Board Member,
- Tomasz Dudek – Supervisory Board Member,
- Anna Miazek – Supervisory Board Member,
- Aneta Ptak-Chmielewska – Supervisory Board Member.

During the financial year, Aneta Ptak-Chmielewska tendered her resignation from the function of the Company's Supervisory Board Member, effective as of 31 January 2020. In connection with the expiration of a mandate following the end of an individual term of office, on 30 June 2020 the Ordinary Shareholder Meeting reappointed Magdalena Piłat to the Supervisory Board of the 1st joint term of office. On 27 July 2020, the Supervisory Board elected Magdalena Piłat to serve as the Supervisory Board Chairwoman.

On 30 July 2020, the Extraordinary Shareholder Meeting dismissed from the Supervisory Board and subsequently appointed to the 1st joint term of office: Izabela Antos, Kamila Majcher-Zalewska, Tomasz Dudek, Piotr Szwarc and Anna Miazek. On 30 November 2020, the Supervisory Board elected Izabela Antos to serve as the Supervisory Board Deputy Chairwoman and Kamila Majcher-Zalewska to serve as the Supervisory Board Secretary.

As at 31 December 2020, the Supervisory Board was composed of:

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

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

TERM OF OFFICE AND CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD, DATE OF APPOINTMENT AND COMPOSITION OF THE MANAGEMENT BOARD OF THE CURRENT TERM OF OFFICE

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

The Management Board may consist of: the President of the Management Board and other Management Board members as Vice-Presidents of the Management Board elected for a joint term of office; the Management Board should at all times have a President of the Management Board. Appointment to a Management Board member is made after the Supervisory Board has conducted a recruitment procedure to verify and assess the qualifications of the candidates and to select the best candidate. During the procedure, the Supervisory Board makes sure, that the candidates to the Management Board in particular satisfy the conditions set forth in the Act of 16 December 2016 on the rules for managing state property (consolidated text: Journal of Laws of 2020, Item 735, as amended) (“**RMSP Act**”), which have been incorporated in the PFR Articles of Association. The Management Board’s term of office is five years. The PFR Supervisory Board sets the number of Management Board members.

As at 1 January 2020, the Management Board of the second term of office was as follows:

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

The composition of the Management Board did not change during the financial year and as at 31 December 2020 it was as specified above.

INTERNAL ALLOCATION OF DUTIES AND FUNCTIONS DISCHARGED BY MANAGEMENT BOARD MEMBERS

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

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

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

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

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

The allocation of powers between Management Board members effective in PFR as at 1 January 2020 was approved by the PFR Supervisory Board on 30 May 2019. During the financial year, the allocation of powers was changed once and approved by the Supervisory Board on 28 May 2020.



Paweł Borys

President of the PFR Management Board

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

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

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

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

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

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

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

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

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

As at 31 December 2020, the scope of the President's activity included directing the activities of the Management Board and PFR's ongoing operations, including oversight over:

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



Bartłomiej Pawlak

Vice President of the PFR Management Board

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

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

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

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

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

- operation of the finance and development area,
- implementation of sector programs,
- execution of local government investments, including participation in PFR's investment processes in accordance with the Procedure for making investment decisions for local government investments,
- PFR financial statements and controlling,
- preparation and verification of performance of PFR's annual and long-term plans and financial forecasts,
- issues of financing of PFR's activities and financing of programs entrusted to the Company for implementation, including raising financing to implement the PFR Financial Shield program,
- management of liquidity and PFR's relations with entities securing its financial services and services related to debt securities issued by the Company,
- administration and procurement department.



Tomasz Fill

Vice President of the PFR Management Board

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

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

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

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



Bartosz Marczuk

Vice President of the PFR Management Board

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

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

In his career he was also the head of the department in *Dziennik Gazeta Prawna*, deputy editor-in-chief of *Rzeczpospolita* daily and *Wprost* weekly. He hosted the programme 'Economics Report' on *Telewizja Republika*.

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

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

MANAGEMENT BOARD MEETINGS HELD AND RESOLUTIONS ADOPTED

In the financial year 2020, the PFR Management Board held 76 meetings, during which it adopted 874 resolutions, including 47 by circulation, using means of direct remote communication. The Management Board meetings were recorded in the form of minutes, which are kept at the PFR head office.

INFORMATION ON SHAREHOLDER MEETINGS HELD AND THE IMPLEMENTATION OF SHAREHOLDER MEETING RESOLUTIONS AND RECOMMENDATIONS OF THE ENTITY AUTHORIZED TO EXERCISE THE RIGHTS ATTACHING TO SHARES HELD BY THE STATE TREASURY

In 2020, 11 Shareholder Meetings were held at PFR. PFR implemented the resolutions adopted by the Shareholder Meeting in 2020.

6. COMMERCIAL PROXY

In the financial year 2020, PFR had one commercial proxy. On 4 June 2019, Joanna Dynysiuk (née Błaszczyk), legal counsel and Director of the Legal Department, was entrusted with joint commercial proxy rights to perform all judicial and extrajudicial activities related to the running of the PFR enterprise.

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

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

7. DESCRIPTION OF SIGNIFICANT PENDING LITIGATION

As at 31 December 2020, no litigation was pending with the participation of PFR that might significantly affect the Company's activity. In particular, PFR was not a party to any litigation generating a significant potential risk of an unfavorable impact on the Company's financial standing, outlook, operating results or ability to pay its liabilities.

8. MANAGEMENT BOARD REPORT ON THE APPLICATION OF BEST PRACTICES

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

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



Risk and compliance management systems

1. RISK MANAGEMENT SYSTEM

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

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

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

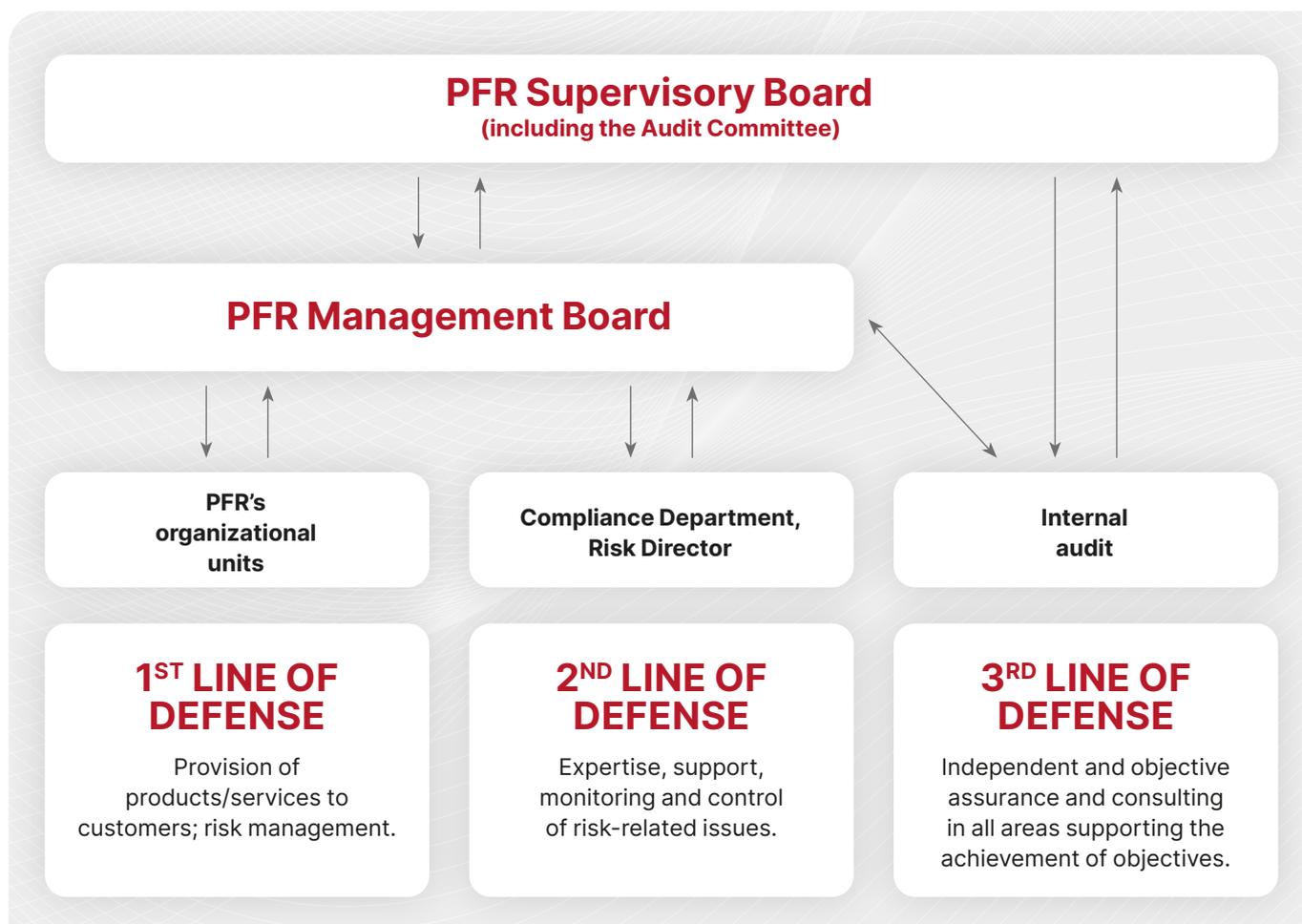
The first line of defense covers all organizational units managing distinct risks arising from the performance of entrusted tasks, in compliance with generally applicable laws and the PFR Organizational

Rules Regulations. The heads of these units report directly to Management Board Members in charge of the respective areas.

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

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

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



1.1. CREDIT RISK

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

1.2. LIQUIDITY RISK

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

1.3. MARKET RISK

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

CURRENCY RISK

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

INTEREST RATE RISK

The Company's activity, both in the case of investments made directly by the Company and those made indirectly through the funds in which PFR acts as an investor, because the latter affect the value of the investment certificates held by the Company, is inextricably associated with long-term investments, some of which are naturally exposed to interest rate risk by defining a fixed rate of return on the investment. This risk may materialize by the failure to obtain an assumed risk premium compared to the risk-free rate. The Com-

pany seeks to mitigate this risk by taking it into account in the structure of transactions or in appropriate clauses that make it possible to renegotiate investment returns if certain circumstances occur.

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

1.4. COMPLIANCE RISK

Compliance risk is the risk of suffering legal sanctions or losing reputation or credibility as a result of failure to comply, by the Company or its employees, with the applicable laws, internal regulations, accepted standards of conduct (including ethical principles) and/or codes of best market practices. The materialization of compliance risk may trigger the materialization of operational risk.

1.5. OPERATIONAL RISK

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

1.6. INVESTMENT RISK

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

1.7. POLITICAL RISK

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

1.8. PROJECT RISK

This risk is construed as unexpected delays in the execution of projects or unforeseen events preventing the execution of projects in whole or in part, which may result in additional expenditures or losses. The Company's project management system is fully operational, supporting the execution of projects in line with the adopted project management methodology. PFR monitors the execution of projects, in particular by reviewing spending vis-à-vis the adopted budget and the timeliness of actions taken within each project.



1.9. STRATEGIC RISK

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

1.10. REPUTATION RISK

This risk is construed as the risk of an unfavorable perception of PFR's image by customers, counterparties, investors, regulators, supervisory authorities and/or the public. This risk may be a derivative of any of the other types of risk. The Company, through the activities of its various organizational units and the adopted external communication strategy, pursues a number of initiatives aimed at minimizing the materialization of this risk.

1.11. LEGAL RISK

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

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

2. COMPLIANCE SYSTEM

2.1. PFR COMPLIANCE PILLARS

Due to the nature of PFR's business, the applicable legal regulations and the latest market standards, the Company has adopted a dedicated compliance system. It is based on the so-called PFR Compliance Pillars and managed by a specialized organizational unit within the Company, namely the Compliance Department. In order to ensure an appropriate level of independence, the head of the Department reports directly to the President of the PFR Management Board.

COMPLIANCE WITH GENERALLY APPLICABLE LAWS

In the context of PFR's operations under the Commercial Company Code and the Act on the Development Institutions System as well as the Company's involvement in administering the Programs, PFR makes every effort to comply with generally applicable legal requirements in the conduct of its business.

COMPLIANCE WITH INTERNAL REGULATIONS

One of the elements solidifying the proper organization within the Company is a hierarchical system of its internal regulations.

PFR uses the "Know Your Customer" (KYC) policy developed on the basis of best market practices. Due to the specific nature of the Company's business, it is applied both to investments and pro-

curement. With the use of data obtained from business intelligence agencies, customers and counterparties are identified in terms of their tax residence and potential inclusion in restriction or sanction lists. On the basis of such aggregated information, a KYC form is filled out for each cooperating commercial undertaking, thereby enabling the Company to vet the entity in question and assess the related cooperation risk.

PFR protects whistleblowers and has a whistleblowing process in place. It is a communication system enabling anonymous and confidential reporting of irregularities either in the form of an electronic message sent to a dedicated e-mail address or in the form of a traditional paper message placed in dedicated mailboxes located in the PFR head office.

While pursuing its tasks resulting from the Act on the Development Institutions System and the Sustainable Development Strategy, PFR engages in increasing the level of safety and public order as conditions necessary for the country's continued development. The Company does not tolerate corruption in any shape or form and actively counteracts it – for this purpose, internal regulations have been adopted and must be observed by all PFR employees, defining the rules of cooperation with the pertinent state authorities.

Moreover, due to the nature and scale of the PFR Financial Shield, the Company, at the request of the President of the Management Board, has been included in the so-called Anti-corruption Shield, which is a set of operational and support activities pursued by authorized entities with a view to protecting Poland's economic interests.

Due to the nature, scale and value of public funds involved in the rollout of the Programs, on 17 April 2021 PFR applied to the Central Anticorruption Bureau ("CBA") to cover all its Programs (in two stages, as initially the CBA shield covered the Financial Shield for SMEs and the Shield for Large Companies, and later, promptly after its launch, Financial Shield for SMEs 2.0 was added to this coverage) with activities aimed at reducing the risk of irregularities or fraud. In response to PFR's letter, the CBA declared that it was going to take action to support the Company in the rollout of its Programs. The CBA's protection covers PFR employees directly involved in the rollout of the Programs, advisors supporting PFR in these efforts, entities that have applied for support and those that have received it. In parallel, coordinators have been appointed for cooperation both on the side of the CBA and PFR (employees of the Compliance Department). Based on the legal grounds provided by the CBA for its collection and processing of personal data, PFR began work on the creation of a dedicated IT resource intended to provide the CBA with specific information, which resulted in the launch, on 24 April 2021, of access to this resource by designated CBA and PFR staff. At the same time, work began aimed at signing pertinent agreements between the CBA and PFR regarding the provision of information, which resulted in the execution of an information sharing agreement on 14 September 2021, subsequently annexed on 8 March 2021.

In compliance with the agreement with the CBA, the following network resources have been placed in the designated network resource:

- PFR internal procedures on the operation of the Programs,
- list of service providers for the purposes of the Programs (advisers),
- statistical comparisons of the volumes of entities supported under the Financial Shield for SMEs and Financial Shield for SMEs 2.0 ("MSME Dashboard"),

PFR Compliance Pillars



Compliance with generally applicable laws



Compliance with internal regulations



Compliance with market recommendations and standards



Compliance with ethical principles of business – Code of Conduct

- lists of entities supported under the Shield for Large Companies (large enterprises),
- personal data on decision-making personnel involved in the process of handling the Financial Shield for Large Companies.

Due to process-related differences in the structure and operation of the Financial Shield for Large Companies and the Financial Shield for SMEs, based on, in particular, the automation of the subsidy granting process on the part of the beneficiaries (Financial Shield for SMEs and Financial Shield for SMEs 2.0), entities applying for funding (under the Financial Shield for Large Companies) were vetted by the CBA in advance, based on data provided daily, whereas entities applying for a financial subsidy under the Financial Shield for SMEs were scrutinized retroactively, based on access to the MSME Dashboard made available to designated CBA staff and additional data provided.

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

COMPLIANCE WITH MARKET RECOMMENDATIONS AND STANDARDS

In its operations, the Polish Development Fund endeavors to comply with all best practices, standards and solutions applicable to mar-

ket participants in line with pertinent adequacy and proportionality principles.

COMPLIANCE WITH ETHICAL PRINCIPLES OF BUSINESS

In connection with the adoption, in December 2019, of the PFR Group’s Code of Conduct, in 2020 a decision was made to start a campaign aimed at promoting the document and ethical principles among all Group employees. It was conducted through internal communication channels (including posters, stickers promoting ethical attitudes, distribution of leaflets and codes among employees, a series of webinars, a screensaver appearing on employees’ computer monitors, video materials). Its purpose was to reach all PFR staff and emphasize the importance, significance and role of these values for the effective and secure operation of the whole organization during the challenging period of the COVID-19 epidemic.

532 employees of the PFR Corporate Group participated in all webinars promoting the Code of Conduct in 2020. Over 88% of them expressed a favorable opinion about the scope and method of presentation of these materials.

2.2. COMPLIANCE RISK MANAGEMENT

While exercising due care in the compliance risk management area, PFR deploys solutions, based on the principles of proportionality and adequacy, aimed at effectively reducing to a minimum the materialization of compliance risk in line with the market’s current best practices.

In order to enhance the professional approach to the area of compliance risk management, a project was launched in Q3 2020 to reconstruct and update the Compliance Matrices, which form an element of the internal control system and at the same time a tool for testing and confirming the correct operation of processes or tasks that are crucial from the perspective of the processes carried out by the respective organizational unit. The outcomes of tests conducted with the use of the Compliance Matrices are periodically presented to the PFR Management Board. Moreover, it is a tool that supports the Company’s three lines of defense model.

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2020

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Financial result of the PFR Corporate Group

The net profit of the PFR Corporate Group for the period from 1 January to 31 December 2020 was PLN 12.9 million, which was PLN 99.0 million less than last year (PLN 111.8 million). In 2020, PFR received no dividends from Bank Pekao S.A. (in connection with the KNF's decision to suspend the distribution of dividends) which had a significant impact on the Group's performance in 2019; proceeds on this account amounted to PLN 221.7 million during that year.

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

REVENUE

In 2020, the PFR Corporate Group achieved revenue of PLN 325 million, up PLN 126 million from PLN 199 million last year. In 2020 the main revenue items in the Group included: the revenue for operating the PFR Financial Shield campaign in the amount of PLN 135.7 million and the fee for managing investment fund assets in the amount of PLN 178 million.

OPERATING EXPENSES

The expenses of the PFR Corporate Group in 2020 were PLN 46 million higher than last year, mainly due to the higher costs of third party services (mainly in connection with the PFR Financial Shield – consulting, legal and tax services) and the total cost of salaries caused by a significant increase in the number of employees, chiefly in order to operate the PFR Financial Shield campaign (table 2).

The decline in costs of consumption of materials and energy and other costs by nature was driven by the changed operating model during the pandemic. Most employees worked from home, which directly reduced costs of office equipment, fuel consumption and costs of business trips. There were several events, such as conferences, that were cancelled (or were held remotely), which contributed to lower marketing costs in all PFR Corporate Group companies.

Table 1. Revenue

PFR Corporate Group – Structure of revenues	1.1-31.12.2020	1.1-31.12.2019	2020-2019 (change)
Revenue from PFR Financial Shield	135,714,286	-	135,714,286
Management revenue	178,156,283	174,484,437	3,671,846
Activities arising from the ECP Act	4,517,171	14,742,344	(10,225,173)
Revenue from performance of public partnership	4,941,585	6,379,525	(1,437,940)
Other revenue	1,626,021	3,755,590	(2,120,877)
Total revenue	324,955,346	199,361,896	125,593,450

Table 2. Operating expenses

PFR Corporate Group – Structure of operating expenses	1.1-31.12.2020	percentage (%)	1.1-31.12.2019	percentage (%)	2020-2019 (change)
Depreciation and amortization	6,145,457	2.5%	4,383,636	2.1%	1,761,821
Consumption of materials and energy	2,261,156	0.9%	3,413,039	1.7%	(1,151,883)
Third party services	64,775,372	25.9%	39,834,366	19.5%	24,941,006
Taxes and charges	3,413,868	1.4%	3,328,810	1.6%	85,057
Salaries	122,797,614	49.0%	106,575,312	52.1%	16,222,302
Social security and other benefits	23,196,082	9.3%	18,373,791	9.0%	4,822,291
Other costs by nature	27,894,449	11.1%	28,547,663	14.0%	(653,215)
Total operating expenses	250,483,998	100.0%	204,456,618	100.0%	46,027,380

Statement of financial position of the PFR Corporate Group

As at 31 December 2020, the total balance sheet value of the PFR Corporate Group was PLN 72.3 billion, up 65.9 billion from PLN 6.4 billion at the end of 2019. Most of this increase can be attributed to

the PFR Financial Shield program. Subsidies, loans and other instruments designed to support Polish companies represent approx. PLN 63 billion (*Table 3*).

Table 3. Balance sheet of the PFR Corporate Group

PFR Corporate Group - Balance sheet	31.12.2020	percentage (%)	31.12.2019	percentage (%)
ASSETS				
Non-current assets	54,697,123,419	75.7%	6,151,959,845	96.0%
Property, plant and equipment	10,635,446	0.0%	11,989,887	0.2%
Goodwill of subordinated entities	12,066,924	0.0%	17,117,060	0.3%
Intangible assets	16,706,297	0.0%	12,240,492	0.2%
Non-current receivables	3,555,888	0.0%	3,110,680	0.0%
Non-current investments	54,252,621,270	75.1%	5,948,217,739	92.8%
Non-current prepayments and accruals	401,537,594	0.6%	159,283,987	2.5%
Current assets	17,589,477,035	24.3%	258,790,979	4.0%
Prepayments for deliveries and services	8,800	0.0%	-	-
Current receivables	845,794,120	1.2%	23,864,487	0.4%
Current investments	16,739,131,565	23.2%	232,108,490	3.6%
Current prepayments and accruals	4,542,550	0.0%	2,818,002	0.0%
Total assets	72,286,600,454	100.0%	6,410,750,824	100.0%
EQUITY AND LIABILITIES				
Equity	4,459,734,812	6.2%	2,837,149,155	44.3%
Equity	4,459,734,812	6.2%	2,837,149,155	44.3%
Liabilities and provisions for liabilities	67,826,865,642	93.8%	3,573,601,669	55.7%
Provisions for liabilities	78,459,548	0.1%	38,024,848	0.6%
Non-current liabilities	64,835,458,632	89.7%	53,406,200	0.8%
Current liabilities	2,901,594,144	4.0%	3,467,774,970	54.1%
Accruals and deferred income	11,353,318	0.0%	14,395,651	0.2%
Total equity and liabilities	72,286,600,454	100.0%	6,410,750,824	100.0%

Financial result of PFR

The net profit of the Company for the period from 1 January to 31 December 2020 was PLN 49.7 million, which was PLN 68.7 million less than last year (PLN 118.4 million). In 2020, the Company received no dividends from Bank Pekao S.A. (in connection with the KNF's decision to suspend the distribution of dividends) which had a significant impact on PFR's performance in 2019; proceeds on this account amounted to PLN 221.7 million during that year.

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

REVENUE

In 2020, the Company achieved revenue of PLN 213.6 million, up PLN 154.6 million from last year. The main revenue item in the Company in 2020 was the fee for handling the PFR Financial Shield program, which represented 64% of the revenue. Pursuant to an agreement with the State Treasury, PFR charges an annual fee for the handling of PFR Programs at the level of 0.2% of the total value of the Programs, i.e. on the amount of PLN 100 billion. Since the handling of the Programs began during the year 2020, the Company earned revenue of PLN 135.7 million (Table 4).

OPERATING EXPENSES

In 2020, the Company's operating expenses amounted to PLN 117.8 million and were PLN 47.9 million higher than the costs last year mainly due to an increase in the costs of third party services and costs of salaries and social security, with a simultaneous decrease in the costs of consumption of materials and energy (Table 5).

The higher costs of salaries with insurance and other benefits in 2020 resulted from the increased headcount in the Company. As at 31 December 2020 the headcount in PFR was 219 employees. Compared to the end of 2019, the headcount increased by 82 people, i.e. 60%.

The increase in the costs of third party services and other costs by nature was associated mainly with the implementation of programs constituting the PFR Financial Shield. In 2020, the cost items related to financial, legal and tax consulting appeared and the expenditures for information campaigns about the Programs increased (e.g. TV advertising campaigns).

Table 4. Revenue

PFR – Structure of revenues	1.1-31.12.2020	1.1-31.12.2019	2020-2019 (change)
Fee for PFR Financial Shield	135,714,286	-	135,714,286
Management revenue	71,228,969	55,293,367	15,935,602
Other revenue	6,647,914	3,728,590	2,919,324
Total revenue	213,591,168	59 021 956	154,569,212

Table 5. Operating expenses

PFR – Structure of operating expenses	1.1-31.12.2020	percentage (%)	1.1-31.12.2019	percentage (%)	2020-2019 (change)
Depreciation and amortization	3,340,099	2.8%	2,265,623	3.2%	1,074,476
Consumption of materials and energy	750,145	0.6%	921,296	1.3%	(171,152)
Third party services	41,910,698	35.6%	18,156,308	26.0%	23,754,389
Taxes and charges	428,125	0.4%	295,634	0.4%	132,490
Salaries	41,541,219	35.3%	30,157,500	43.2%	11,383,719
Social security and other benefits	8,875,375	7.5%	6,053,615	8.7%	2,821,760
Other costs by nature	20,947,701	17.8%	12,032,061	17.2%	8,915,640
Total operating expenses	117,793,361	100.0%	69,882,038	100.0%	47,911,323

MATERIAL NON-RECURRING REVENUE AND COST ITEMS

In 2020, Bank Pekao S.A. did not pay out a dividend from its net profit earned in 2019. The most recent dividend payout occurred in July 2019, when the Company received PLN 221.7 million.

In 2020, the Company incurred the cost on account of the tax on civil law transactions resulting from the capital contribution, in the amount of PLN 12.5 million.

2. FULFILLMENT OF ECONOMIC AND FINANCIAL RESULTS

In 2020, the Company generated operating revenue (on core and other activities) at the level of PLN 216.4 million. The financial plan for 2020 assumed operating revenue of PLN 209.7 million.

Operating profit in 2020 was PLN 86.6 million and was PLN 126.1 million higher than the planned loss of PLN -39.5 million. The Company's net profit for 2020 amounted to PLN 49.7 million and was PLN 95.2 million higher than the planned net loss of PLN -45.5 million.

PFR's statement of financial position

As at 31 December 2020, PFR's total assets amounted to PLN 72,267.5 million, signifying an increase in the value of assets and liabilities and equity by PLN 65,919.2 million compared to the end of 2019 (Table 6).

The increase in total assets in 2020 was driven mainly by the increase in non-current investments by PLN 48,365.3 million in connection with the implementation of the PFR Financial Shield program. The

Table 6. Balance sheet of PFR

PFR - Balance sheet	31.12.2020	percentage (%)	31.12.2019	percentage (%)
ASSETS				
Non-current assets	54,883,795,277	75.9%	6,270,749,026	98.8%
Property, plant and equipment	6,053,753	0.0%	5,605,757	0.1%
Intangible assets	14,005,810	0.0%	9,221,935	0.1%
Non-current receivables	1,363,405	0.0%	1,363,405	0.0%
Non-current investments	54,459,649,655	75.4%	6,094,312,935	96.0%
Non-current prepayments and accruals	402,722,654	0.6%	160,244,994	2.5%
Current assets	17,383,742,163	24.1%	77,610,539	1.2%
Current receivables	848,801,928	1.2%	18,943,412	0.3%
Current investments	16,532,785,100	22.9%	57,533,988	0.9%
Current prepayments and accruals	2,155,135	0.0%	1,133,138	0.0%
Total assets	72,267,537,440	100.0%	6,348,359,565	100.0%
EQUITY AND LIABILITIES				
Equity	4,535,242,456	6.3%	2,878,446,152	45.3%
Equity	4,535,242,456	6.3%	2,878,446,152	45.3%
Liabilities and provisions for liabilities	67,732,294,984	93.7%	3,469,913,412	54.7%
Provisions for liabilities	53,753,040	0.1%	16,314,946	0.3%
Non-current liabilities	64,789,706,046	89.7%	1,267,533	0.0%
Current liabilities	2,887,687,689	4.0%	3,451,358,360	54.4%
Accruals and deferred income	1,148,209	0.0%	972,574	0.0%
Total equity and liabilities	72,267,537,440	100.0%	6,348,359,565	100.0%

Company provided financial aid to businesses registered in Poland, in the form of loans and subsidies. The program was launched in 2020 in order to counteract the effects of the COVID-19 pandemic and all resulting amounts affected the 2020 performance only.

PFR also classifies investments in investment certificates, subsidiaries and associates, shares in other companies, including Bank Pekao S.A. and bonds, as non-current investments. The value of the stake held in Bank Pekao S.A. presented in the Company's balance sheet at the end-of-2020 prices was PLN 2,052.7 million, down PLN 1,322.0 million from the previous year. The decline in the value of Bank Pekao S.A. shares was caused by the deteriorating situation on financial markets driven by the pandemic and interest rate cuts by the Monetary Policy Council, which affected the quotation of banks on the Warsaw Stock Exchange.

The largest items of the Company's equity and liabilities were long-term liabilities and short-term liabilities from the issue of debt securities, which included bonds issued by PFR in order to raise funds for the execution of the PFR Financial Shield program. As at the balance sheet date, the total value of these liabilities was PLN 65,818.1 million. All the bonds are fully guaranteed by the State Treasury.

In 2020, PFR's share capital was increased by PLN 2,499,926,000, i.e. from PLN 2,453,326,553 to PLN 4,953,252,553. The capital contribution was effected thorough an issue of 2,499,926,000 new Series E registered common shares with a par value of PLN 1 each, with the total par value of PLN 2,499,926,000. The offer to subscribe for Series E shares was directed solely to the State Treasury represented by the Prime Minister. On 7 April 2020, the Company filed an application to change its details in the Register of Commercial Undertakings of the National Court Register and on 19 May 2020 the PFR's share capital increase was registered.

1. LIST OF OVERDUE RECEIVABLES AND LIABILITIES

The list of overdue receivables and liabilities as at the end of 2020, by past due dates, is presented in the table below (Table 7).

Table 7. List of overdue receivables and liabilities

PFR – Structure of overdue receivables	31.12.2020	Percentage (%)
Receivables up to 3 months overdue	1,041,784	98.9%
Receivables from 3 to 6 months overdue	10,784	1.0%
Receivables from 6 to 12 months overdue	-	-
Receivables over 12 months overdue	1,230	0.1%
Total overdue receivables	1,053,798	100.0%
including: Disputed receivables	-	-
PFR – Structure of overdue liabilities	31.12.2020	Percentage (%)
Total liabilities	16,622,933	100.0%
of which: Liabilities more than 1 month overdue	3,558,115	21.4%
of which: overdue liabilities to the state budget	-	-

2. UTILIZATION OF BANK LOANS DURING THE YEAR

Having received the capital contribution money in March 2020, the Company made a full repayment of the overdraft facility; upon repayment, the utilization of the overdraft was PLN 971.7 million out of the PLN 1,140 of the limit available to the Company. An annex was also signed reducing the amount available under the facility to PLN 30 million.

On 30 May 2017, PFR signed a loan agreement with Bank PKO BP S.A. in the amount of PLN 3,132 million to finance the purchase of Bank Pekao S.A. shares. The loan was secured by establishing financial and registered pledges on the shares in Bank Pekao S.A. held by the Company. On 6 December 2016, a resolution was adopted under which the Extraordinary Shareholder Meeting acknowledged the aforementioned terms and conditions of the transaction. During the year 2020, in addition to the repayment of interest, the Company also repaid the principal of the loan in the amount of PLN 500 million (in September) and PLN 320 million (in December) in order to improve coverage ratios.

3. SURETIES AND GUARANTEES GRANTED

Under the agreement of 30 August 2019, PFR extended a surety to Operator Chmury Krajowej to secure OChK's liabilities under the Guarantee Agreement granted by PKO BP S.A. The surety secures the liabilities up to the amount of USD 100 million, i.e. 50% of the guarantee amount, while the surety amount will be reduced pro rata to the reduction of the guarantee amount.

Under the agreement of 12 November 2019, PFR extended a surety to Pojazdy Szynowe PESA Bydgoszcz S.A. in connection with the awarding to secure OChK's liabilities under the Guarantee Agreement granted by PKO BP S.A. The surety secures the liabilities up to the amount of PLN 150 million. As at the balance sheet date, this surety has expired.

4. LIST OF DONATIONS MADE AND DEBT EXEMPTIONS

In 2020, the Company made donations in favor of the PFR Foundation in the amount of PLN 9.5 million.

The Company did not grant any debt exemptions in 2020.

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

The financial standing of the Company and the PFR Corporate Group is stable. In 2020, the PFR Corporate Group generated a net profit of PLN 12.9 million and in 2019 PLN 111.8 million. In 2020, PFR did not receive any dividend from Bank Pekao S.A. (in 2019 the dividend amount was PLN 221.7 million). Nevertheless, this is an exceptional situation caused by the pandemic and based on publicly available data, we assume that the company will receive a dividend from the 2020 profit in H2 2021. The pre-tax profit earned by the Group amounted to PLN 37.1 million. The PFR Corporate Group posted an operating profit of PLN 69.8 million. Financial income was PLN 73.8 million and financial costs amounted to PLN 80.5 million.

As at 31 December 2020, the total balance sheet value of the PFR Corporate Group was PLN 72,287 million, compared to PLN 6,411 million as at 31 December 2019. As at 31 December 2020, equity was PLN 4,459 million (vs. PLN 2,836 million as at 31 December 2019) and non-current investments were at PLN 54,253 million (PLN 5,948 million at the end of 2019). The increase in equity was mainly due to the capital contribution of the parent company (reduced by the negative effects of the valuation of Bank Pekao S.A. shares). An important component of non-current investments is the block of 33,596,166 shares of Bank Pekao S.A., which represents 12.8% of the overall number of votes at the Shareholder Meeting of Bank Pekao S.A. Due to the COVID-19 pandemic and lower performance of the Bank, the value of this investment decreased and the valuation results were captured in the revaluation reserve.

The PFR Financial Shield program is a major balance sheet item. Subsidies and loans granted and shares purchased under the Programs amount to approx. PLN 63 billion, with a corresponding amount of bonds issued by PFR on the equity and liabilities side, which were used to finance aid for Polish companies.

The effects of the COVID-19 pandemic caused deep changes in the functioning of PFR in early 2020, involving most of the Company's employees in new tasks, including supporting the Polish government in the preparation of regulatory and legislative solutions to help Polish entrepreneurs. The launch of the PFR Financial Shield program in 2020 entailed among others bond issues. The fee for handling the PFR Financial Shield program amounted to PLN 135.7 million. Due to the significant involvement of the Company's employees in this project, many other projects planned for 2020 were not implemented and were deferred till 2021. The remote working, which continued for nearly the entire period of the pandemic, certain savings were also achieved, such as: lower consumption of materials and energy, lower consumption of office supplies and fuel, or reduced costs of business trips and marketing.

Other PFR Corporate Group companies operate in stable environments and their Management Board did not report material adverse effects of the pandemic on their ongoing operation. Ongoing financial data reported quarterly by PFR Corporate Group companies also point to their stable financial standing. Moreover, further investments in subsidiaries are planned in 2021, which will strengthen their liquidity position.

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

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

1. COST OF REPRESENTATION, COMMUNICATION AND MARKETING

In 2020, PFR designated PLN 20.5 million for expenditures relating to marketing, representation, advertising and PR (*Table 8*).

From the point of view of the Company's objectives in 2020, critical activities in this area involved explanation of the rules for accepting applications for the Financial Shield for SMEs and the effects of its implementation. Moreover, PFR actively promoted the benefits of long-term retirement savings and participation in Employee Capital Plans (ECPs).

The process of accepting applications for the Financial Shield for SMEs started on 29 April 2020. The Program has enjoyed great interest among entrepreneurs. Before the process started, the first ver-

sion of the "PFR Financial Shield Guide" had been developed. The manual was supplemented and improved over numerous iterations. It was shared on the PFR website and downloaded more than 75 thousand times. The banks participating in the program published it on their own websites.

The "Guide" was also used by PFR's own staff responsible for customer service and by employees in the banks participating in the program. PFR employees alone received 131 thousand inquiries through various channels in connection with the handling of the Financial Shield for SMEs. The material also served as the base for training sessions and webinars delivered by representatives of PFR Portal PPK.

Table 8. Cost of representation, communication and marketing

PFR – Cost of representation, communication and marketing	1.1-31.12.2020
Public Relations	106,784
Marketing	632,212
Internal communication	290,758
Social Media/Digital	385,362
Events	239,604
Printing services	29,117
Media monitoring and costs of surveys	47,893
Sponsorship	684,270
Communication costs related to Green Hub	85,856
Communication costs related to ECP	5,897,147
Communication costs related to the PFR Financial Shield	12,056,607
Representation expenditures	15,656
Total costs	20,471,266

“VICTORIOUS THROUGH SOLIDARITY!” CAMPAIGN

The “Victorious Through Solidarity” information campaign for the PFR Financial Shield was launched on 17 June 2020. Its purpose was to inform the public about the impending date of filing applications and to encourage businesses to use the support. The campaign was addressed primarily to small and medium enterprises.

The ads broadcast in the largest TV and radio stations and published on websites frequented by entrepreneurs were the key promotion tool. They featured beneficiaries of the program, who gave testimonies about their experience with filing applications and receiving subsidies. Two such film ads were made.

The goal of the campaign was to build a positive image of the Financial Shield for SMEs program among Poles by showing its social effects. This purpose was achieved primarily by the competition, in which people could share inspiring stories of help and creative ways in which businesses coped during the pandemic. More than 200 stories were received and 132 were published. The most interesting stories submitted for the competition were selected and short videos were made with their authors, published on the campaign website and promoted in the social media.

Six people whose stories the jury found most inspiring were awarded prizes in the competition. Each of them selected a social organization fighting the pandemic. The PFR Foundation provided financial support to each of these organizations on behalf of the competition winners.

“I’M STAYING!” CAMPAIGN

Promotional activities were also conducted for other programs carried out by the Company.

In 2020, employees of companies with 20 to 49 employees and 50 to 249 employees were required to join Employee Capital Plans. Overall, 3.7 million people had to decide whether they wanted to stay in an Employee Capital Plan.

Regular information activities in this respect were carried out by a team in PFR Portal PPK, which organized webinars, live training sessions, conferences and communication efforts on the Internet. Those were supplemented by an advertising campaign entitled “I’m Staying!” carried out by PFR, PFR Portal PPK and the Ministry of Finance. It commenced on 1 October 2020 and involved TV, radio and Web

channels. The message of the campaign was based on the slogan “I’m Staying!”, which was to emphasize that you did not have to do anything to benefit from Employee Capital Plans.

The campaign consisted of 8 TV commercials (10, 15 and 30 second) two radio commercials and a number of creative work for the Web. A series of training films was also made under the title “ECP Express”, which presented the key aspects of Employee Capital Plans and answered the frequently asked questions in the form of short films.

The campaign was complemented by a second creative line addressed directly to employers. It was aimed at presenting ECP as an attractive employee benefit. An educational line was also developed to dispel the main doubts that Poles have about remaining in ECP, according to the surveys.

POLISH SKI MASTER (POLSKI MISTRZ) PROGRAM

In January 2020, Polskie Koleje Linowe (PKL), a company indirectly owned by Polski Fundusz Rozwoju, signed a cooperation agreement with the Polish Ski Association (PZN) which launched the Polish Ski Master Program. The program’s main goal was to support the development of downhill skiing and snowboarding in Poland.

Under the agreement, Polski Fundusz Rozwoju, PKL and Kolej Gondolowa Jaworzyna Krynicka have provided financial support to the Polish Ski Association for the implementation of the program. Additionally, PKL and Jaworzyna Krynicka have opened sports ski routes in their centers for PZN skiers and snowboarders for practices and competitions organized by PZN.

During the program’s first season, seven 2-day skiing competitions for children and youth in various age groups were held. The final event of the campaign, planned for the second half of March in Kasprowy Wierch, was canceled due to the national lockdown. 43 training sessions were organized on the PKL routes covered by the program. Overall, nearly 4.5 thousand ski passes were donated as part of this program.

The first competition during the second edition of the Polish Ski Master program was held on 19-20 December 2020, the Polish Youth Cup in Suche. Subsequent sports events of this series were held in 2021; some of them were canceled due to the lockdown imposed on a part of the economy as a result of the pandemic situation in Poland.



“Polish Ski Master” competitions

OTHER MARKETING AND COMMUNICATION ACTIVITIES

In 2020, PFR's communication efforts were dominated by the issues related to the implementation of the Financial Shield for SMEs program. Its scale and importance for the Polish economy increased the awareness of the PFR brand significantly and over a period of a few months the Company transformed into an organization serving several hundred thousand customers. The communication activities have been adapted to the new situation. They were also affected by the epidemic situation.

Most press conferences and regular meetings with the media were organized remotely. Films and infographics were used in communication more often than previously. Additionally, PFR's social media channels presented information directed to the Company's customers regarding the process of handling subsidy applications under the program.

In 2020, most events such as congresses and conferences devoted to economic issues were canceled or moved to the virtual world. One of the few "live" events was the Economic Forum in Karpacz, where the Company was one of its partners. Representatives of the PFR Corporate Group participated in discussion panels devoted to, among others: retirement savings, renewable energy, development of small and medium-sized cities, economic changes caused by the pandemic and the Financial Shield for SMEs.

In summary, PFR's role as a participant in the economic debate grew significantly in 2020. The Company was the most well-known operator of the government's Anti-Crisis Shield. Accordingly, its importance as an entity creating economic activity and initiating key economic processes has been recognized by a wide audience.

Responsibilities of PFR's Corporate Communication Department include organization of internal communication directed to employ-

ees. It is conducted mainly through PFR's Intranet, regular newsletters, events organized for employees and their families and information campaigns. Due to the pandemic, events with physical participation of employee have been limited. Some of them were moved to the virtual world, while others, for example the "Virtual Independence Run", were held in the form of a photo report made by the participants of the run themselves.

2. COST OF LEGAL SERVICES

The cost of legal services incurred by PFR in 2020 amounted to approx. PLN 6.7 million (*Table 9*). They included, among others: (i) costs of external legal and transaction consulting associated with the execution of the Programs (which was the largest cost item), (ii) other legal consulting services, including costs of preparing legal and expert opinions, (iii) representation of PFR in court, administrative or court-administrative proceedings, (iv) costs of notary deeds, as well as (v) legal support provided to PFR in share purchase transactions of other commercial law companies.

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

3. COST OF MANAGEMENT CONSULTING SERVICES

PFR's costs incurred in 2020 for management consulting services amounted to PLN 396 thousand (*Table 10*). This amount includes costs of tax consulting and costs of consulting services associated with the increase of the Company's share capital.

Table 9. Cost of legal services

PFR – Cost of legal services	1.1-31.12.2020
Legal costs related to projects	78,041
Corporate support – costs of current legal services	564,897
Investment support – costs of current legal services	33,847
Administrative fees, including the fee for the General Counsel to the Republic of Poland	144,078
Legal costs related to ECP	-
Legal costs related to PFR Financial Shield	5,910,062
Total costs	6,730,925

Table 10. Cost of management consulting services

PFR – Cost of management consulting services	1.1-31.12.2020
Accounting and tax services	255,068
Services related to the capital contribution transaction	141,151
Total costs	396,219

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2020

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Involvement in fighting the effects of the COVID-19 crisis

Summary of aid activities conducted within the framework of the Financial Shield for SMEs

**PLN
576,000**

average subsidy amount per SME

**PLN
61 billion**

total amount paid out

**PLN
69,000**

average subsidy amount per micro business

46 hours

average waiting time for a subsidy to be paid, from the moment of submitting an application

348,000

number of companies that took advantage of the program

131,000

Number of interactions with businesses handled by PFR in the phone, e-mail, chat, social media channels

3.2 million

number of employees hired (including owners)

1. PFR FINANCIAL SHIELD

On 11 March 2020, the World Health Organization (WHO) labeled the outbreak of COVID-19, an illness caused by the SARS-CoV-2 coronavirus, as a pandemic. The first case in Poland was recorded one week earlier.

Two days after the WHO decision, the Polish Minister of Health introduced a state of epidemic threat on the entire territory of Poland. On 8 March 2020, the Act of 2 March 2020 on Special Solutions Associated with Preventing, Counteracting and Combating COVID-19, Other Infectious Diseases and Crises Caused by Them (consolidated text in the Journal of Laws, Item 1842, as amended) came into effect introducing regulations supporting the fight against the epidemic and its effects.

The above laws made it possible to counteract the COVID-19 pandemic by using numerous tools, including restrictions and new obligations for business activities. As a result, the activity of industries requiring meetings of larger groups was temporarily restricted. The restrictions affected, among others, the catering, hospitality, retail, sports and cultural events sectors as well as transport and tourism industries.

Moreover, all employers were covered by guidelines reducing the possibility of the spread of the SARS-CoV-2 virus and permitting some employees to be designated for remote working and work organization in a sanitary regime. Additionally, after movement was restricted, the intensity of economic transactions fell significantly. Because of that, many Polish companies suffered serious financial problems and some of them had to face the risk of dropping out of the market or liquidation.

In the context of the above issues caused by the COVID-19 pandemic in the economy, acting pursuant to the Act on the Development Institutions System, the Council of Ministers, entrusted PFR with the implementation of Programs aimed at providing financial support to businesses.

The work on launching the PFR Financial Shield started in April 2020, creating a system of aid activities with the total amount of PLN 100 billion, composed of four elements:

- Financial Shield for SMEs,
- Financial Shield for Large Companies,
- PLL LOT Support Program,
- Financial Shield for SMEs 2.0.

With regard to instruments constituting public aid, offering them to businesses had to be notified to the European Commission.

1.1. FINANCIAL SHIELD FOR SMES

On 27 April 2020, the Financial Shield for SMEs program received a notification of the European Commission.

After having technically implemented the most recent recommendations of the EC, PFR started to accept applications for subsidies on 29 April 2020 at exactly 6 pm. PFR cooperated with 17 commercial banks and a network of cooperative banks to build an electronic system for accepting applications for financial subsidies, which helped businesses to file electronic applications for subsidies and allowed most of them to survive the lockdown of the economy in the spring of 2020.

The work on the system commenced on 6 April 2020. In addition to PFR and banks, it was also created by the National Clearing House, National Tax Administration Authority, Social Insurance Institution and the Ministry of Finance. Coordination of all these institutions within the project of building a very complex system was not an easy feat. The situation was made even more difficult by the time pressure and public expectations.

However, we can conclude with certainty that the system has passed the test. Due to artificial intelligence mechanisms, on which the system was based, we managed to handle more than 549 thousand applications from Polish businesses and grant subsidies to 348 thousand program beneficiaries. If decisions on subsidy payments were to be made by people on the basis of databases from different institutions, examination of the application would require much more time and employment of a vast administrative support team.

The system benefited from the experience that the PFR Team accumulated during the work on the IT system supporting Employee Capital Plans and the Central Retirement Information system (at present, the work on the latter has been temporarily suspended due to the pandemic). These two projects allowed PFR to gather knowledge on the IT systems and public registers kept in Poland to facilitate collection and exchange of information between governmental institutions. Integration of information stored in those systems and their effective utilization allowed PFR to develop an efficient IT system, which was able to handle the immense number of applications and, based on the program assumptions, decide fully automatically whether to grant the subsidy and on its amount.

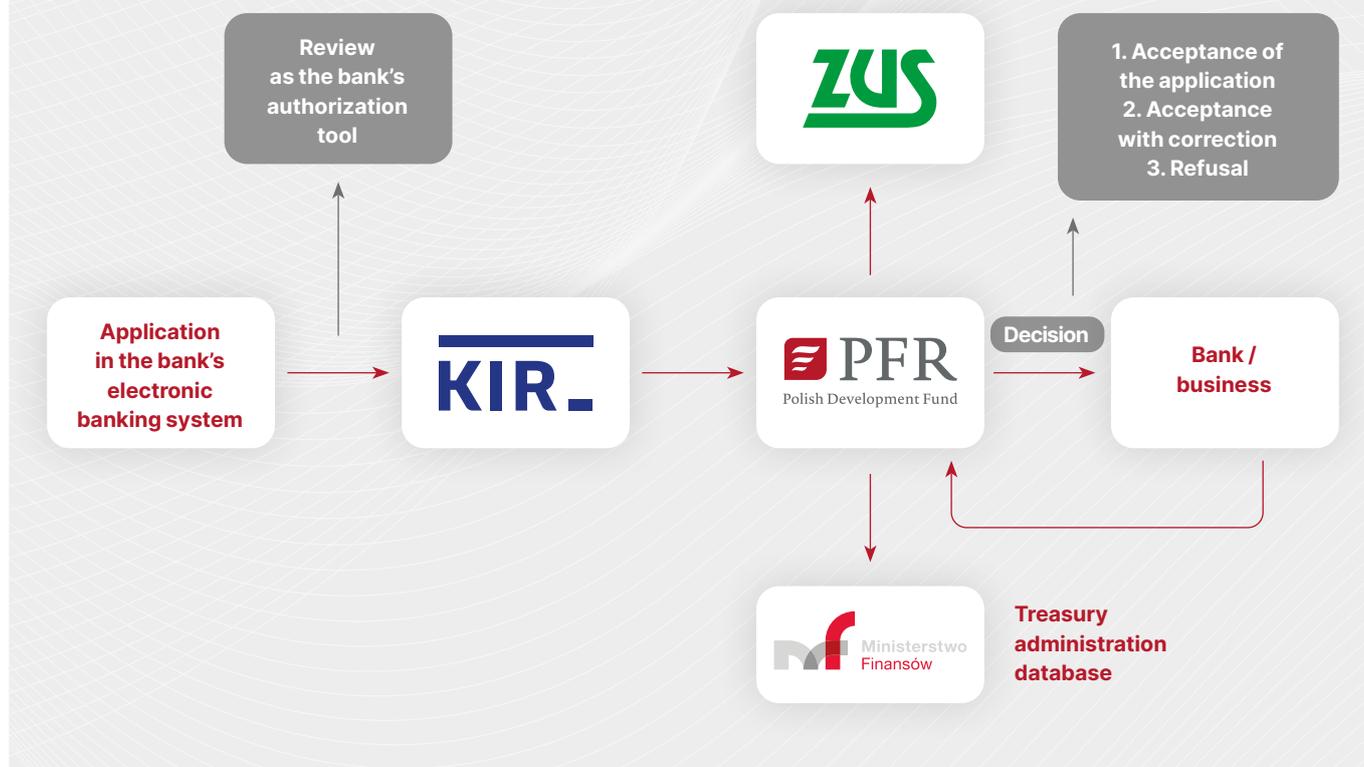
As a result, an entrepreneur filling out a subsidy application via the e-banking service in his bank, triggered a complex process of automatic verification of the correctness of submitted data. The decision on the subsidy was made, on average, about 46 hours after the application was submitted.

Commercial banks played an important role in developing the system. The commitment of their IT and communication teams was enormous and, at every stage of work, they provided real support and help to PFR. It is worth noting the tremendous determination and dedication of the banks' employees, who, working under great pressure, implemented PFR's guidelines and comments very efficiently. This is yet another example of successful cooperation of the banking sector with public institutions.

Implementation of the Financial Shield for SMEs demanded great organization effort on the part of the Company. Virtually all of its organizational units were involved in the development of the system or in supporting activities. The headcount in departments handling the PFR Financial Shield directly increased significantly. Several new organizational units were also created to perform tasks related to the implementation of the Programs. Overall, PFR's headcount increased during the year from 137 to 219 employees.

The remote working requirement was a considerable hindrance in the overall process of implementing the system handling the Financial Shield for SMEs. This task would not have been completed had it not been for the IT systems supporting remote work and procedures regulating remote working. The significant involvement of the PFR Team in the implementation work was also very important. Employees had a sense of a mission and patriotic duty to save jobs in the Polish economy.

Functioning of the Financial Shield for SMEs



RULES OF THE FINANCIAL SHIELD FOR SMES

The Financial Shield for SMEs was addressed to:

- micro businesses employing, as at 31 December 2019, from 1 to 9 employees (without the owner), whose annual turnover or the total balance sheet value does not exceed EUR 2 million;
- small and medium-sized enterprises, employing up to 249 employees, whose annual turnover does not exceed EUR 50 million or the total balance sheet value does not exceed EUR 43 million;

The subsidy was available to businesses affected by a decline of revenues by at least 25% in any month after 1 February 2020, relative to the previous month or corresponding period of last year, in connection with the COVID-19 pandemic. The program was aimed at helping businesses in raising capital quickly and without unnecessary formal requirements, to allow them to maintain liquidity and pay their liabilities, including salaries of their employees.

The value of the subsidy was calculated automatically by an algorithm, which considered the decline in the income amount reported by the business, the number of employees with employment contracts or with civil law contracts. The maximum subsidy amount for micro businesses was up to PLN 324 thousand (on average PFR paid out PLN 69 thousand). For companies in the SME sector, the subsidy amount constituted 4%, 6% or 8% of annual sales, depending on the scale of the decline of sales, up to the maximum amount of PLN 3.5 million (on average PFR paid out PLN 576 thousand).

75% of the financial subsidy for SMEs may be non-refundable, including 25% under the condition of continuation of operations, 25%

depending on the amount of the loss of sales suffered by the enterprise, and additionally 25% depending on the average headcount maintained in the period of 12 months. The refund of the subsidy by the business will be proportionally higher in the event of a reduction of the headcount.

A similar rule applied to the subsidy for micro businesses: 75% of its value may be subject to remission: 25% if the business continues to operate for 12 months after granting and another 50% depending on the level of maintenance of average headcount over the 12-month period. In the case of a reduction of the headcount, the percentage of refund of the subsidy by the entrepreneur is accordingly higher, which should be an incentive for keeping jobs. After 12 months, installment repayment of the remainder of the subsidy starts and is spread over 24 months.

EFFECTS OF THE FINANCIAL SHIELD FOR SMES

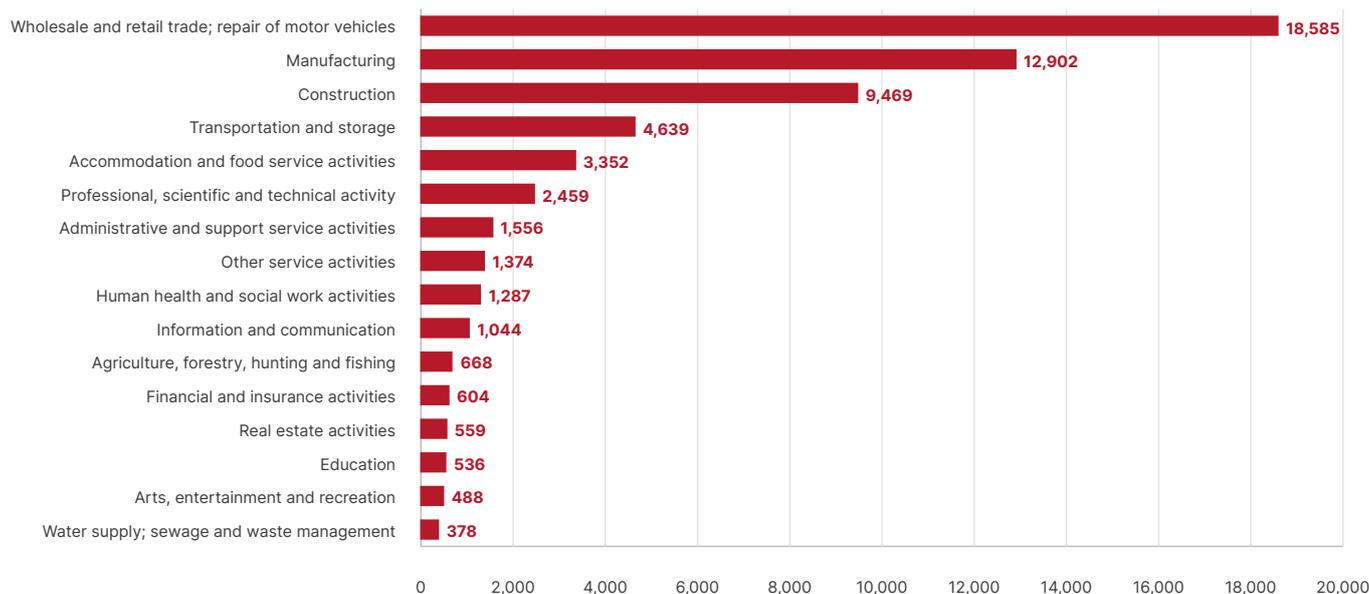
During the course of the program (29 April – 31 July 2020) PFR paid out more than PLN 61 billion of financial subsidies to Polish micro businesses, small and medium-sized enterprises. In the history of Poland, no program has reached a similar scale of support. This amount was distributed over 348 thousand companies employing 3.2 million employees. Most of this amount, roughly PLN 42 billion, was awarded to nearly 73 thousand SMEs, while 273 thousand micro businesses received nearly PLN 19 billion. 89% of the applications were accepted.

According to the Polish Classification of Business Activity (PKD), the largest amounts were granted to companies operating in the wholesale and retail trade, manufacturing and construction sectors.

Financial Shield for SMEs in individual regions



Financial Shield for SMEs in individual industries: the amount awarded based on GDP (in PLN million)



INFORMATION CAMPAIGN

When the period of accepting applications for the Financial Shield for SMEs started, enormous demand for information about the program arose. During the period of the program, the www.pfr.pl website was visited nearly 7 million times. PFR addressed the need for information by carrying out a broad campaign about the program. As part of the campaign, a "Guide for small and medium companies to the PFR Financial Shield" was downloaded 75 thousand times. The banks participating in the program also posted it on its websites and they conducted their own information activities by using the materials provided by PFR. Also, a base of 197 questions and answers was created, with answers to key questions that entrepreneurs asked PFR.

The information hotline, social media accounts and the customer relations e-mail were also filled with requests. PFR used these channels to service 131 thousand contacts, or 50 times more than it is used to. 53 thousand answers were given by the chatbot, which was launched on the PFR website shortly after the program launched. Other information activities included, among others, 200 webinars and on-line training sessions, which were attended by 22 thousand people, and the "Victorious through Solidarity" competition.

1.2. FINANCIAL SHIELD FOR LARGE COMPANIES

On 9 June 2020, following the completion of the notification process and while waiting for a positive decision of the European Commission regarding the instrument financing aid in the form of equity,

Financial instruments comprising the Financial Shield for Large Companies



Liquidity loans,

preferential interest rate, in the total amount of PLN 10 billion, in order to secure liquidity of companies. The loans could be granted with maturities of up to 4 years and the maximum amount of a loan could be PLN 1 billion.



Preferential loans,

which constitute compensation for the losses incurred as a result of administrative decisions and sanitary restrictions related to COVID-19, in the total amount of PLN 7.5 billion. Just as in the case of liquidity loans, they could be granted for a period of up to 4 years, up to the amount of PLN 750 million, with an option of remission of up to 75% of the loan amount.

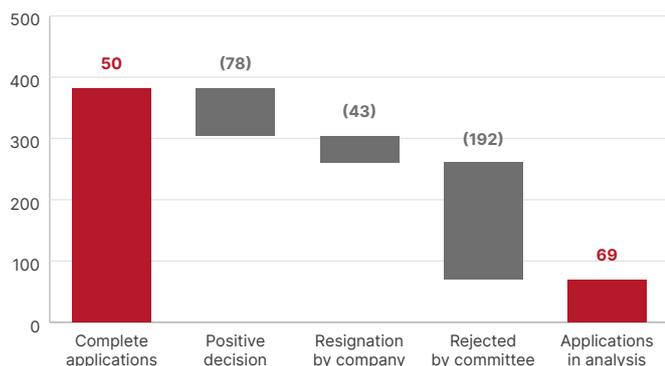


Equity instruments,

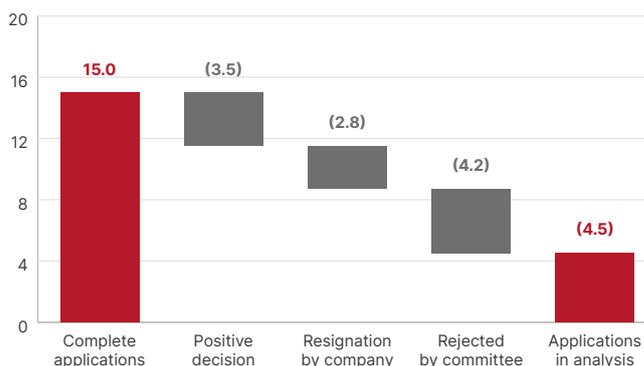
including convertible bonds and capital increases in the total amount of PLN 7.5 billion, which were aimed at improving the capital structure of companies, which was eroded by the COVID-19 pandemic. Equity instruments could be granted up to the amount of PLN 1 billion in two procedures: (i) under the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



Number of applications submitted under the Financial Shield for Large Companies at the end of 2020



Value of applications submitted under the Financial Shield for Large Companies at the end of 2020 (PLN billion)



PFR opened the process of filing applications under the Financial Shield for Large Companies. The initiative was the first such comprehensive public aid program for large companies, i.e. companies which employed more than 249 persons or earned annual turnover exceeding EUR 50 million in 2019 or whose total balance sheet value was more than EUR 43 million in 2019. Under the program, small and medium enterprises that satisfied specific conditions, were able to apply for financial support.

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

The Financial Shield for Large Companies was a tool offering a completely different type of support than the Financial Shield for SMEs. In the latter, most decisions were made automatically by algorithms examining whether a business met specific criteria. On the other hand, the Financial Shield for Large Companies required analysis of each company on a case-by-case basis, with emphasis placed on, among others, satisfaction of the conditions of participation in the

program, performance of simplified due diligence, analysis of financial projections or collateral for repayment of the financing.

The standard process of analysis of each application included: a preliminary analysis and an in-depth analysis consisting of financial and legal due diligence, business plan analysis, examination of the individual financial standing of the company and the market, on which it operated, as well as the capacity of the beneficiary to make repayments of PFR's instruments. Depending on the specific support instrument, the process additionally included estimation of the loss amount, liquidity gap or equity gap caused by the COVID-19 pandemic, seeking the possible collateral of PFR's exposure (mortgages, pledges, sureties, etc.) and negotiation of documentation with the companies and other institutions financing each company (mainly banks).

By the end of 2020, 382 complete applications for the total amount of PLN 15 billion were submitted – 313 (82%) of them for the total amount of PLN 10.5 billion (73%) were analyzed. PFR has made its entire Investment Team, supported by employees of PFR Corporate Group companies, available to handle the program.

Selected beneficiaries of the Financial Shield for Large Companies program at the end of 2020



JSW S.A.
PLN 1,173.6 million



AMI sp. z o.o. sp. k.
PLN 34.0 million



Wojas S.A.
PLN 26.4 million



Rainbow Tours S.A.
PLN 24.8 million



Kazar Group sp. z o.o.
PLN 4.5 million



Intersport Polska S.A.
PLN 25.0 million



Krosno Glass S.A.
PLN 26.4 million



Polski Holding Hotelowy sp. z o.o.
PLN 12.4 million

Companies usually applied for a liquidity loan (51% of applications) or for preferential financing (39% of applications).

Decisions to grant support in the Financial Shield for Large Companies were made with the support of the PFR Program Financing Committee. Half of the Committee was composed of independent members with many years of experience on the financial and investment market. By 31 December 2020, the Committee issued a positive opinion on the disbursement of funds under the Financial Shield for Large Companies for 78 companies in the amount of PLN 1.6 billion. In the same period, 192 applications received negative opinions as not eligible for aid under the program. In many instances, the amounts requested by businesses were significantly overstated. The value of aid provided was reduced overall by 40% from the amounts requested by companies.

The largest amounts of aid under the program were awarded to companies in the manufacturing and retail sectors. They received over PLN 290 million of liquidity loans and PLN 73 million of financing on preferential terms.

The second sector in terms of support received was transport and forwarding, with liquidity loans in the amount of PLN 82 million and more than PLN 19 million of preferential financing. Other major industries included: catering (PLN 21 million of liquidity loans and nearly PLN 51 million of preferential loans) and construction (nearly PLN 50 million of liquidity loans and over PLN 6 million of preferential loans).

Information on all loans granted under the Financial Shield for Large Companies program is published on the PFR website.

It is worth noting that a large majority of companies (43 applications) canceled their applications for support. The main reason for withdrawing from the program was a significant improvement in the financial standing of companies and a more active involvement of the banking sector seen in the fall of 2020. The increased commercial financing by banks was one of the objectives of the program, which was successfully achieved.

1.3. PLL LOT SUPPORT PROGRAM

The COVID-19 pandemic caused severe disruption in the transport and tourism industry. As a result, Polskie Linie Lotnicze LOT S.A. („PLL LOT”) suffered very high losses, which created a liquidity and capital gap in the company. In spite of internal measures undertaken

by the carrier, it was unable to fill these gaps on its own, i.e. without external financial support from the State Treasury.

Accordingly, on 21 December 2020, the Council of Ministers adopted the PLL LOT Support Program, which offered comprehensive support for the Polish national carrier in combating the effects of COVID-19.

On 22 December 2020, by decision No. SA.59158 (2020/N), the European Commission approved the support package for PLL LOT.

Given the very important role of the company in the Polish transport system and its impact on the national economy, it was decided that a capital contribution to PLL LOT would be made from the state budget in the amount not exceeding EUR 250 million and PFR would grant it a loan of PLN 1.8 billion.

On 31 December 2020 PFR disbursed PLN 900 million to PLL LOT as the first tranche of the loan under the support program.

The support will ensure that the company maintains liquidity and an adequate level of capital required to conduct business. The final maturity date of the financing granted by PFR to PLL LOT is 30 December 2026.

1.4. FINANCIAL SHIELD FOR SMES 2.0

The experience gathered in the spring of 2020 during the implementation and execution of the Financial Shield for SMEs was capitalized on when the second edition of the program was created. Financial Shield for SMEs 2.0 was launched on 15 January 2021 after midnight. Companies from the 54 industries most affected by the second wave of the pandemic were able to apply for subsidies.

Financial Shield for SMEs 2.0 used the same IT solutions that the Financial Shield for SMEs did. The difference was that the system also verified consistency of the PKD entry declared by the business against the data included in the government registers and the list of PKD entries eligible for support.

The criteria used to grant the subsidies were also the same in both programs. Even though the Financial Shield for SMEs 2.0 increased the thresholds of losses suffered by eligible businesses (from 25% to 30% and from 50% to 60%), other requirements remained basically unchanged, except for the limitation of the maximum subsidy amount for the companies that had already received support under

The largest beneficiaries of the Financial Shield for SMEs 2.0



Catering

PLN 2.4 billion



Hotels

PLN 1.5 billion



Clothing sales

PLN 475 million



Passenger transport

PLN 446 million



Sports and fitness activity

PLN 314 million

the Financial Shield for SMEs (to PLN 72 thousand for micro businesses and PLN 144 thousand for medium-sized enterprises).

In the second edition of the program, the applications were also filed through electronic banking systems of 17 commercial banks and most of the cooperative banks. Since the IT system had already been tried and tested, implementation of the Financial Shield for SMEs 2.0 was not as challenging for the organization as the program's first edition. However Polish business owners rated it equally as high, emphasizing that the support was granted as quickly as previously.

The applications were accepted until 28 February 2021. Over the period of one and half months, the applying businesses received the amount of PLN 6.8 billion. The money was provided to 39.5 thousand micro businesses, where the average value of the subsidy was PLN 81 thousand, and 6.8 thousand SMEs, which received subsidies in the average amount of PLN 530 thousand. These funds helped save 352 thousand jobs.

As expected, the largest beneficiaries of the Financial Shield for SMEs 2.0 program were the catering and hospitality sectors. The first of these industries received support of nearly PLN 2.4 billion, while hotels and tourist establishments received overall more than PLN 1.5 billion. The top five industries that received the most capital also included: clothing sales (PLN 475 million), passenger transportation (PLN 446 million) and sports and fitness (PLN 314 million).

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2. FINANCING OF AID PROGRAMS

In order to finance the aid programs, in 2020 PFR issued bonds for the total amount of PLN 65.4 billion as listed below. Detailed terms and conditions of the individual issues are included in the letters of issue published by PFR:

- Issue no. PFR0324 of 27 April 2020: 16,325 bonds with the total nominal value of PLN 16,325,000,000, bearing interest at 1.375% and maturing on 29 March 2024;
- Issue no. PFR0325 of 8 May 2020: 18,500 bonds with the total nominal value of PLN 18,500,000,000, bearing interest at 1.625% and maturing on 31 March 2025;
- Issue no. PFR0925 of 22 May 2020: 15,175 bonds with the total nominal value of PLN 15,175,000,000, bearing interest at 1.625% and maturing on 22 September 2025;
- Issue no. PFR0627 of 5 June 2020: 10,000 bonds with the total nominal value of PLN 10,000,000,000, bearing interest at 1.750% and maturing on 7 June 2027;
- Issue no. PFR0330 of 5 June 2020: 2,000 bonds with the total nominal value of PLN 2,000,000,000, bearing interest at 2.000% and maturing on 5 March 2030;
- Issue no. PFR1227 of 10 December 2020 addressed to the European Investment Bank (EIB): 500 bonds with the total nominal value of PLN 500,000,000, bearing interest at 1.400% and maturing on 10 December 2027;
- Issue no. PFR0927 of 14 December 2020: 2,000 bonds with the total nominal value of PLN 2,000,000,000, bearing interest at 1.500% and maturing on 30 September 2027;
- Issue no. PFR092027 of 23 December 2020: 900 bonds with the total nominal value of PLN 900,000,000, bearing interest at 1.375% and maturing on 30 September 2027.

Additionally, after the balance sheet date PFR issued bonds in the total amount of PLN 8.5 billion as stated below:

- Issue no. PFR0827 of 15 January 2021: 5,250 bonds with the total nominal value of PLN 5,250,000,000, bearing interest at 1.375% and maturing on 30 August 2027;
- Issue no. PFR0330B of 3 February 2021: 1,250 bonds with the total nominal value of PLN 1,250,000,000, bearing interest at 2.000% and maturing on 5 March 2030;
- Issue no. PFR0228 of 5 February 2021 addressed to the European Investment Bank (EIB): 1,000 bonds with the total nominal value of PLN 1,000,000,000, bearing interest at 1.300% and maturing on 5 February 2028;
- Issue no. PFR0228B of 12 February 2021 addressed to the European Investment Bank (EIB): 1,000 bonds with the total nominal value of PLN 1,000,000,000, bearing interest at 1.375% and maturing on 12 February 2028.

Investment activity

Selected investments made by PFR S.A. directly and through funds as at the end of 2020



Exposure of PFR/Funds:
PLN 4.1 billion



Exposure of PFR/Funds:
PLN 1.25 billion



Exposure of PFR/Funds:
PLN 1 billion



Exposure of PFR/Funds:
PLN 880 million



Exposure of PFR/Funds:
PLN 220 million



Exposure of PFR/Funds:
PLN 200 million



Exposure of PFR/Funds:
PLN 130 million



Polska Grupa Biogazowa

Exposure of PFR/Funds:
PLN 130 million



Trasa Łagiewnicka SA
w Krakowie

Exposure of PFR/Funds:
PLN 110 million



Exposure of PFR/Funds:
PLN 60 million

over PLN 10 bn invested in projects worth over PLN 28.2 billion since 2016, for companies in the power, industry, infrastructure, biotech areas

Funds managed by PFR S.A.

Name	Description	Target Size	Term
FIIK (Infrastructural Investment Fund - Equity FIZAN)	The fund works for large companies in sectors of strategic importance for the Polish economy	PLN 2,200 million	25 years
FIS (Local Government Investment Fund FIZAN)	The fund co-finances projects created by local government units	PLN 620 million	25 years
FIPP (Polish Corporates Investment Fund FIZAN)	The fund invests in industrial and service companies with significant market positions in its industry and/or showing a large growth potential	PLN 1,500 million	15 years
PFR Inwestycje FIZ	The fund finances companies with a solid position and experience in its industry, using debt, mixed and equity instruments	PLN 4,750 million	Indefinite term

As part of its investment activity, PFR makes two types of investments:

- direct investments, i.e. recorded in the Company's balance sheet,
- fund investments, i.e. carried out through investment funds, in which the Company is a member. The Company manages part of the investment portfolio of the Funds (as defined below) and in some instances management of the portion of the investment portfolio of other funds, in which the Company is a member, has been entrusted to other PFR Corporate Group companies or retained by PFR TFI.

In the area of fund investments, PFR manages part of the investment portfolio of four closed-end private assets investment funds (hereinafter: "**Funds**"), i.e. the Infrastructure Investment Equity Fund [Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN, "**FIIK**"], the Local Government Investment Fund ["**FIS**", Fundusz Inwestycji Samorządowych FIZAN], the Polish Corporate Investment Fund [Fundusz Inwestycji Polskich Przedsiębiorstw FIZAN, "**FIPP**"] and PFR Inwestycje FIZ and, at the same time, also invests in these funds by purchasing their investment certificates..

In 2020, the target value of the PFR Inwestycje FIZ fund went up PLN 2.5 billion up to the total amount of PLN 4.75 billion.

In the case of FIIK, FIS i FIPP, PFR is one of the members.

Each Fund has its own strategy and is based on the best practices of the investment process. Independent investment committees ensure an arms-length basis of the projects being financed; the committees are composed of reputable and experienced independent members from the private sector. The funds offer a broad range of financial instruments, from debt financing, to equity, to typical private equity investments.

1. CAPITAL AND INFRASTRUCTURAL INVESTMENTS

In 2020, PFR's investment area focused on monitoring and increasing the shareholder value of its portfolio companies and on originating new potential investment projects.

The earlier included primarily the project of long-term debt financing for PESA Bydgoszcz S.A. As a result of the project, the Company successfully carried out a number of restructuring and optimization initiatives. The financing provided the company with liquidity and the operational changes allowed it to earn profit at the EBITDA

level (on standalone as well as consolidated basis) for the first time in several years.

Implementation of a broadly-devised efficiency improvement plan allowed for a significant acceleration of the manufacturing process. Additionally, the pace of work on modern, competitive and innovative vehicles (including hydrogen-fueled ones) increased. Revenue earned by PESA Bydgoszcz S.A. in 2020 was nearly PLN 2.1 billion on a consolidated basis, which was the second highest result in the company's history. In 2020, the foundations were also laid for the new strategy and additional operational initiatives were developed to ensure further long-term improvement of financial performance.

Active portfolio measures were also taken at Polskie Koleje Linowe S.A. Even though the COVID-19 pandemic had a direct impact on the company's operations, in 2020 it still launched its first three investment projects:

- construction of a cable car line over the Solina dam.
- expansion of the restaurant and hotel building at the bottom station of the chair lift to Palenica in Szczawnica.
- modernization of the top station building of the funicular to Góra Parkowa in Krynica-Zdrój.

Another important event in 2020 was the commissioning of a 910 MW power unit at the Jaworzno III Power Plant. After the startup period, in January 2021 the unit was added to the capacity market and is a critical element ensuring stable operation of the electric power system in Poland. It is a joint investment project of PFR and the Tauron Group.

With respect to biogas, the year 2020 was a year of performing the provisions of the investment agreements signed in the preceding year. The total value of the agreements is PLN 600 million, of which about PLN 140 million had been invested by the end of 2020. The fund currently owns 11 biogas installations. More are under construction.

Last year, DCT Gdańsk S.A., which is the largest container terminal in Poland (and the only deep water container terminal on the Baltic Sea) continued the work on adding "T3", a new terminal, in the difficult market environment caused by limitation of international trade due to the COVID-19 pandemic.



New vehicle family from PESA Bydgoszcz S.A.

Actions taken in respect to Ferrum S.A. in 2020 were focused on supporting the company in the financial restructuring area. The most important event last year was the securing of working capital financing from shareholders and commercial banks, which allowed the company to acquire additional contracts.

In 2020 Rail Capital Partners sp. z o.o. continued to develop following the take-overs of locomotives ordered in the past years (also ones produced by PESA Bydgoszcz S.A.), including locomotives co-financed by the Infrastructure and Environment Operational Program. Currently Rail Capital Partners sp. z o.o. owns 34 ordered and taken over locomotives.

Last year, as the construction work progressed, additional disbursements were made from the loan for the Kraków internal ring road, the so-called Łagiewnicka Road. The completion of the construction project is scheduled for the end of 2021.

Activities related to other portfolio companies focused on strategy implementation, in particular operationalization of development and restructuring plans of companies such as H. Cegielski-Poznań S.A., WB Electronics S.A. or PGG S.A. and development of additional potential investment projects to be executed in the future in the RES, power, transport, LNG or new-generation communication sectors.



Cable car line project over the Solina dam in Bieszczady



DCT Gdańsk S.A. – a view of the deep-water terminal

2. LOCAL GOVERNMENT INVESTMENTS

PFR's local government investments area in 2020, on the one hand became involved in the activities related to the implementation of the Financial Shield for Large Companies, while on the other hand developed new investment directions.

So far, the Local Government Investment Fund (FIS) has invested over PLN 380 million in 9 projects in different cities across Poland. Even though the FIS portfolio proved to be exceptionally resistant to the crisis caused by the COVID-19 pandemic, it requires constant monitoring and oversight.

Last year, work continued on the FIS's investments in new infrastructure building projects carried out in the public-private partnership formula. Additionally, in line with the Fund's strategy, the product offering changed in order to increase margins earned on individual investment projects.

The knowledge of PFR's experts in the area of PPP resulted in an agreement signed with the Ministry of Development Funds and Regional Policy (MFIPR). Under the agreement, PFR advises local government units and other public entities on the preparation and execution of infrastructural projects based on the PPP formula. In 2020, this applied to three projects and the work on them is continuing in 2021. To support the program, a PPP competence center was created within PFR, which should popularize projects of this type and generate a pipeline of projects - investment targets for the FIS.

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

- the "Heat from Waste" program implemented in cooperation with the Ministry of Climate, the Ministry of Development Funds and Regional Policy and the National Fund for Environmental Protection and Water Management (NFOŚiGW) with the purpose of developing solutions for investments in waste disposal;

- a pilot of the program to improve energy efficiency of residential buildings in cooperation with NFOŚiGW.

Both initiatives are continued in 2021. Their common goal is developing a model for carrying out replicable investment projects in the above segments based on the existing competences and on cooperation with complementary partners. This activity should create programs of strategic importance for the economy, which also ensure continuous inflow of investment projects for the FIS.

3. GREEN HUB

In order to ensure PFR's active involvement in Poland's energy transition, in 2020 the PFR Green Hub team (which is an interdisciplinary project group within the PFR Corporate Group) developed a dedicated execution strategy for the Group in this area and a corresponding implementation plan. The PFR Management Board approved it on 12 January 2021.

The strategy sets out the main areas of investment of the PFR Corporate Group, as well as products and activities to support and develop business. The Energy Transition Office ("ETO") has also been established as an entity responsible for coordinating the policy of financing the green transition, for monitoring and participating in legislative processes, for active involvement in the RES investors community and for seeking investment projects suitable for the Group's investment policy.

Consequently, a dedicated Office was also separated in the Investment Division, which will handle the implementation of energy projects, including those originated by the Energy Transition Office.

The third pillar of the accepted changes and solution was establishment of the PFR Ventures Green Hub Fund of Funds, which was the first "green" fund of funds in Poland. It exists to support projects at the "growth" phase and this way strengthen the Polish entities operating in the areas defined by the European Green Deal and Poland's Energy Policy until 2040.

Five pillars of the PFR Corporate Group's strategy in the area of Poland's energy transition



Energy Transition Office

- coordination of the policy of financing energy transition in the PFR Corporate Group
- monitoring of and participation in legislative processes
- active involvement with the RES investors community
- seeking investment projects within the area of PFR Corporate Group's investment policy



Dedicated Office in the Investment Division

- dedicated office in the PFR S.A. Investment Division
- implementation of investment projects in the energy transition area originated by the Energy Transition Office
- seeking investment projects within the area of PFR Corporate Group's investment policy



Green Hub FoF

- the first "green" fund of funds in Poland managed by PFR Ventures
- invests in projects at the "growth" phase and this way strengthen the Polish entities operating in the areas defined by the European Green Deal and Poland's Energy Policy until 2040.



Local government investments

- active support for local government units in their transition to the Green Deal
- mitigation of adverse effects of the energy transition process at the national level
- seeking investment projects within the area of PFR Corporate Group's investment policy
- consulting for local governments on how to execute investments in the green transformation area



Green innovation ecosystem

- activities in the business education area for young technological entrepreneurs and local governments operating in the energy transition area
- preparation of start-ups for participation in investment rounds on the VC market, including for starting cooperation with PFR Ventures



The purpose of the fourth pillar is to emphasize projects related to green transformation in the area of local government investments. The goal for 2021 is to actively support local government units in their transition to the Green Deal, mitigating any adverse effects of the transformation and creating new investment opportunities.

The fifth pillar of the PFR Green Hub project is educational activity and development of an innovation ecosystem to drive green technology solutions. The workshops delivered by specialists from PFR in this area will be addressed to unexperienced entrepreneurs and local governments.

The projects developed by them may potentially become investment targets for PFR Ventures funds or the Local Government Investment Fund (FIS) FIZAN.

The above work on the “green” direction in PFR’s strategy was carried out despite the enormous involvement of the PFR Green Hub team in the PFR Financial Shield program, which left them with little time and resources to work on projects other than ongoing efforts to combat the effects of the COVID-19 pandemic.

In 2020, as part of its “green strategy”, PFR carried out 11 investments in biogas units in the total amount of PLN 130 million and started the implementation of additional projects in the biogas and waste management sector.

The energy transition strategy has determined the main target groups for investment activities. The offer is targeted at:

1. Polish developers of RES projects, who have the capacity and willingness to develop as investors;
2. State Treasury companies, in order to optimize investment projects in terms of speed, costs and quality of delivery;
3. market integrators in the RES area, who want to increase their scale of business, the number and size of replicable projects;
4. Polish manufacturers of hardware, software and service providers, in order to increase the scale of their business and maximize the Polish component of the energy transition process;
5. start-ups, which will ensure innovation and new technological solutions;
6. local government units wishing to increase energy efficiency of their facilities, efficiency of heat production and waste policy.

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

INVESTMENTS IN INNOVATION

PFR Ventures is the investment arm of PFR dedicated to alternative venture capital (VC) and private equity (PE) investments. The Company manages funds of funds that have to date provided funding for 52 VC and 7 PE funds.

NEARLY 150 NEW VC INVESTMENTS

Starting in 2018, PFR Ventures provided capital to 34 new VC funds, which have to date invested more than PLN 700 million in 142 companies and employ nearly 200 people with investment experience, who scout the Polish market for the most innovative projects.

The largest funds were provided to companies, which work on enterprise software solutions. Other popular projects include projects in the finance and marketing areas.

SAMPLE INVESTMENTS



Safe digital signature certified by UOKiK. Autenti is used and financed by Alior Bank, BNP Paribas and PKO Bank Polski.



Modern and very efficient e-commerce platform. The tool is used among others by the popular “Kubota” brand, which is currently being revived.

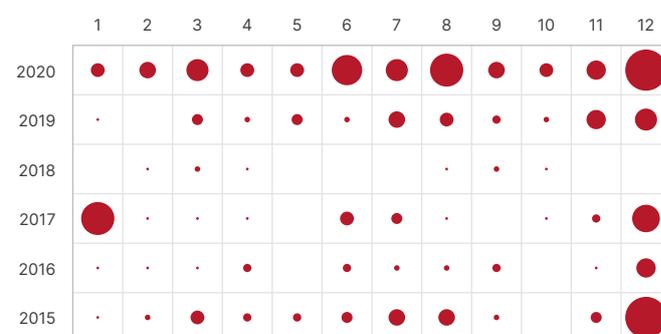


A tool offering, among others “salary on demand” and 0% employee loans. Symmetrical services may be used among others by iTaxi drivers.

END OF THE GAP

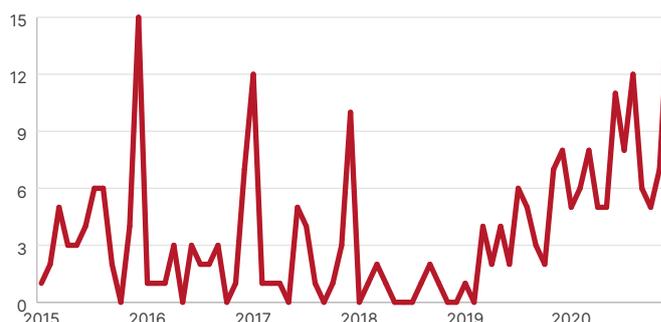
The availability of PFR Ventures funds has significantly improved the stability of start-up financing in Poland, reducing the funding gap on the VC market significantly.

Number of transactions by years and months



Source: PFR Ventures analysis

Number of transactions over time



Source: PFR Ventures analysis



Actively investing PE Funds:

7 PE funds

27 companies financed

2.3 of PLN 6.8 billion invested in companies



Actively investing VC Funds:

34 VC funds

142 companies financed

0.7 of PLN 2.8 billion

invested in companies from overall capital

VC Funds at the exit stage:

18 VC funds

212 companies financed

PLN 0.6 billion

invested in companies

5. RESIDENTIAL INVESTMENTS

PFR Nieruchomości, acting under commission from PFR TFI, offers nearly 3 thousand apartments for rent under two funds, the Rental Housing Fund [Fundusz Sektora Mieszkań na Wynajem FIZAN] and the Housing Sector Development Fund [Fundusz Sektora Mieszkań dla Rozwoju FIZAN]. The Company is a pioneer and remains the leader of the institutional rent market in Poland. It manages investment portfolios of funds allowing for the construction of nearly 15 thousand apartments. In 2020, 2.5 thousand additional apartments were being built.

RENTAL HOUSING FUND FIZAN

The significant interest in long-term rentals is visible in the projects implemented by the Rental Housing Fund, which offers fully-equipped high standard apartments in Warsaw, Kraków, Łódź, Wrocław, Gdańsk, Katowice and Poznań. In December 2020, despite the pandemic-related crisis on the rental market, only 166 out of 1969 apartments were vacant. This means that 92% of all the apartments were rented.

The appeal of the Fund's offering is shown by the hugely popular property at ul. Bóżnicza in Poznań. In Q1 2020, the Fund offered 149 apartments for rent in this property. The location in the city center, a broad range of sizes, apartments with high quality finishes and save rental contracts pushed the rental rate above 60% after 6 months and to 99% at the end of 2020.

HOUSING SECTOR DEVELOPMENT FUND FIZAN

The uncertainty resulting from the COVID-19 pandemic boosted significantly interest in investments of the Housing Sector Development Fund, which finances developments as part of the market portion of the government housing program. New apartments with affordable prices are targeted at those, who earn too much to be eligible for municipal housing, but too little to purchase or rent. According to the "Habitat for Humanity" Foundation, 40% of Poles are in this group. In addition to the target group, the attractive locations of housing projects is another feature that distinguishes the Housing Sector Development Fund's offer from the market.

The level of occupancy of the apartments built with the funds of the Housing Sector Development Fund shows the need to fill the gap on the domestic housing market. In December 2020 it was nearly 100% – only 2 out of 994 apartments on offer were available.

Rent co-payments under the "Apartment for Start" program launched on 1 January 2019 and are an important addition to the offer of the Housing Sector Development Fund. The co-payments financed by Bank Gospodarstwa Krajowego are granted for 15 years to renters of new apartments built in a cooperation between an investor and the municipality. This support is made possible by the cooperation between PFR Nieruchomości and local governments in selecting renters for newly-built projects. The first tenants benefiting from the co-payments were renters of apartments built in Biała Podlaska.

In 2020, all of Housing Sector Development Fund's projects were covered by the "Apartment for Start" program and the amount of monthly co-payments to rents was nearly PLN 95 thousand. They were received by over 60% of renters, or 338 families.

USE OF PRE-FABRICATION AND THE BUILDING INFORMATION MODELING TECHNOLOGY

In October 2020, the Housing Sector Development Fund launched its first investment project executed using modern prefabrication technology. It consists of 15,000 square meters of apartments at ul. Okólna in Toruń. Eight buildings consisting of 320 apartments will be built in 20 months, which includes finishing. The apartment complexes are made by using three-layer walls, which, along with the facade, insulation and windows and doors, are built in factory halls and are brought to the construction site ready to be installed by small and specialized assembly crews. The pace of work is demonstrated by the fact that two 4-floor buildings were erected on the construction site in less than 40 business days after the work was commenced.

In 2020, the design work on more than a thousand apartments was launched using Building Information Modeling ("BIM") technology. BIM includes planning, design, management and running of construction work using a comprehensive and standardized IT environment. The tool is a huge database, which collects all information about the design, construction as well as the usage of the building, which makes management of the construction and rental much easier. The technology helps coordinate cooperation between the investor, designers and the contractor and, at the later stages, the building manager. BIM also offers the possibility of developing simulations of different design versions in order to select the optimum and the most cost-efficient solution.

Status of commercialization at yearend 2020

HOUSING SECTOR DEVELOPMENT FUND

99%
apartments rented

RENTAL HOUSING FUND

92%
apartments rented



Warsaw Ratuszowa housing project, which was designed using the BIM technology

In the Warsaw Ratuszowa and Wrocław Zatorska projects, access to the current 3D model allows PFR Nieruchomości experts to oversee the design process on an ongoing basis and monitor its progress. Any changes introduced to the design are made directly to the model and automatically reflected in the design documentation and databases. Ultimately, the BIM model will be used to manage all of the company's investments.

6. FINANCING INVESTMENT ACTIVITY

In 2020, PFR's investment activity was financed with its own funds and an overdraft from Bank PKO BP. As at 1 January 2020, the Company used the overdraft at PLN 790 million, which was repaid in full in March 2020 and in subsequent months the Company financed investment activity solely with its own funds.

In January 2020, the Company used the overdraft granted by Bank PKO BP S.A. under another annex increasing the overdraft limit to PLN 1,140 million signed on 12 November 2019 to the overdraft agreement signed on 17 April 2019.

Under the agreement of 23 March 2020 between the State Treasury and PFR, upon subscription to series E shares on 24 March 2020, the Company received a non-cash contribution in the form of zero-coupon bonds with ticker number OF0722 and a total nominal value of PLN 2,600,000 thousand, which according to valuation prepared by Deloitte Advisory sp. z o.o. was worth PLN 2,499,926. On 26 March 2020, the Company sold the first portion, i.e. 1,230 thousand, of the bonds for PLN 976.5 per bond, earning a profit of PLN 18,437.7 thousand as compared to Deloitte's valuation of PLN 1,182,657.3

thousand. The proceeds were used to repay PLN 971,738.5 thousand of the overdraft in PKO BP. On 1 April 2020, the Company sold the second portion, i.e. 410 thousand of the bonds for PLN 976.6 per bond, earning a profit of PLN 6,186.9 thousand as compared to Deloitte's valuation of PLN 394,219.1 thousand. On 6 April 2020, the Company sold the third portion, i.e. 480 thousand of the bonds for PLN 976.5 per bond, earning a profit of PLN 7,195.2 thousand as compared to Deloitte's valuation of PLN 461,524.8 thousand. On 8 April 2020, the Company sold the last portion, i.e. 480 thousand of the bonds for PLN 976.9 per bond, earning a profit of PLN 7,387.2 thousand as compared to Deloitte's valuation of PLN 461,524.8 thousand. The total profit earned on the sale of the bonds in the amount of PLN 39.2 million was used by the Company to finance its current investment activities according to its statutory goals. The fact that the Company used proceeds from the capital contribution to repay the overdraft was consistent with the goals specified in Article 21 sec. 1 of the Act, which included repayment of prior financing used for the purposes specified in Article 21 sec. 1 of the Act.

Following the repayment of the overdraft in March 2020, the Company reduced its overdraft limit by PLN 1,110 million, i.e. from PLN 1,140 million to PLN 30 million.

At the end of December 2020, the Company maintained available funds in the form of bank deposits in the total amount of PLN 363.5 million, of which PLN 315.4 million were the proceeds from the capital contribution, to be used for investment objectives, while PLN 48.1 million was used to finance current activity. These funds were the main source of financing for PFR's activity.

Implementation of the Employee Capital Plan (ECP) program

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

1. RULES AND ORIGIN OF THE PROGRAM

An employer cooperates with a trade union operating in its company (or with employee representatives if there is no trade union) to select a financial institution to open private ECP accounts for employees. The employer establishes Employee Capital Plans by signing a management agreement with the financial institution and then signs an ECP operation agreement on behalf and for the employees. Conclusion of an ECP operation agreement for an employee makes him/her a member of the program.

The operation of Employee Capital Plans is offered by 19 market management entities which, in order to be able to manage participants' savings, must satisfy statutory requirements on a continuous basis. An official list of institutions offering the management of ECPs and their offer is available on the mojeppk.pl portal. The funds gathered in PPK are invested in special funds, which adapt the investment policy to the member's age (so called target date funds). The costs of managing the savings accumulated in PPK are lower than in the case of other investment products.

Employee Capital Plan accounts are fed by contributions financed by the employee and the employer and subsidies from the state (welcome payment and annual subsidies). The payments from employees and employers are calculated as a percentage of the salary amount, while the state transfers amounts specified in the act to an ECP account irrespective of the employee's income. The employer and the employee finance basic payments and, if they so decide, additional payments. The amount of each payments is a specified percentage of the employee's salary.

The key advantages of the program are as follows:

- membership in Employee Capital Plans is voluntary – an employee may withdraw from the ECP and then return at any time;
- an Employee Capital Plan is very advantageous for an employee, because both the employer and the state contribute to his or her private savings;
- an ECP ensures regular and convenient way of saving – the payments to the program are calculated, collected and paid by the employer;



Contributions financed by the employer

An employer is obliged to finance basic contributions to the ECP in the amount of 1.5% of the employee's salary. It may also decide to finance an additional contribution in the amount not exceeding 2.5% of the salary.

Contributions financed by the employer are not added to the base for calculating social insurance contributions.



Contributions financed by the employee

An employee transfers 2% of his or her salary to ECP every month. He or she may also decide to finance an additional contribution in the amount not exceeding 2% of the salary.



Welcome payment

Welcome payments in the amount of PLN 250 are received by the employees who have participated in an Employee Capital Plan for at least 3 full calendar months and ECP contributions have been paid for those months. An ECP participant may receive the welcome payment only once.



Annual subsidy

The annual subsidy of PLN 240 is received by the ECP participants who accumulated contributions to their account during the year of at least 3.5% of the 6 times the minimum salary. The participants who reduce their basic contribution must collect at least 25% of the above amount. It should be noted that the amount of contributions to the Employee Capital Plan, which is a pre-condition for receiving the annual subsidy, is not reduced if an ECP participant starts saving during the year. A participant may receive only one annual subsidy for each year.

- an employee may use the money accumulated in an ECP at any time – even though the funds are designed for disbursement after the age of 60, the member may withdraw the funds without stating the reason;
- an employee may also withdraw the funds in so-called “special life situations” (such as e.g. an illness or a mortgage loan”;
- an employee who receives remuneration that is no more than 1.2 times the minimum wage, may reduce the basic payment to 0.5% of the salary.

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

2. SUMMARY OF PROGRESS AND WORK ON THE PROGRAM IN 2020

By the end of 2020, PFR Portal PPK delivered nearly 4.4 thousand training units (of which 1.9 thousand in the on-line formula) for more than 190 thousand program participants representing over 10.5 thousand employers. The mojeppk.pl portal recorded 11.5 million views, 2.7 million unique users and 1.35 million views of the calculators were recorded.

The team of dedicated specialists provided over 4 thousand answers to inquiries and letters from the market, developed about 400 publications, including articles, leaflets, ECP manuals, more than 300 substantive materials about ECP and nearly 300 legal issues relating to ECP in cooperation with the Ministry of Finance and the Polish Financial Supervision Authority. As part of information and communication activities, 118 publications were prepared and broadcast, which increased knowledge of Employee Capital Plans and informed of the educational activity of PFR Portal PPK.

In 2020, an advertising campaign under the slogan “ECP – I’m Staying!” was carried out for employees in the 2nd and 3rd ECP implementation stage; it involved: selecting the concept and creative

work, preparing commercials for broadcasting on national television, executing the ads to launch the radio campaign, a press campaign with graphic designs, an on-line campaign with social media posts, image-building and educational activities, including recording of short films entitled “ECP Express” on the topic of ECPs.

The results of the campaign broadcast in cooperation with PFR and the Ministry of Finance in the period from October to November 2020:

- total reach 1+ on TV: 85% – 13.6 million viewers
- total reach 3+ on TV: 65% – 10 million viewers
- total reach 1+ in the Internet – about 3.5 million viewers
- GRP – gross viewership: 2354
- number of ads on TV: 13,771
- More than 58,000 views of the PPK Express sub-site.

3. DEVELOPMENT AND STABILIZATION OF THE EPPK IT SYSTEM

Despite the huge effort made building the Financial Shield for SMEs and commencement of work at the end of 2020 on launching the Financial Shield for SMEs 2.0, last year PFR conducted in parallel the implementation work on Ewidencja PPK (ECP Records). The deliverables of stages III, IV, V were completed and accepted, which resulted in full completion of the implementation work.

This entailed heavy involvement of a dedicated specialist team within PFR in the accreditation process at the user acceptance tests (UATs). At present, the work is under way to implement and develop the Data Warehouse, which is an analytical system based on data collected in the ePPK production database. The Data Warehouse is an important element of the implementation of Employee Capital Plans, because it will form the basis for creating a comprehensive reporting system, for the purposes of PFR as well as external institutions, to which PFR must report under the ECP Act, i.e. the Polish Financial Supervision Authority, the Minister of Finance, the Ministry of Economic Development, Labour and Technology, the State Labor Inspection Service and the National Bank of Poland.

Employee Capital Plans in numbers



PLN 230 million

profit earned by ECP funds since they were formed

PLN 2.72 billion

value of assets held in ECPs

25,800 companies

run an Employee Capital Plan or an Employee Pension Plan

> 2 million people

actively save for retirement in the 3rd pillar

Pro-development activity

Continuous development is one of the defining characteristics of contemporary economy and social life. The global economy has never developed so fast – new technologies and whole new industries using those industries are created. In this research and development race, the Polish economy has a lot of catching up to do.

Due to the backlog resulting from the complicated past, capital shortages and imperfect cooperation between universities and business, one of the pillars of PFR Corporate Group's activity is to support the development of the Polish economy and to build modern facilities to develop its digitalization.

1. DEVELOPMENT OF INNOVATION AND HUMAN CAPITAL IN POLAND

1.1. DEVELOPMENT OF COMPETENCE OF CURRENT AND FUTURE INNOVATORS

PFR supports the new generation of Polish technology entrepreneurs by helping them to professionally prepare innovative products or services financed in cooperation with PFR Ventures. In its programs targeting innovators, the Company places special emphasis on education, sharing of practical business knowledge, support in project development, access to experts and networking.

The outbreak of the COVID-19 pandemic forced the Company to move projects previously performed on-site to a remote form. The first remote program was the “PFR Innovation Designers” program initially launched in November 2018, which is a series of “Design Thinking” methodology workshops organized together with Google, that was held in the spring of 2020. At the same time, the first on-line course on the creation of a business model using the “Lean Canvas” methodology was prepared. It quickly became very popular on the Internet. Many attendees of the three-hour course shared their certificates on LinkedIn accounts.

The lockdown of the economy in the spring of 2020 forced many companies to step into the virtual world. Many were not ready to do that. Their needs were addressed, among others, by a series of educational webinars named “The Digital Company”. The goal of the project performed together with the Digital Poland foundation was to guide micro and small enterprises through the issues related to the digitalization of different areas of their business: from organizing remote working and accounting to marketing and launching sales on the Web.

The support for digitalization of brick-and-mortar companies continued in the “Companies of Tomorrow” program launched in November 2020, which is executed by Google in partnership with PFR and the National Cloud Operator. The program consists of training sessions on novel business models, on-line sales and marketing and the usage of cloud computing. As a result of the program, entrepreneurs who were previously dependent on brick-and-mortar sales and services are now open to Web-based distribution channels. The goal of the organizers is to reach a milestone of 15,000 companies participating in the training by the end of 2021.

The initial stages of restrictions showed that technology is of great help in combating the effects of the pandemic. It was best evidenced by the implementation in PFR of the automated mechanism to distribute funds from the Financial Shield for SMEs. Encouraged by the Shield Program's success, the Company also launched the “PFR Applications of Tomorrow” project encouraging innovators to prepare additional technological solutions to be used to combat the COVID-19 pandemic.

TECHNOLOGIE W WALCE Z KRYZYSEM

#AplikacjeJutraPFR

Weź udział w konkursie! Zaprojektuj aplikację, która pomoże walczyć ze skutkami kryzysu w jednym z trzech wyzwań:

Zdrowie

Praca i przedsiębiorczość

Społeczeństwo

Do wygrania!

3 x 250 000 zł 3 x 100 000 zł

na sfinansowanie prototypu aplikacji (MVP)

Zgłoś się na pfrsa.pl/aplikacjejutra

PFR
Polski Fundusz Rozwoju



PFR Applications of Tomorrow – promotional graphic on Facebook

PFR Innowacje

Summary of 2020 in numbers

220,000

visitors on the
startup.pfr.pl portal

PLN 1 million

total pool of prizes in
the PFR Applications
of Tomorrow contest

10,000

people used PFR's
educational programs

2700

participants of PFR
Innovation Designers
workshops





PFR School of Pioneers

The program is addressed at start-up companies and teams, which implemented products and services to combat the effects of the crisis in three areas: health, work and entrepreneurship and the society. The additional purpose of the initiative was to promote Polish technological thought and to increase the competitiveness of Polish solutions. On 8 December 2020, the winners were announced in each of the three categories. Each one of them received PLN 250,000 each to prepare a prototype (so-called MVP, Minimal Viable Product) and the teams received PLN 100,000 each for the same purpose.

When preparing an on-line offer for all businesses seeking inspiration during the pandemic, PFR also prepared a series of dedicated videos and podcasts. The **“Talks about the future”** published on the YouTube platform are a series of interviews conducted with authorities and experts from selected areas, such as: FinTech, 3D printing, food industry or education. There is also an **“Innovator’s Vademecum”** podcast available on Spotify, which aims at educating entrepreneurs on many areas of running a business, for example how to seek funding. The **startup.pfr.pl** portal launched in 2017 continued to publish educational materials in the form of article or e-books presenting the ABCs of important business concepts.

In 2020, Polski Fundusz Rozwoju continued to implement projects focusing on building the “investment pipeline” for PFR Ventures funds. The flagship educational program pursued together with Allegro named the **“PFR School of Pioneers”** started in September

2020 for the third time – this time in a hybrid form. In the next stage of the program, the projects developed by 12 teams established during the workshops in September, were presented in early 2021.

The third edition of the **“PFR Innovation Designers”** program was launched in November 2020 in a new form, which includes an offer of empathy and prototyping workshops. Moreover, an additional on-line course was launched in the second half of the year – this time it was focused on raising funding for a business, mainly from VC funds.

In July 2020, PFR along with PFR Ventures, Dealroom.co and local partners prepared and published a comprehensive report on the venture capital (VC) market in the Central and Eastern Europe, entitled **„Polish and CEE Tech Ecosystem Outlook”**, which was also noticed in the international media (including the New York Times, Reuters and Tech Crunch). The base of the Polish innovation ecosystem on the Dealroom.co platform is already an important source of knowledge about Polish startups and VC funds, also for foreign investors. PFR representatives regularly encourage all innovators to add a description of their companies in the portal and update their details on an ongoing basis.

1 The report is available here: <https://dealroom.co/reports/the-polish-and-cee-tech-ecosystem-outlook>

Anti-Crisis Technology Solutions Platform for Local Governments in numbers

70 implementations

569 participants

140 local governments

15 webinars

2 months

1.2. COMPETENCE DEVELOPMENT FOR LOCAL GOVERNMENT REPRESENTATIVES

In the area of cooperation with local government units, PFR has built the **“Anti-Crisis Platform for Technology Solutions”**, a platform to link local government needs with products offered by technology companies. Local government units may use the platform to find a partner to support them in solving the most urgent problems in performing their tasks in the context of the COVID-19 epidemic.

In September 2020, the **“Academy of the Cities of the Future”** was launched under the **“PFR for Cities”** program. During the workshops, which were performed in the stationary and remote mode, representatives of respective cities were trained in, among others: green technologies, mobility and innovation. As a result, 60 representatives from 30 medium-sized cities in Poland, took three months to work with experts on creating innovative projects to improve the quality of their residents’ life. The program culminated with presentations of the developed ideas to the jury. Some of the distinguished ideas included:

- carbonization of waste, from which biocoal will be created in Rydułtowy;
- a digital services package for residents, which will allow them to quickly handle day-to-day administrative matters on-line in Zamość;
- improvement of energy efficiency in public utility facilities in Iława

The most interesting projects were also forwarded for analysis by PFR’s investment teams.

Local governments from across Poland were also allowed to submit their most urgent challenges for the **“City Coders Hackathon”**. The event was organized by PFR as part of the GovTech Festival. The event was attended by nearly 200 programmers from across Poland and the hackathon itself lasted 48 hours. The jury selected four winning solutions, which included the fight against smog, safe segregation of waste and improvements in the mobility of residents.

PFR dla Miast



Distinctions in the PFR Academy of the Cities of the Future program



Rydułtowy



Zamość



Iława

The winning teams received cash rewards and the opportunity to test and implement their solutions in a selected local government.

Additionally, the pfrdlamiast.pl portal continues to develop the “**PFR Urban Innovation Database**”, which contains nearly 50 examples of innovative implementations, which may become inspirations for local governments wishing to implement projects in the new technology areas. Each of them contains a defined problem, a detailed description of the relevant solution, a financing source and a set of recommendations for subsequent local government units.

1.3. THEMATIC PROGRAMS ACCELERATING THE DEVELOPMENT OF INDUSTRIES WITH SPECIAL SOCIAL AND ECONOMIC POTENTIAL

In 2020 as part of the “**Innovation and Expansion Accelerator**”, the Company also launched a program for the food industry. 38 companies took part in meetings with PFR Group entities. They participated in a two-day workshop entitled the “**Solution Zone**”. During its course, entrepreneurs learned how to implement innovative solutions, obtained practical knowledge about investment funds and exports development tools offered by the PFR Group and entities cooperating with the accelerator. Due to the pandemic, other acceleration measures have been suspended.

Since access to clients during acceleration programs was limited due to the pandemic, PFR started to work more closely with the Industrial Development Agency (ARP) and helped organize a webinar for ARP’s clients. This collaboration resulted in the signing of a commercial agreement for 30 more webinars. Based on this experience, the “**PFR Group InfoWeek**” program was carried out in 2021.

Additionally in 2020 PFR delivered a series of paid training webinars commissioned by the Ministry of Development focusing on Important Projects of Common European Interest (IPCEI) mechanism and projects in respect to the hydrogen economy value chain. The meetings were attended by Polish companies.

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

Through its co-subsidiary Operator Chmury Krajowej (National Cloud Operator), PFR is also actively involved in the process of digitalizing the Polish economy.

The goal of the National Cloud is to accelerate the digital transformation of Polish companies and public institutions by providing them with a technology platform. Through digitalization, companies and institutions may increase their pace of development and obtain the tools that make it easier for them to introduce innovations and adapt their products and services to the quickly-evolving market expectations.

Running a business in a computing cloud is a necessary element of this process, because a growing number of modern technologies is developed exclusively in this environment. The cloud introduces a close connection between expenditures and the resources that are actually used, while boosting reliability and security of the IT system. It also supports the adoption of agile methodologies and enables automation of recurring processes. Developing cloud-native

applications and systems speeds up the implementation of new projects and the continuous improvement of the solutions that have already been implemented.

An increasing number of IT companies is moving away from software development in the traditional model, offering software within a cloud, as a service only. At the same time, the share of cloud solutions in GDP continues to increase². According to the latest report of Statistics Poland entitled “**Information Society in Poland in 2020**”, 24.4% of companies in Poland used paid cloud computing services³. Cloud computing usage has gone up nearly 7 percentage points from 2019 (17.5%) and nearly 13 percentage points up from 2018, when the ratio was just 11%. Eurostat uses this indicator to assess the level of cloud adoption in Poland and other EU countries: according to the latest data, in 2020 an average of 36% companies used cloud services in the EU, compared to 24% in 2018⁴. This means that cloud computing adoption in Poland more than doubled over the last two years, while in Europe the growth, though impressive, was much slower. Accordingly, the Polish market shows a very positive trend, but the potential for quick growth remains high.

According to PMR, a company specializing in analyses on the topic, the value of the cloud computing market increased in Poland in 2019 by over 30%, exceeding PLN 1.3 billion. Preliminary estimates for 2020 incorporating the impact of the COVID-19 pandemic, the huge increase in popularity of remote work and the accelerated digital transformation of businesses in Poland assume that the market value will exceed PLN 1.75 billion⁵.

The access provided by the National Cloud to the best global cloud solutions, supported by knowledge and experience of National Cloud experts and combined with the technology hubs of global vendors being created in Poland (the Google and Microsoft public cloud regions) allow businesses and public institutions to reap the rewards and advantages of cloud technologies, speeding up the pace of innovation and supporting growth of the entire economy.

3. PROPRIETARY ECONOMIC ANALYSES

Knowledge of the current situation in the Polish and global economy, trends and development directions is indispensable to take effective economic decisions. Such knowledge is provided by a dedi-

Value (PLN m) and growth (%) of the cloud computing market in Poland in 2012-2020



Source: PMR, 2020

2 <https://zbp.pl/getmedia/5484bb19-70c8-41d3-8533-c6bb512428bc/Raport-Cloud>

3 <https://stat.gov.pl/obszary-tematyczne/nauka-i-technika-spoleczenstwo-informacyjne/spoleczenstwo-informacyjne/spoleczenstwo-informacyjne-w-polsce-w-2020-roku,114.html>

4 https://ec.europa.eu/eurostat/statistics-explained/index.php/Cloud_computing_-_statistics_on_the_use_by_enterprises

5 PMR report “**Cloud computing market in Poland 2020**”, December 2020.

Selected initiatives of the National Cloud Operator supporting the digitalization of the Polish economy



E-visit (telemedicine consultations)

solutions developed on commission from the e-Health Center, allowing patients to use on-line consultations provided by medical employees without leaving home



Educational platform for universities

free access to the educational platform for universities under the "Partnership for Universities" program designed in cooperation with Asseco Data Systems and using the Google Cloud technology



Polish Cloud

development and implementation of the cloud computing standard in the banking sector in Poland, which makes it easier for financial institutions to introduce cloud-based services



Polish Cloud Academy

organization of the educational program on cloud solutions for the banking sector, largest in the Central and Eastern Europe (CEE) region



Companies of Tomorrow

development of a comprehensive, free-of-charge training and development program in cooperation with PFR SA and Google, which will help up to 15,000 companies in 2021 in developing business on the web: the training paths operated by the National Cloud concern cloud solutions for SMEs



Sandbox Blockchain

participation as a technology partner in the Sandbox Blockchain project, which promotes a service allowing users to quickly launch a private, isolated instance of a business network using blockchain technology to rapidly prototype business applications and demonstrate and test their solutions together with other market participants



cated team of economists within PFR, who continuously monitor the country's economic indicators and individual sectors of the economy and, on that basis, make forecasts that may be used to make strategic economic decisions. An important role of the PFR Corporate Group is also to activate a public debate and to spread knowledge on important economic topics.

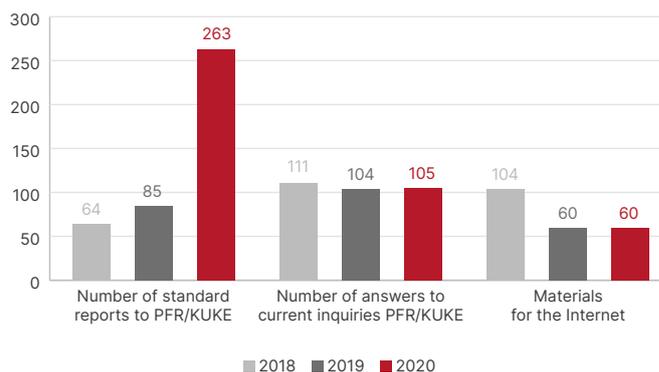
The expert opinions and economic reports prepared in PFR supported: the Management Board, the management staff and individual PFR teams and PFR Group entities – Export Credit Insurance Corporation and the Polish Investment and Trade Agency, in particular its network of International Trade Offices. Some of them were also published in PFR's external communication channels. The work launched a discussion on the condition and development opportunities for the Polish economy.

In 2020, PFR's economists prepared 263 standard reports, gave 105 responses to current inquiries and created 60 materials for the Internet. These numbers prove that the number of analyses and their scope increased significantly as compared to 2018 and 2019.

The specialist topical reports were prepared mainly on Polish exports and industry analyses, e.g.:

- **“Poland in international trade. The rise in importance and key groups of goods”** – June 2020,
- **“Polish food specialization in exports in 2004-2019”** – April 2020,
- **“Polish furniture industry: vulnerable success”** – March 2020,
- **“Growing Romanian and Bulgarian competition for the Polish furniture sector”** – November 2020

Number of analyses developed in 2018-2020



In connection with the increased need for current data during the COVID-19 pandemic, PFR also started to develop analyses, which were not scheduled for 2020, including, among others:

- **“Change in electricity consumption in Europe”** – a report prepared on the basis of daily electricity consumption data in Europe, which enables rapid observation of changes in economic activity in the individual countries;
- **“Mobility in Poland”** – a document presenting changes in mobility patterns, created every few days on the basis of Google Maps data and data from metering points on highways and expressways;
- **“Macro Weekly”** and **“Macro Daily”** – a set of key information on Poland's economy and a review of the most important information on the economies of Europe, USA and China.

Summary and scope of analytical products prepared in 2020

Macro Daily

Daily review of macroeconomic data, about 150 slides

“Consumption of electricity” Summary

Weekly, about 40 slides

“Mobility in Poland” Summary

Every few days, about 40 slides

“GDP, Inflation, Deficit” Summary

Monthly, about 5 pages

“Parkiet” Forecast Chartbook

Monthly, about 20 slides

“Savings” Summary

Monthly, about 70 slides

Furniture Compendium

Quarterly, about 300 pages

“Innovation in Poland” chartbook

Quarterly, about 40 slides

“Batteries and accumulators” Chartbook → “Batteries and accumulators” Summary → Electromobility Compendium

Quarterly, about 70 pages

Exports Compendium (language versions: Polish, English and Spanish)

Monthly, about 500 pages

Activity of the PFR Foundation

1. DESCRIPTION OF THE FOUNDATION

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

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

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

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

The above tasks are performed mainly through educational programs based on new technologies.

The PFR Foundation operates on the basis of the Act of 6 April 1984 on Foundations (consolidated text in the Journal of Laws of 2020,

Item 2167) and its articles of association. It is entered in the register of associations, other social and professional organizations, foundations and independent public health care establishments kept by the District Court for the Capital City of Warsaw. The oversight over the foundation is exercised by the minister in charge of the economy.

The Management Board of the Foundation consists of:

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

2. CAMPAIGNS AND INITIATIVES OF THE FOUNDATION

The pandemic that broke out across the world in 2020 has shown how big a role "third sector" organizations may have in mitigating effects of a social crisis. Therefore, it was natural for the PFR Foundation to become involved in combating COVID-19. In spite of the huge efforts undertaken in this area and significant difficulties in the performance of projects on-site, the Foundation's employees continued to develop the projects in accordance with the articles of association and strategic objectives.

2.1. PROJECTS RELATED TO COMBATING THE COVID-19 PANDEMIC

SUPPORT FOR HOSPITALS AND OTHER INSTITUTIONS COMBATING THE COVID-19 PANDEMIC

In the face of the pandemic, the new projects combating its effects have become very important. Nearly PLN 6 million in total was spent for this purpose in 2020, as subsidies for hospitals, research centers and care institutions. These funds were designated for the purchase of life-saving equipment, personal protection equipment for physicians and medical personnel and for coronavirus tests.

The funds (PLN 6 million in total) were provided to:

- Center of Mother and Child in Warsaw,
- National Medicines Institute in Warsaw,
- Mazowiecki Specialist Hospital in Radom,
- Voivodship Hospital in Opole,
- Health Care Complex in Nysa
- Wł. Biegański Voivodship Specialist Hospital Complex in Łódź,
- Stanisław Rybicki Voivodship Hospital Complex in Skierniewice,
- Heliodor Świącicki Clinical Hospital at the Karol Marcinkowski Medical University in Poznań,
- Polish Mothers' Health Center Institute in Łódź,
- Wolski Hospital in Warsaw,
- Institution for Chronically Ill Women in Warsaw,
- Poviati Public Health Care Center in Rydułtowy and Wodzisław Śląski,
- Health Care Complex in Bolesławiec,
- Health Center in Mikołów,
- Szpitale Polskie S.A. (Specialist Center in Drawsko),
- Łódź Children's Hospice in Łupkowa.



“#SEWINGSAVING” CAMPAIGN

At the beginning of the pandemic, the PFR Foundation launched the “#SewingSaving” [#SzyjemyRatujemy] project. 2000 protective masks were made in cooperation with the Farmers’ Wives’ Association in Mołtajny. The campaign was very important for the local community. It activated the senior community to support other seniors, who were lonely and at the risk of exclusion. Thanks to cooperation with Polish boy scouts, the facemasks were delivered to seniors together with meals.

“#PRINTERSFORHOSPITALS” CAMPAIGN

The Foundation partnered with the “#PrintersForHospitals” [#DrukarzeDlaSzpitali] campaign, in which 3D printers regularly used by the Central House of Technology team were used to print face shields for medical personnel. Overall, within the campaign CDT printed out 600 face shield elements, which were then delivered to hospitals, nursing homes, municipal police and paramedics.

“VICTORIOUS THROUGH SOLIDARITY” IN PARTNERSHIP WITH PFR

The “Victorious Through Solidarity” information campaign promoting the PFR Financial Shield for SMEs was launched on 17 June 2020. It was organized by PFR with the purpose of informing the public about the impending date of filing applications and to encourage businesses to use the support. One of the campaign tools was a competition, in which the participants were able to submit inspiring stories of coping in the reality of the pandemic. The prizes in the competition were subsidies of PLN 10 thousand each, which were paid out by the PFR Foundation to the entities named by the winners. The PFR Foundation donated PLN 10 thousand to each of the following social organizations:

- WIOSNA Association,
- Little Brothers of the Poor Association,
- Caritas Poland,
- SOS Children’s Villages Association,
- I Have a Dream Foundation
- Virtual Dream Foundation

2.2. SOCIAL AND EDUCATIONAL PROJECTS

The social and educational projects executed by the Foundation pertained to several areas, including among others, professional activation youth and support for the treatment of children.

“#SELFRELIANT” PROJECT

In 2020, the Foundation’s major own project was #SelfRELIANT [#SamoDZIELNI]. The project’s main goal was to equip youth entering the labor market (aged 17-19) with the key skills required, such as: writing a CV, self-presentation during the recruitment process, selection and planning of a career path, negotiation of the terms of employment as well as orientation in a new environment during the first days of professional work.

Motivational workshops discovering the talents and strengths of the participants were an important element of the project. The organizers wanted the highest attendance possible. This is why the recruitment of well-motivated participants and ongoing contact with them and their guardians at subsequent stages is very important. In addition to group activities, the participants also had the opportunity to consult with experts one-on-one.

Additionally, in order to provide real support to young people in achieving their plans and help them obtain their first qualifications, each received a “development voucher” equivalent to the full financ-



Workshops for the youth as part of the “#SelfRELIANT” project

ing of a selected professional course. All stages of the project were prepared in such a way that, after completion, the participants were ready to enter the job market and manage their professional career in a purposeful manner.

27 people took part in the first edition; also, many volunteers from PFR and partnering companies (Pekao, Samsung, Konica Minolta) became involved in the project. The second edition is planned in 2021. The project has received the patronage of the Minister of Family and Social Policy.

#INCLUSIONINEDUCATION

In the spring of 2020, the PFR Foundation executed a campaign of buying laptop computers for children from foster care homes. The funds for this purpose were collected among PFR employees. Additionally, the Company's Management Board decided to donate 15% of their monthly salary. The PFR Foundation added 30% to the collected pool. This way, children from foster homes in the Eastern Poland received 21 laptop computers with software.

EDUCATION OF TOMORROW COMPETITION

The Education of Tomorrow Competition was announced to encourage teachers to share best practices and experience in remote education. The teachers responded with more than 120 submissions covering all school subjects. They were evaluated by a jury made up of experts recognized for their knowledge and innovative approach to education, and by representatives of the Central House of Technology and the PFR Foundation. Due to the diversity and the high quality of proposals received, the jury decided to award three main prizes and as many as 20 distinctions.

The authors of the best scenarios received financial and material prizes and got the opportunity to record their lessons at the Central House of Technology using all the educational aids available there.

2.3. PARTNERSHIP PROJECTS

In 2020, the PFR Foundation became involved, also financially, in more than 30 initiatives pursued by other organizations. They included:

- **“Tutoring Sessions with Legia” [Korki z Legią]** – a campaign pursued in cooperation with the Legia Foundation. The campaign involved co-financing of free-of-charge educational activities for high schoolers taking the basic-level matura exam in 2021;

- **“Classes with CDT” [Lekcje z CDT]** – some of the lessons provided as part of the Tutoring Sessions with Legia program were shared on the YouTube channel of the Central House of Technology;
- **“CoverUp”** – support for the Virtual Dream Foundation in implementing a project, which resulted in the development and distribution of therapeutic coloring sheets in children's cancer wards;
- **“PFR Women's Week” [Tydzień Kobiet PFR]** – organized as part of the HerImpact platform promoting development and entrepreneurship among women;
- **“Solidarity with Belarus” [Solidarni z Białorusią]** – patronage over the Solidarity with Belarus live concert held at the National Stadium in September 2020 with performances from Polish and Belarusian stars showing their support for the Belarusian society in their struggle for freedom and democracy.

3. EMPLOYEE VOLUNTEERISM

In 2020, the PFR Foundation regularly engaged employees of the PFR Corporate Group as volunteers in its own projects (e.g. #SelfRELIANT), in partnership projects as well as in charitable activities. The employees willingly shared their knowledge and experience, supported the sick, the elderly and took part in material and financial donation campaigns for those in need.

At the beginning of the year, the volunteers continued the project launched one year earlier, taking part in the training under the **“Technology Against Cancer”** project. The participants learned about virtual reality (VR) technology, its applications in medicine and the challenges faced by cancer patients. These VR equipment operation skills were used by them during the following weeks to support the young wards of the Institute of Mother and Child in Warsaw and the seniors attending workshops at the Central House of Technology. The volunteers demonstrated the world of virtual reality, which already has broad therapeutic and educational application.

In September 2020, a 3-month campaign named **“Active Volunteerism”** ended. Within its framework, employees of the PFR Corporate Group registered their runs or bicycle rides using the Active app, which converted them to real monetary support.

Funds were collected for an organization selected by employees in a vote. Overall, 95 volunteers from 4 Group companies rode 27 thousand kilometers on bicycles and ran more than 7 thousand kilometers, raising nearly PLN 29 thousand. Following an arrangement with



Advertising for “Tutoring Sessions with Legia”



Donations of PFR employees in the “Noble Gift” program

the PFR Foundation, the amount was rounded up to PLN 30 thousand and provided to the Hospice of the Polish Society of Palliative Care in Wałbrzych.

PFR volunteers continued their annual involvement in the “Noble Gift” campaign, in which three families received material support. In this year’s edition, gifts for those in need were provided by more than 70 volunteers from virtually every team at PFR and the PFR Foundation. The purchased items were shipped in 26 boxes.

Volunteers also became involved in the **Fundraising campaign for Ms. Sylwia**, a single mother raising four disabled children in a small town in the świętokrzyskie voivodship. The family lived in extremely poor conditions – the house was damp, moldy and close to collapsing. The PFR Foundation supported its renovation by donating PLN 100 thousand and volunteers prepared holiday packages for all family members.

4. CENTRAL HOUSE OF TECHNOLOGY

Since 2019, the Foundation’s largest project has been the Central House of Technology (“CDT”), through which PFR has conducted interdisciplinary, multi-generational education activity and has been building a community of innovative educators. In 2020, the activities of the Central House of Technology were sponsored by: the National Cloud Operator, Bank Pekao S.A., Żabka Polska sp. z o.o., Comarch S.A. and Allegro.pl sp. z o.o. (as a partner of the educational path).

EDUCATIONAL ACTIVITY

The Central House of Technology team develops and shares educational activities, popularizes new technologies and talks about them using the STEAM educational approach (Science, Technology, Engineering, Arts, Mathematics). Throughout 2020, the activities prepared by the CDT team were attended by more than 11 thousand people – children, youth, teachers and seniors.

The transition from on-site activity to remote education forced by the pandemic paradoxically made it easier for the CDT educational offering to reach a broad public audience across Poland. All courses and workshops were free of charge and recordings of the classes made up a huge database of valuable teaching materials that are published on CDT’s YouTube channel. A whole range of new educational formats were created to address the actual needs of the audience.

Two new projects were launched in early March 2020: “Classes with CDT” and “Breaks with CDT”, directed to school children and



Effects of the “PFR Active Volunteerism” campaign

young people. Subsequently, CDT created a series named “Digital Debutantes” for seniors, which was an on-line continuation of the previously on-site classes.

As part of the latter project, since September 2020 CDT has been pursuing a new initiative named “Apps for Digital Debutantes” under the patronage of the Polish Press Agency (PAP). In order to support the technological education of seniors and get closer to their current problems, “Technological Consultations for Digital Debutantes” have also been launched. It is a one-on-one consultations project open for all interested parties (especially seniors) who would like to get help in solving specific issues in using a computer, tablet or a phone.

Central House of Technology in 2020 in numbers

300 educational workshops on modern technologies

11,000 participants, of which 6,600 in on-site workshops and 4,800 in on-line workshops

170 videos on the CDT YouTube channel

171,000 viewers of the CDT YouTube channel



VR classes at CDT

Other educational novelties were added to the CDT offer in the winter 2020 semester. A new series of on-line activities, named **“Digital Venture Workshops”** was created in cooperation with Allegro. Meanwhile, educational offerings aimed at teachers, educators and school leaders included weekly **“Fridays for Teachers at CDT”** – live workshops delivered by respected experts and award-winning teachers. The workshops provided practical guidance on the tools needed for remote work, cooperation with students, creation of teams, effective motivation and evaluation of the work of students. The project garnered significant interest and was attended by more than 1000 teachers from across Poland.

Additionally, two new episodes of the **“CDT or Daily Dose of Technology”** are published weekly. It is a series of films made in cooperation with experts, presenting new technologies (VR, Big Data, 5G and others).

CDT COMMUNITY

The educational and conference center at CDT is a place of growth for the community of innovative educators. They include: teachers, education buffs, businessmen, start-up creators, scientists, mentors, leaders and visionaries, who get involved in the activity of the Central House of Technology. The community exchanges knowledge and experience and is devoted to science, networking and the pro bono activity of the PFR Foundation. In 2020, 50 live and on-line discussions were held in this group, which triggered the development of new educational initiatives.

Some of the topics of debates and on-line community meetings:

- “Scottie the Alien teaches programming!”
- “How to transfer real world to 3D?”

- “Orange looks good on you. Program with CDT!”
- “Remote work and education and care for mental health”
- “Parents during remote education”
- “How technology may lead to exclusion”
- “Signals of change – how the pandemic may change education in the long run”
- “Challenges facing modern education in Poland”.

EXHIBITIONS AT CDT AND BUSINESS AND CONFERENCE CENTER

In early 2020, another exhibition devoted to new technologies was opened at CDT, “System update – how technology changes education”. The goal of the exhibition was to reflect on the directions of change in education. The exhibition was an encouragement for creating ambitious visions of schools and education of the future. It promoted an innovative teaching model, in which everyone, regardless of age, may build technological (but not only) competencies for the future. Problem solving, cognitive flexibility, collaboration, creativity or emotional intelligence are just some of the future competencies that were highlighted when touring the exhibition stands.

The Central House of Technology also acts as a business and conference center, in which commercial events may be organized for companies and the public sector, focusing on new technologies and innovation. In 2020, CDT hosted more than 200 institutions and companies by organizing on-site, hybrid and on-line events. The Center is also the foundation for developing the ecosystem of innovation and Polish start-ups through PFR’s initiatives.

Most important events in subsidiaries and other subordinated entities

1. PFR TFI

EMPLOYEE CAPITAL PLANS (ECP)

In the Employee Capital Plan system, PFR TFI serves as a designated financial institution. According to the ECP Act, a target date fund managed by such an institution has no right to refuse to conclude an ECP management agreement, which ensures availability of ECPs for any employer. The management company established PFR PPK Specialist Open-End Investment Fund with eight separated sub-funds, one for each age group of the participants. In early 2021, PFR TFI offered to its clients the ninth sub-fund for the youngest ECP participants, i.e. those born in 2003-2007.

In connection with the designated institution function, ECPs are one of PFR TFI's main areas of activity. The management company focuses on ensuring the highest possible quality of service and efficient management of the entrusted funds. The company provides employers with complete solutions allowing for fully-remote implementation and service of ECPs, including systems for entering into agreements on-line, handling the program and automation of processes. It provides program participants with a website offering access to the ECP account and the function of submitting instructions for participation in the program. Modern tools, focus on customers' needs and high service quality allowed the company to establish cooperation with many employers, who found its offer attractive and meeting expectations of their employees.

In 2020, PFR TFI continued its activities related to the implementation of the program in companies with the headcount between 20 and 249 and prepared for the fourth stage of ECP implementation, which covered public sector entities and businesses employing less than 20 people.

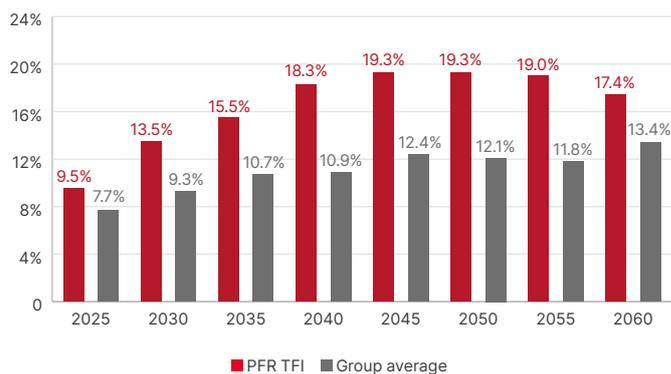
PFR TFI also conducts extensive educational activities, sharing knowledge about ECPs and building awareness that savings are necessary. In doing so, it collaborates with associations of businesses and local governments and with training providers.

Due to the pandemic, most of the activities, including trainings, were conducted by PFR TFI in the on-line form. The management company was prepared for remote collaboration even before the pandemic, but the lockdown definitely increased the appeal of this channel for clients and participants.

In addition to developing cooperation with employers and Employee Capital Plan participants, the key aspect in the context of ECPs is the efficiency of fund management. The management performance achieved by PFR TFI exceeded the market average.

The value of the assets accumulated in PFR PPK SFIO as at 31 December 2020 was PLN 10.5 million. At the end of 2020, the Management Company cooperated with 190 employers and handled approx. 4500 ECP accounts.

Rates of return in 2020 for individual sub-funds



Sources: *analizy.pl*, rate of return from 31 December 2019 to 31 December 2020

FOREIGN EXPANSION FUND

In 2020, the Foreign Expansion Fund Private Closed-End Investment Fund ("FEZ") managed by PFR TFI acted to support existing partners and acquire new investment projects. Despite the challenges related to the COVID-19 pandemic, the Foreign Expansion Fund led business negotiations and investment processes to launch new ventures. Consequently, acting along with Pekabex SA in Poznan, a Polish company active in the modern modular construction sector, it signed a new agreement to participate in the acquisition of a factory of prefabricated elements in Germany (FTO Fertigteilewerk Obermain GmbH).

FEZ invests together with Polish businesses in their foreign subsidiaries or provides debt financing on an arm's length basis, sharing project risk with them. The fund is always a minority investor and leaves the management in the hands of the Polish partner.

Since the beginning of its activity until the end of 2020, FEZ signed 17 investment contracts in total in the amount of EUR 80 million. The amounts of investments made by all the parties reached EUR 260 million. FEZ plans to sign four more agreements in 2021.

OPERATING ACTIVITY

Operating activity is an important element of fund management. Many tasks are long-term in nature and require compliance with strict regulations. In 2020 the most important operating projects included:

- change of the custodian for 8 funds managed by PFR TFI,
- transfer of accounting ledgers for 5 funds from external companies to PFR TFI,
- liquidation of the Infrastructural Investments Fund – Debt FIZAN,
- conducting due diligence for a valuation process.

In 2020, PFR TFI augmented processes associated with the valuation of investment fund assets by creating a new unit to handle mod-



FTO Fertigteilewerk Obermain factory (mat. Pekabex)

els and valuations and developing competence in that area. These activities were required by law, both local and European. Among other things, they constituted preparation for the amendment of the Finance Minister's Regulation on detailed accounting principles for investment funds ("**Regulation**"), which was introduced in December 2020 and came into effect in January 2021. Investment fund management companies have until the end of June 2021 to adjust to the new requirements. The amended Regulation expands the list of investments that should be valued using a model and introduces additional obligations. Specific measures have been developed in order to:

- mitigate the risk associated with the valuation process, among others by monitoring the valuations involving the monitoring valuation results and deviations,
- ensure consistent application of the principles of valuation of unquoted investment components for all types of funds managed by the Investment Fund Management Company,
- ensure structured oversight over the valuation models used.

PFR TFI also conducted a comprehensive study of the valuation process for unquoted investment positions and developed recommendations for actions aimed at introducing improvements in the valuation process. The implementation of the actions began in 2020 and will be continued in 2021.

CHANGES IN PFR TFI'S ORGANIZATION OF WORK

The COVID-19 pandemic brought about the necessity to introduce a new model of working in the Investment Fund Management Company. On 12 March 2020, the management board of PFR TFI adopted a resolution switching employees to remote working and one day later it adopted the remote working policy in connection with the COVID-19 epidemiological threat at PFR TFI. The key task in this

period was to ensure employee safety, information flow and maintenance of efficiency. The key issues in this area included:

- team management – a lengthy period of remote work required us to build a new organizational culture focused on information safety, trust, knowledge sharing, and to plan processes in a way as to ensure efficient work in a dispersed team,
- safety and IT development – PFR TFI focused on implementing additional mechanisms securing access to corporate resources, while ensuring full support for the users. The company also completed the cloud services migration process to the new vendor, i.e. the National Cloud Operator. The PFR TFI team also took part in the work associated with the formation of PFR Operacje: in analyzing services and contracts and developing the guidelines concerning specific requirements imposed on the Management Company by external regulations (e.g. by the KNF Office),
- project adjusting procedures and processes in the Investment Fund Management Company to the KNF Office's communique of 23 January 2020 on information processing in a public cloud. The project was completed in November 2020 and its completion was reported to the KNF Office.

The pandemic was an unprecedented challenge for PFR TFI on many levels. In its internal operations, critical tasks included ensuring security of employees and IT systems, maintaining organizational efficiency, effective fund management, protection of interests of fund participants, adaptation to stricter regulatory requirements. In spite of the changes in the functioning, both organizationally and socially, the goals given to PFR TFI in 2020 were fulfilled, its scale of operation increased and the organization is well prepared to the execution of new tasks within the PFR Corporate Group.

2. PFR VENTURES

2020 IN PFR VENTURES

In 2020, PFR Ventures announced investments in nine new funds and launched a program dedicated to the private equity segment – PFR PE. Overall, there are more than 30 teams on the market, which actively search through the Polish innovation ecosystem. Their activity can be seen in the data summarizing VC investments last year.



NEW CORPORATE VENTURE CAPITAL (CVC) FUNDS

The Company has invested in 2 CVC funds: Icos Capital and ffVC Tech & Gaming. The first one is a Dutch team holding more than PLN 80 million for investments in Polish innovations in the food & agriculture and clean technologies sectors. Some of the funds were provided by international corporations: Nouryon, Bühler Group and Royal Cosun. On the other hand, ffVC Tech & Gaming is the fund that PFR Ventures formed together with Totalizator Sportowy. The management team originates from the USA and in Poland it will look for start-ups from the following industries: gaming, artificial intelligence, cybersecurity, drones, robotics, enterprise software, RegTech or FinTech.

QUARTERLY AND ANNUAL REPORTS

The presence of PFR Ventures in most of the funds operating on the Polish market allows for the preparation of reliable reports on VC investments in Poland. To this end, the Company worked together with Inovo Venture Partners, BGK, NCBR and Dealroom. The reports describe the most important deals and present the statistics that allow participants to understand market dynamics better. Information on deal exits is also published, which ensures higher transparency of the market.



PFR FOR PRIVATE EQUITY

In 2020, PFR Ventures launched a new program, PFR PE, which is a fund of funds, under which more than PLN 600 million will be invested in private equity funds. In 2020 its portfolio included Mezzanine Management, Innova Capital and Value4Capital.

INVESTMENTS IN VC FUNDS

The Company invested in 7 VC funds with the total value of PLN 816 million. PFR Ventures' contribution amounted to PLN 305 million. The teams includes ones with international experience. More information on the new funds is presented on the PFR Ventures website.

Key data on the VC market in Poland in 2020

300

companies financed

74 transactions

carried out by PFR Ventures funds
(nearly 30% of the capital invested in 2020)

1.7 of the 2019 value

(up 70% y/y)

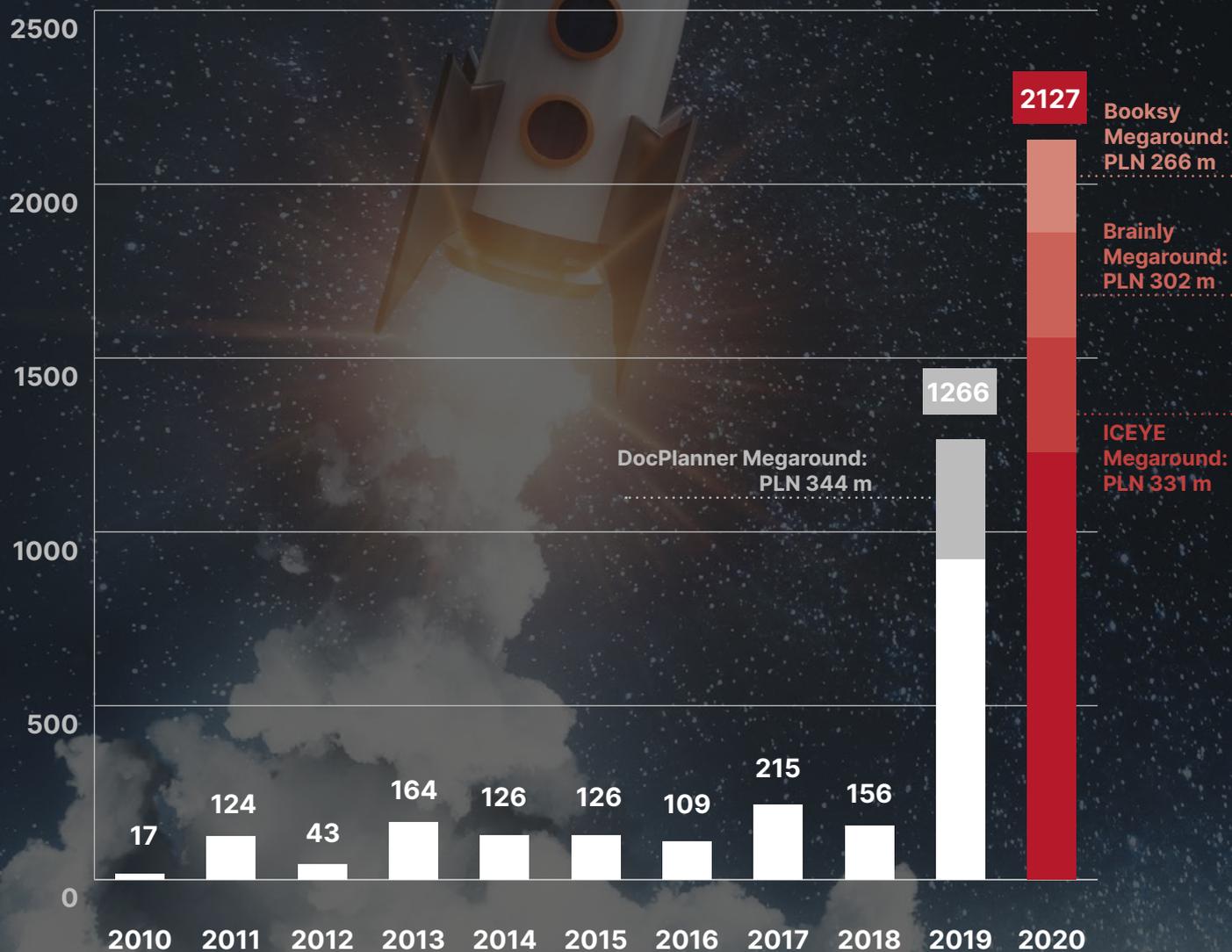


PLN 2.1 billion

of invested capital

VC investments in Poland in 2010-2020

Value of investments (PLN million)



Source: PFR Ventures and Inovo Venture Partners report "Transactions on the Polish VC market in 2020"



3. PFR PORTAL PPK

On 20 March 2020, PFR Portal PPK made its hotline resources available to the National Health Care Fund (NFZ) hotline, which was involved in an information campaign on the COVID-19 pandemic.

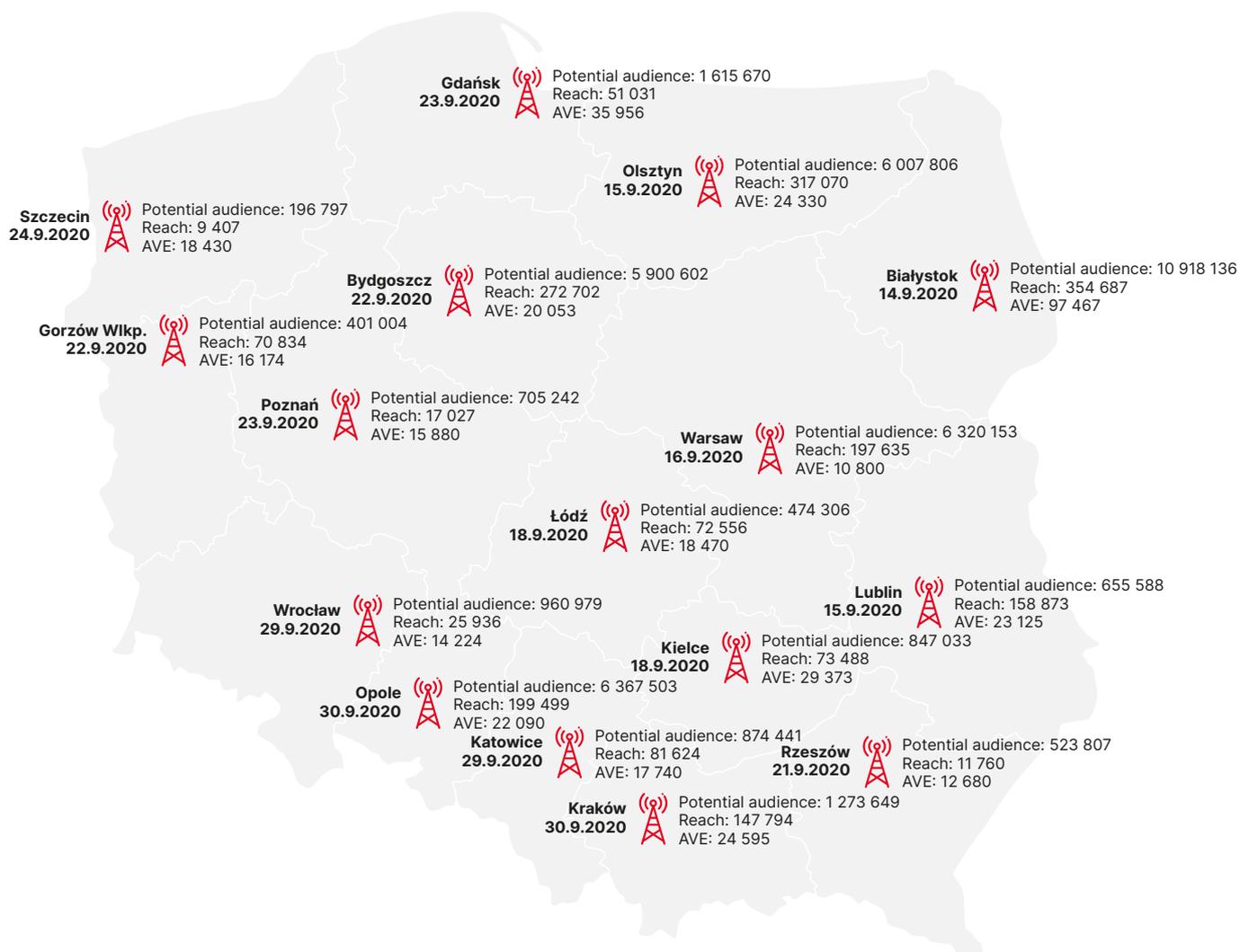
On 16 April 2020 the company started mass free of charge on-line training on the “government Anti-Crisis Shield” and on 27 April 2020 – free of charge training on the Financial Shield for SMEs, supporting businesses interested in obtaining aid during the lockdown of the economy. Overall, 18,757 people from 4.6 thousand companies were trained in 2020. At the end of 2020, PFR Portal PPK experts prepared on-line training on the Financial Shield for SMEs 2.0 dedicated to micro businesses, small and medium-sized enterprises.

In terms of the promotion of Employee Capital Plans (ECPs), PFR Portal PPK representatives took part in 31 events, making 41 speeches and educating a combined audience of 60 thousand. While maintaining full sanitary regime, in September 2020, the company organized a series of 16 voivodship conferences named “ECP Near You”.

“ECP Near You” conferences in numbers:

- 1,196 participants (representatives of payroll, HR and finance units from SMEs and public sector entities);
- participation of 10 voivodes, 5 vice-voivodes, 14 employer representatives, 15 financial institutions promoting their offers;
- 17,400 view of the campaign's landing page and 130 press articles.

“ECP Near You” conferences – media report



AVE – Advertising Value Equivalency

Selected projects by PFR Nieruchomości



4. PFR NIERUCHOMOŚCI

At the end of 2020, PFR Nieruchomości managed the portfolio of two investment funds, in which it offered nearly 3 thousand apartments for rent in 13 Polish cities. Another 2.5 thousand apartments are under construction. 2020 was also a year of implementing modern technologies – the first construction project using modern prefabricated elements was started and the BIM technology for the design phase was launched.

2020 started with a change on the position of the President of the Management Board. On 27 January, Wojciech Caruk was appointed to that role and consequently the 3-strong management board of the company consisted of Wojciech Caruk – President of the Management Board, Krystyna Wąchała-Malik – Management Board Member and Krzysztof Pniewski – Management Board Member.

During the first three quarters of 2020, within the Housing Sector Development Fund, apartments in Jarocin, Gdynia and Kępcice were handed over to tenants, while another development in Poznań was completed under the Rental Housing Fund. At year-end, the commercialization level of these projects was nearly 100%.

In the second half of the year, the construction of nearly 900 apartments was launched in Toruń, Nowy Targ and Oława. The Toruń housing estate was the first project implemented in the kujawsko-pomorskie voivodship and the first to use the modern prefabrication technology. The prefabrication approach means that the building components such as walls or bathroom modules are manufactured in external factories, shipped to the construction site before assembly. The use of prefabricated elements reduces the cost of labor and speeds up the pace of work. At the end of 2020, not even 40 days after the construction started, two of the eight buildings under construction at the housing estate in Toruń reached their target height and interior finishing work began.

Another step towards the technological future was made by implementing the BIM design process. Building Information Modeling is a technology for planning, designing, managing, and running a construction project with the use of IT tools that create a single location for collecting all information about the building at various stages of its life from construction to rental and operation. The first of the two projects designed using this system is a housing project at ul. Ratuszowa in Warsaw, where over 520 apartments are built. At the end of 2020, PFR Nieruchomości signed another agreement for design work performed with this technology for the investment project in Wrocław at ul. Zatorska.

In Q3 2020, Polski Fundusz Rozwoju purchased investment certificates of the Housing Sector Development Fund FIZAN and the Rental Housing Fund FIZAN. In December, the Investment Committee of PFR Nieruchomości adopted an update to the Operating Plan of the Housing Sector Development Fund FIZAN.

5. PFR OPERACJE

The company was formed on 6 October 2020 to provide IT and cybersecurity services and to centralize them in the PFR Corporate Group.

In December 2020, the entity started providing IT services to the following entities:

- PFR,
- PFR Ventures,
- PFR Portal PPK,
- PFR Foundation.

Moreover PFR Operacje started its cooperation with the National Cloud Operator as a strategic partner. Together, they implement new solutions and migrate legacy systems and operations to modern solutions based on cloud technologies.

6. PPP VENTURE

In 2020, the company continued its activity performing the public-private partnership agreement of 14 October 2013 amended by Annex 1 of 29 October 2014, Annex 2 of 11 May 2016 and Annex 3 of 1 July 2019, signed with the Jagiellonian University – Collegium Medicum, for the design, rebuilding, financing and maintenance of student houses at ul. Badurskiego in Kraków.

All the construction work under the project has been completed and accepted and, in accordance with the agreement, the project is in the operational period scheduled until 2039.

On 28 April 2020, in accordance with the provisions of the shareholder agreement of 14 November 2014, PFR purchased 10% shares in the PPP from Linkcity Poland S.A. increasing its stake in the company's share capital to 90%. The remaining 10% stake in the company's share capital is held by Engie Services sp. z o.o., which operates the dormitories under the management agreement with PPP Venture.

7. OPERATOR CHMURY KRAJOWEJ

The COVID-19 pandemic has raised interest of businesses, government and local government with the provision of services by electronic means. The pandemic has also brought about the need for new IT tools supporting the struggle against the COVID-19 pandemic and its consequences. As a result, interest in National Cloud Operator's products has increased rapidly.

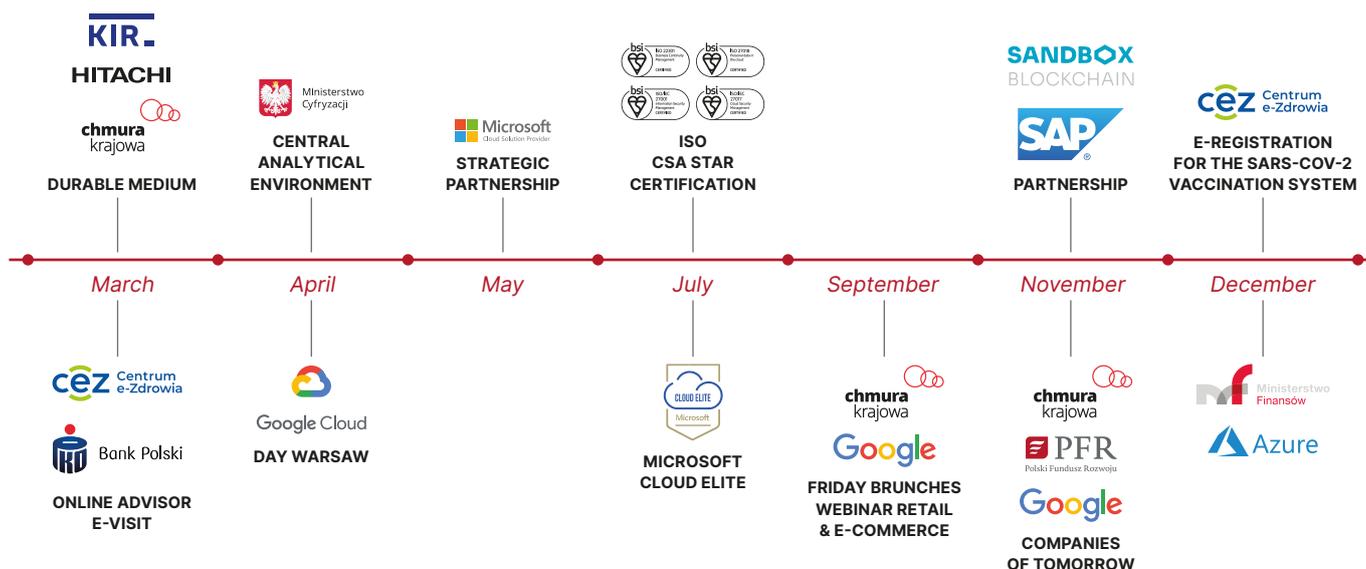
In March 2020, the National Cloud Operator cooperated with the National Clearing House and Hitachi to launch a cloud-based durable medium service. The service allows electronic documents to be stored and shared in the cloud, streamlining business processes between the business and the customer.

In the same period, the National Cloud Operator's engineers worked with the IT function of PKO Bank Polski to implement the "On-line Consultant" service. The service enables remote contact with the bank's employees without leaving home. Initially, the solution was addressed to SMEs only, but currently it may be used also by individual clients.

In April 2020, the National Cloud Operator developed the Central Analytical Environment for the Ministry of Digital Affairs, which enables, among others, analysis of anonymized source data in order to anticipate the locations where new COVID-19 outbreaks may arise.

Cutting-edge technologies offered through partnerships with international IT market leaders are of key importance for the National Cloud Operator's activities. As a part of these activities a "Google Cloud Day Warsaw" was held, which was a promotional event for management boards, managers and entrepreneurs presenting Google cloud services and Smart Analytics technologies. The National Cloud Operator co-organized the event as the strategic Google partner in Poland. The "Friday Brunches" were a series of closed-door meetings with key customers in the form of webinars organized together with Google Cloud. There were five thematic meetings, including: Anthos, Voicebots/Chatbots, SAP, BigQuery and Modern Workplace.

Further cooperation was advanced with Microsoft, with which the National Cloud Operator signed a strategic partnership agreement



of 5 May 2020. On its basis, the US company has selected Poland to launch its first data processing region in the Central and Eastern Europe. The partnership with Microsoft allows the National Cloud to expand the offering to include Azure cloud platform solutions, including network infrastructure, database services, analytics, artificial intelligence (AI) and Internet of things (IoT). The National Cloud Operator's offering will also include Microsoft 365 solutions supporting access to efficiency-enhancing applications available as services in the cloud and supplied as part of the open platform supporting business processes. Another important element of Microsoft's investment in Poland is the comprehensive long-term program of raising digital competence on the Polish labor market. The next stage of cooperation with Microsoft was adding the National Cloud to the Cloud Elite program, whose purpose is to develop cloud competence. The collaboration generated benefits already in late 2020, when the Ministry of Finance purchased the Microsoft Azure platform from the National Cloud for the new highway toll system managed by the National Tax Administration Authority.

In November 2020, the National Cloud Operator signed a collaboration agreement with SAP under which SAP customers may transfer their resources and use the software of one of the cloud platforms offered by the National Cloud. Similarly, customers of the National Cloud Operator gained the opportunity of expanding their existing range of cloud solutions with SAP tools and platforms.

One of the company's key projects was also the development of an "e-Registration" system, which allows citizens to register for the SARS-CoV-2 vaccination in a quick and convenient way. The system integrates multiple systems and applications, including the patient.gov.pl and the "Trusted Profile". The solution was developed within a mere 6 weeks and continues to be advanced.

The other initiatives of the National Cloud Operator in 2020 are presented in greater detail in clause "Support for the process of digitalization of the Polish economy".

8. POLSKA AGENCJA RATINGOWA

In early 2020, the entity focused on planning the second approach to the agency registration process with the European Securities and Markets Authority ("ESMA"). Due to the outbreak of the COVID-19 pandemic, those plans were delayed.

Having analyzed the possible options, the shareholders of the company decided to continue the project, which was divided into 2 stages. In the first stage, PAR will focus on services and products, which may be offered without registration with ESMA. In the second stage, after the situation stabilizes following the pandemic, it will return to the work associated with the submission of the second application to ESMA.

At the end of Q3 2020, Polska Agencja Ratingowa signed a letter of intent with the first client interested in scoring services and the final contract was signed in February 2021. In April 2021, PAR started to perform that contract.

9. SKB DRIVE TECH

The COVID-19 pandemic was the main factor that impacted the Company's operating and financial performance in 2020.

In Q1 2020, the company achieved its planned turnover level in full and continued its strategy of optimizing processes and raising profitability through efficiency gains. In Q2, demand for the company's products in Western European countries collapsed in connection with the lockdown of the economy, which disrupted global supply chains and clients halted their manufacturing activity. Despite the pandemic situation and a clear drop in revenues, the company earned a positive financial result. That was possible due to the optimization of production processes and diversification of revenue sources (foundry industry, engine industry and engine overhaul industry).

In 2020, an event of key importance for SKB Drive Tech was the success in the tender to renovate drive units for Tramwaje Warszawskie. The performance of this order opens the way to cooperation with public communication companies in other cities in Poland.

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2020

Chapter 4: Material events affecting PFR and the PFR Corporate Group in 2020 and after the balance sheet date

Material events in 2020	87
Material events after the balance sheet date	88

Material events in 2020

In 2020, PFR's share capital was increased from PLN 2,453,326,553 to PLN 4,953,252,553. On 24 March 2020, the PFR Extraordinary Shareholder Meeting adopted Resolution enacting the share increase by issuing as a private subscription new ordinary registered shares (Series E). The pre-emptive rights of the PFR shareholders to date were excluded and the PFR Articles of Association were amended in connection with the share capital increase. With the capital contribution, PFR's share capital increased by the amount of PLN 2,499,926,000 as a result of 2,499,926,000 new Series E ordinary registered shares with a par value of PLN 1 each and the total par value of PLN 2,499,926,000 ("**Series E Shares**"). The offer to subscribe for Series E Shares were offered solely to the State Treasury represented by the Prime Minister. The application to change data in the Register of Commercial Undertakings of the National Court Register was filed on 7 April 2020 and on 19 May 2020, PFR's share capital increase was registered.

On 30 October 2020, a company with the business name PFR Operacje was registered in the National Court Register, with PFR being the company's sole owner. PFR subscribed for 100% shares in the share capital of PFR Operacje, i.e. 2,500 shares with a par value of PLN 1,000.00 each, and the total value of PLN 2,500,000.00. The share capital was covered entirely by a capital contribution. The establishment of PFR Operacje enabled the implementation of the PFR Corporate Group's Security Strategy and IT Strategy detailed in documents adopted by the PFR Management Board. PFR Operacje will provide security and IT services for the PFR Corporate Group companies.

The share capital of PFR Portal PPK was increased by creating 10,000 new shares of the value of PLN 1,000 each up to the total amount of PLN 20,000,000.00. The share capital increase was registered in the National Court Register on 30 April 2020. The shares were subscribed for entirely by PFR – the company's sole owner.

Subsequently, on 26 October 2020, the Extraordinary Shareholder Meeting adopted a resolution to impose on PFR the duty to make contributions to the company at half the nominal value of all the shares subscribed by PFR in the company, i.e. a total of PLN 10,000,000.00. The contribution amount was paid on 28 October 2020.

Pursuant to a share subscription agreement executed between PFR and a company under the business name Polska Agencja Ratingowa, PFR subscribed for 1,100,000 series C shares of PAR (numbered from C1100001 to C2200000), worth PLN 0.53 each, with the total value of PLN 583,000. The shares were paid up in full in cash, and the

issue of series C shares was registered in the National Court Register on 6 August 2020. The payment for the share subscription was made on 29 April 2020.

The Act of 30 August 2019 Amending the Commercial Company Code and Certain Other Acts (the "**Amending Act**") introduced the duty to register shares of non-public companies in a shareholder register. The duty entails the necessity to carry out the process of dematerialization of shares in the company, and in particular, to enter into an agreement on keeping a shareholder register with an entity selected by means of a resolution at the company's shareholder meeting. PFR and each joint stock company in the PFR Corporate Group obligated by the Amending Act carried out the process of selecting and signing an agreement with an entity to keep their shareholder registers. As a result of the process, joint stock companies of the PFR Corporate Group signed agreements on keeping shareholder registers with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Branch – Brokerage Office in Warsaw, with its registered office in Warsaw.

PFR carries out a bond issue program of the total value up to PLN 100 billion in connection with PFR having been entrusted by an agreement to perform the government programs: "The Polish Development Fund's financial shield for small and medium-sized enterprises", adopted with Resolution No. 50/2020 by the Council of Ministers on 27 April 2020, "The Polish Development Fund's financial shield for large companies", adopted with Resolution no. 51/2020 by the Council of Ministers on 27 April 2020, "Support program for Polskie Linie Lotnicze LOT S.A.", adopted with Resolution no. 189/2020 by the Council of Ministers on 21 December 2020 as well as the program, adopted after the balance sheet date, named "The Polish Development Fund's financial shield 2.0 for micro-, small and medium-sized enterprises" pursuant to Resolution no. 2/2021 of 5 January 2021.

In order to finance the Programs, in 2020 PFR issued bonds for the total amount of PLN 65.4 billion. Additionally, after the balance sheet date the Company issued bonds for the total amount of PLN 8.5 billion. More details about the issued bond series are presented in Section "Financing of aid programs" of this report. Detailed terms and conditions of the individual issues are included in the letters of issue published by PFR and available on PFR's website.

On 28 May 2020, the first bonds issued by PFR debuted on the Catalyst ATS public bond trading market. As at the end of 2020, four series of PFR bonds were listed on the Catalyst ATS market: PFR0324, PFR0325, PFR0925 and PFR0627.

Material events after the balance sheet date

On 22 February 2021, the Ministry of Finance credited the fiduciary account of PFR with bonds marked as OF0423 (later assimilated with OK0423) with the nominal value of PLN 6.6 billion. PFR commissioned valuation of the received securities from an independent expert, Deloitte Advisory Sp. z o.o. sp. k., which valued the bonds as at 1 March 2021 to their market value, which is PLN 6.58 billion. The valuation was verified by an independent statutory auditor appointed by the registry court. The statutory auditor issued an opinion confirming that the valuation was correct and the Management Board Report on the valuation was also formally correct. At present, PFR is completing the necessary procedure to have the registry court register an increase in the share capital.

On 5 January 2021, the Council of Ministers adopted Resolution No. 2/2021 on the government program "The Polish Development Fund's financial shield 2.0 for micro, small and medium-sized enterprises". PFR was entrusted with the task of implementing the Program. The total amount of program financing under the Program could have reached PLN 13 billion, where PFR was permitted to obtain external financing in the above amount. The Program provides for two types of aid measures:

- Financial Shield 2.0 for micro-companies, for the amount not exceeding, as at the Program's date, PLN 6.5 billion; and
- Financial Shield for SMEs 2.0, for the amount not exceeding, as at the Program's date, PLN 6.5 billion; and

The Program is part of support for entrepreneurs under the PFR Financial Shield and under public aid notified to date up to the total budget amount of PLN 100 billion.

PFR was informed about possible litigation to be initiated against it with regard to PFR's decisions to disburse loans and subsidies from the PFR Financial Shield government programs. In the event of unfavorable court decisions, such cases do not pose for PFR any risk of outflow of funds.

PFR exercised the right provided for in the loan agreement of 30 May 2017 entered into with PKO Bank Polski S.A. to extend the term of the agreement for another year. On 10 March 2021, PFR received information from PKO Bank Polski S.A. that the Bank gave consent to extension of the loan term. A relevant annex with PKO Bank Polski S.A. was signed by the PFR Management Board on 11 May 2021.

On 30 March 2021, the PFR Management Board adopted the Resolution No. 260/2021 in the following matters: (i) to make an investment decision to purchase shares in the share capital of Międzynarodowe Targi Gdańskie S.A. ("MTG"), with its registered office in Gdańsk ("MTG") from FIS, represented by PFR TFI S.A. (ii) to approve the signing of transaction documents by PFR including in particular: the purchase agreement and the agreement on joining the investment contract of 8 December 2015 (iii) to give consent to taking any other actual or legal actions necessary or required to purchase shares of MTG.

On 5 May 2021, PFR was entered by BM PKO BP to the register of shareholders instead of FIS. On the same date, PFR paid the purchase price of PLN 56,238,954.29 (fifty six million two hundred thirty eight thousand nine hundred fifty four zloty and twenty nine grosz), i.e. PLN 281.194771 per share, based on the value resulting from the measurement of the shares as at 15 March 2021.

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

On 9 March 2021, PFR S.A. subscribed for 181,818 Mabion S.A. shares at PLN 55 per share. The total investment was PLN 9,999,990.

In 2020, the Management Board of PFR Ventures negotiated with MFIPR payment of an additional management fee. The additional fee supplemented to supplement a previous management fee received by the Company from POIR funds in connection with implementing financial instruments and managing the funds PFR STARTER FIZ, PFR BIZNEST FIZ, PFR OTWARTE INNOWACJE FIZ and PFR KOFFI FIZ under financing agreements (entered into between BGK and MFIPR) and cooperation agreements (entered into between BGK, TFI and PFR Ventures). The additional management fee is to be transferred for the period 2020-2023.

The declaration that PFR Ventures is guaranteed to receive additional management fees was made by MFIPR in a letter of 4 January 2021 addressed by MFIPR to BGK, based on assumptions regarding payment of an additional management fee and calculations presented by PFR Ventures. However, receipt of the additional management fee was made conditional on signing relevant annexes to the agreements concerning the financing for all the four programs and on MFIPR having cash on its bank account in the appropriate amount to pay the additional management fee for 2020 (to paid pursuant to draft annexes to the agreements on financing within 30 days of signing each annex). The wording of annexes to the agreements on financing was determined and accepted by both MFIPR and BGK (parties of the agreements on financing) as well as PFR Ventures in Q1 2021. Further to signing the annexes to the agreements on financing, it will be necessary to also sign annexes to the cooperation agreements entered into between PFRV, BGK and TFI. PFR Ventures has not started talks or negotiations with TFI concerning cooperation agreement annexes.

As of the date of preparing and signing the financial statements for 2020, the dates for signing annexes to the financing agreements or cooperation agreements are unknown. The amount of additional management fees for 2020 is also not known. In connection with the above, it is impossible to estimate in a reliable way the amount of revenues to be received by PFR Ventures on account of the additional management fee. Therefore, the additional management fee does not satisfy the definition of assets and revenues according to the Accounting Act.

Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2020

Chapter 5: Anticipated development directions for PFR and the PFR Corporate Group

1. Status of the execution of the PFR Corporate Group's Strategy for 2019-2021	90
2. Status of the execution of the PFR Group's Strategy for 2020-2025	91
3. Development perspectives of the PFR Corporate Group	95



Directions of the Company's development are determined by: the Strategy of the PFR Corporate Group for 2019-2021 approved by the Supervisory Board in April 2019 ("Corporate Group's Strategy") and the Strategy of the PFR Group for 2020-2025 adopted by the Supervisory Board of the PFR Group in May 2020 ("Group Strategy").

1. STATUS OF THE EXECUTION OF THE PFR CORPORATE GROUP'S STRATEGY FOR 2019-2021

In 2020, PFR continued to execute the G-Strategy. According to the wording of the document, the Company's business priorities were as follows:

- investment financing,
- pro-development activity,
- initiatives within corporate social responsibility,
- efficient organization.

PFR's activity in 2020 was strongly affected by external factors, which brought new challenges. Those refer mainly to the performance of PFR Financial Shield program. New tasks which have been imposed on PFR and the COVID-19 pandemic influenced the level of achievement of each objective indicated in the G-Strategy.

INVESTMENT FINANCING

Investment activity at the PFR Corporate Group is performed by the following companies: PFR, PFR Ventures, PFR TFI and PFR Nieruchomości. Each focuses its activity on a specific area defined in the G-Strategy – offering together capital financing for projects at every stage of development:

Mission and vision of the PFR Corporate Group



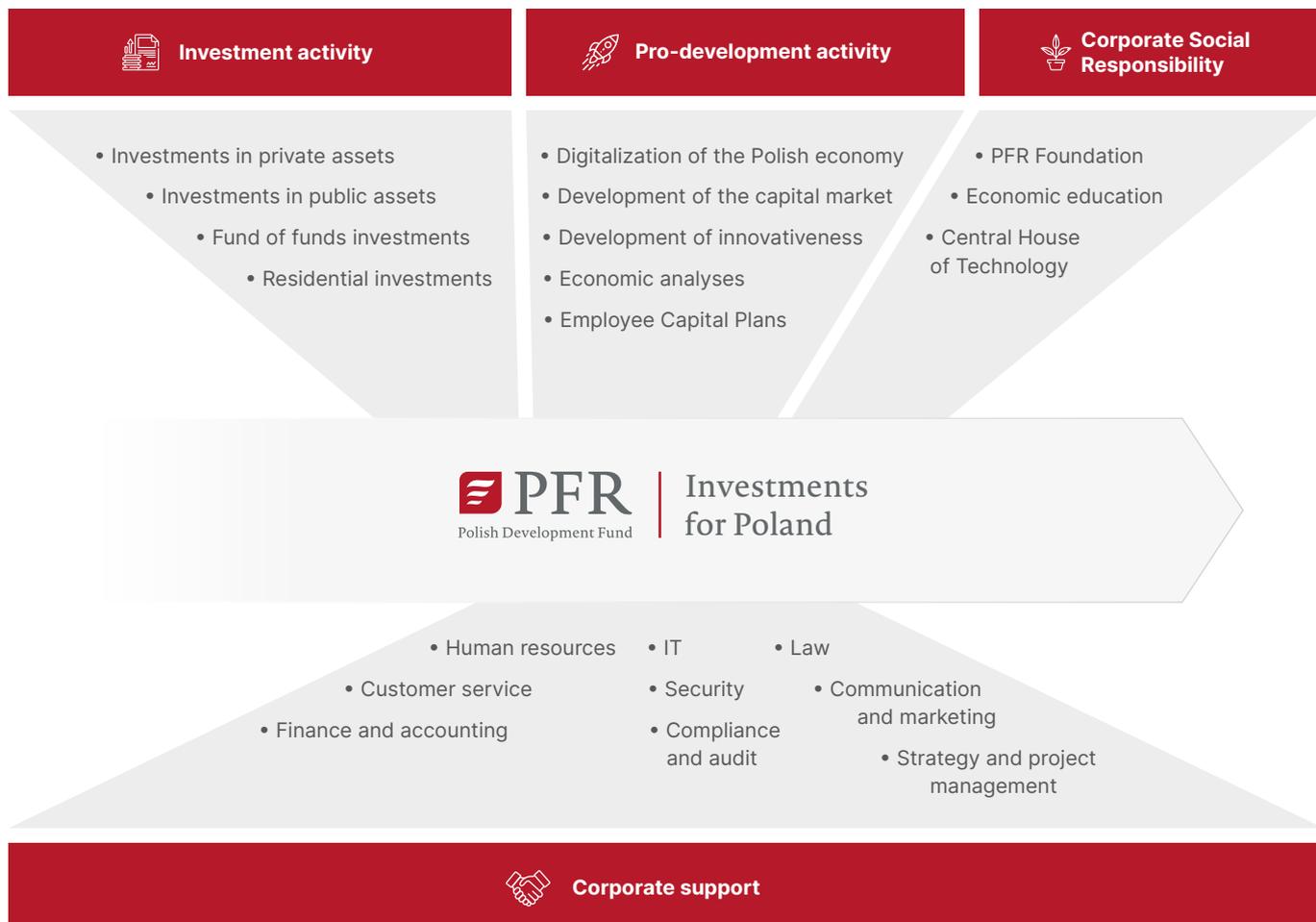
Vision

The PFR Corporate Group is a group of financial and consulting institutions for businesses, local governments and individual clients making investments for Poland's sustainable economic development.



Mission

PFR Corporate Group. Investments for Poland. Together, we develop practical solutions for joint successes and a safe future.





- new innovative companies (known as startups),
- small and medium-sized enterprises (SMEs),
- large companies,
- local governments,
- individuals persons.

The common objective of the performed investments is to contribute to the development and transformation of the Polish economy by supporting industries with the highest development and strategic potential.

PRO-DEVELOPMENT ACTIVITY

PFR actively supports the development of innovativeness and human capital in Poland, mostly by building the competence of innovators, representatives of local government units and thematic programs accelerating changes in industries with special social and economic potential. Because of the COVID-19 pandemic, it was decided to organize many events remotely. In addition, more emphasis was placed on sharing knowledge digitally – organizing webinars and recording podcasts and training courses on available investment and development programs. An additional task undertaken by PFR during the pandemic was to share knowledge with entrepreneurs on the possibility of obtaining financial support and digital transformation of a company.

Within the framework of supporting digitalization of the Polish economy, Operator Chmury Krajowej \[‘National Cloud Operator’] company was developed; the company’s major aim is to make it possible for Polish public and private companies to join the global trend of migration to cloud services. Apart from performing provisions of the con-

tract with Google, in 2020, the National Cloud Operator also signed a strategic partnership agreement with Microsoft, which decided to open several cloud data processing centers in Poland.

An important objective set to the PFR Corporate Group is to manage the Employee Capital Plan program. In 2020, with a delay caused by the epidemic situation, stages II and III of recruitment for the Employee Capital Plan were carried out for companies with at least 20 employees. In accordance with provisions of the Corporate Group’s Strategy, PFR TFI occupies the role of designated institution, offering services to manage participants’ funds. PFR takes care to maintain reliable records of the system, while PFR Portal PPK verifies compliance with the regulatory requirements and builds the awareness about the program in the society. The program remains one of the most important of the Group’s projects and will be performed in accordance with the Strategy in the coming years.

CORPORATE SOCIAL RESPONSIBILITY

Apart from investment and pro-development activity, PFR also conducted social campaigns. The PFR Foundation, whose flagship project is the Central House of Technology, has primarily performed projects aiming to develop education. Because of the pandemic, projects were organized on-line as remote classes both for children, teachers and the elderly.

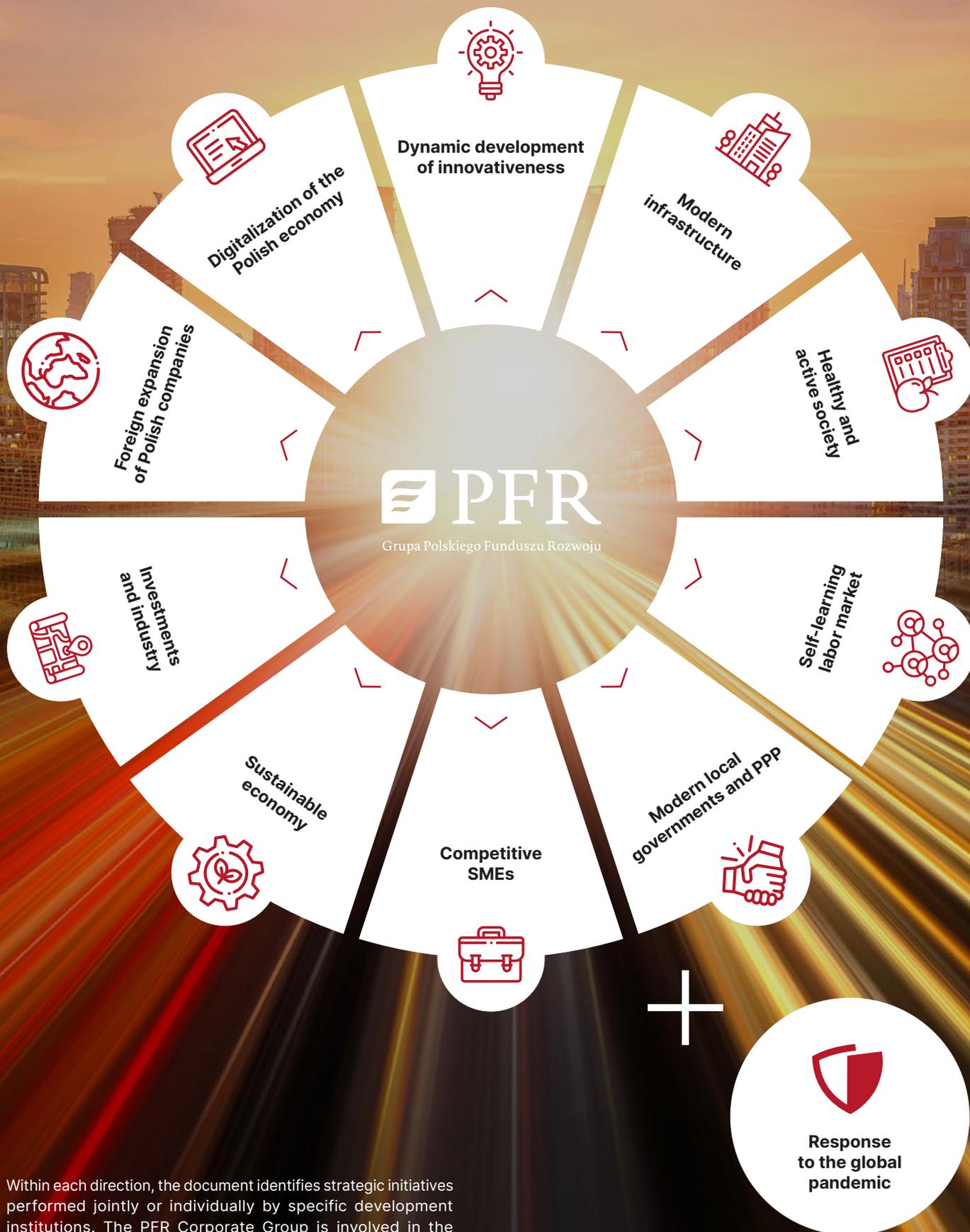
In 2020, the PFR Foundation performed numerous own and partnership projects as well as engaged the Corporate Group’s employees actively in employee volunteering (more details can be found in sub-chapter ‘Activity of the PFR Foundation’ in chapter 3 of this document).

Composition of PFR Group





Strategic directions of the PFR Group's activity



Within each direction, the document identifies strategic initiatives performed jointly or individually by specific development institutions. The PFR Corporate Group is involved in the performance of 26 out of 53 strategic initiatives.



Of particular importance were campaigns related to combating the COVID-19 pandemic. The key element of support was remitting PLN 6 million to hospitals all over Poland to purchase personal protective equipment – including face masks, face shields, lab coats and hand disinfectants – as well as specialized medical life-saving equipment, such as intensive care beds, ventilators or cardiac monitors.

EFFICIENT ORGANIZATION

In connection with the COVID-19 pandemic, it was more difficult to achieve the objectives included in the G-Strategy. To make it possible to achieve them, one of PFR's priorities was to ensure efficient organization of each of the Group entities to work remotely. Based on the experience gained by each company from the Group and information on their needs in these circumstances, in November 2020, a new company, PFR Operacje, was set up. The purpose of the company is to perform orders and tasks in the area of IT and cybersecurity for each of PFR Corporate Group companies. Ultimately, PFR Operacje will fulfill the role of center of common services for the Group entities.

At present, PFR Operacje serves as back-office for IT and security services in the Group but in the future the scope of services provided by the company will be much broader, including human resources management services and procurement processes.

2. STATUS OF THE EXECUTION OF THE PFR GROUP'S STRATEGY FOR 2020-2025

In May 2020, companies from PFR Group completed the works on the joint strategy. The obligation to adopt the document is set out in the Act of 4 July 2019 on Development Institutions System. The Group Strategy defines directions for development of the companies making up the System of Development Institutions and determines principles of cooperation between entities performing common tasks. The preparation of the document was preceded by a social and economic diagnosis of selected areas of the Polish economy.

PFR Group comprises a set of modern Polish development institutions with a joint vision and mission and basic principles of operation, i.e.:

- to supplement the commercial and non-governmental sectors and cooperate in preparing and distributing programs in the areas in which there are gaps in the market manifested by the lack of access to financial services,
- to perform development programs adjusted to the needs of recipients: companies, local government units, the public sector, the non-governmental sector and individuals,

- to pursue self-financing in commercial activity by achieving a positive financial result on performed activity and have the possibility of external financing.

The coordination of development activities in clearly defined competence centers is overseen by the PFR Group Board, which is composed of the Presidents of each institution. The role of the President of the Board is discharged by the President of the PFR Management Board, Paweł Borys.

PFR Group's Strategy for 2020-2025 identifies 10 fundamental strategic directions of activity and one special direction, which is a response to the economic crisis caused by the COVID-19 pandemic.

According to the assumptions, PFR Group will finance projects of the total value of over PLN 120 billion in 2020-2025, secure turnover of PLN 15 billion and provide advice on investments worth nearly PLN 8 billion every year. Furthermore, the institutions operating within the Group will commission activity worth over PLN 200 billion and will distribute over PLN 300 billion for activities aimed at reducing the economic effects of the pandemic in Poland.

3. DEVELOPMENT PERSPECTIVES OF THE PFR CORPORATE GROUP

2021 will be a key year for PFR Corporate Group for many reasons. A considerable number of challenges will require effective use of existing resources and development of completely new areas of competence within the organization. One of the greatest challenges will be to continue to adjust the Company to the role of operator of programs under the PFR Financial Shield and to maintain readiness to perform additional tasks aimed at mitigating the effects of the economic crisis in Poland.

Depending on the development of the epidemic, 2021 may be a year of returning to the core activity – both investment and pro-development activity. The Polish Development Fund will also play an important part in the National Reconstruction Plan prepared by the government. Through investments in the key industries for Poland's development, the Group will continue to contribute to the reconstruction and transformation of the state's economy, facing challenges posed to the economy by the post-pandemic reality.

Because the period covered by the Corporate Group's Strategy ends in 2021, the Company will start working on preparing a new document for the PFR Corporate Group for another period of several consecutive years. The document will be a natural continuation of the development directions pursued now.

Involvement of the PFR Group in strategic initiatives indicated in the PFR Corporate Group Strategy

 <p>Digitalization of the Polish economy</p> <ul style="list-style-type: none"> Operator Chmury Krajowej Polish 5G Smart City Hub Financial instruments to develop digitalization 	 <p>Dynamic development of innovativeness</p> <ul style="list-style-type: none"> “Start in Poland” Financing innovations Sector of video games Transfer of technologies 	 <p>Modern infrastructure</p> <ul style="list-style-type: none"> Transport infrastructure Energy infrastructure Housing Business centers 		
 <p>Foreign expansion of Polish companies</p> <ul style="list-style-type: none"> Support in foreign markets International Desk Product of Poland Financing foreign expansion Polish Small and Medium-sized Enterprises in foreign markets 	 <p>Investments and the industry</p> <ul style="list-style-type: none"> Polish Investment Zone Strategic industrial parks Acquiring high quality investments Promotion of the Polish economy 	 <p>Self-learning labor market</p> <ul style="list-style-type: none"> Central House of Technology Young leaders HR for the industry Ecosystem of lifelong learning Loans for students and supporting education 		
 <p>Healthy and active society</p> <ul style="list-style-type: none"> Financing health care in Poland Pension security of Poles 	 <p>Sustainable economy</p> <ul style="list-style-type: none"> PFR Green Hub Circular economy 	 <p>Modern local governments and PPP</p> <ul style="list-style-type: none"> Development of the PPP formula Programs for local government units Education for local governments 		
 <p>Competitive SMEs</p> <ul style="list-style-type: none"> SME Development Center Innovative SMEs SME Financing: <i>De minimis</i> Guarantees SME Financing: European Programs SME Development 	 <p>Response to the global pandemic</p> <table border="0"> <tbody> <tr> <td> <ul style="list-style-type: none"> PFR Financial Shield for SMEs PFR Financial Shield for large companies Insurance coverage Extension of trade turnover insurance Financing leasing of transport companies Overdraft facility Loan for salary payment Extended system of guarantees for SMEs </td> <td> <ul style="list-style-type: none"> Liquidity Guarantee Fund Financial EU for SMEs Fund for combating COVID-19 System of contributions to loan interest Subsidies for working capital Business support in the period of pandemic Information and educational campaign for entrepreneurs </td> </tr> </tbody> </table>		<ul style="list-style-type: none"> PFR Financial Shield for SMEs PFR Financial Shield for large companies Insurance coverage Extension of trade turnover insurance Financing leasing of transport companies Overdraft facility Loan for salary payment Extended system of guarantees for SMEs 	<ul style="list-style-type: none"> Liquidity Guarantee Fund Financial EU for SMEs Fund for combating COVID-19 System of contributions to loan interest Subsidies for working capital Business support in the period of pandemic Information and educational campaign for entrepreneurs
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Initiatives in which the PFR Corporate Group is involved are marked in red.

Financial potential of the PFR Group defined in the Strategy

	INVESTMENTS Polish Development Fund	BANKING BANK GOSPODARSTWA KRAJOWEGO	INDUSTRIAL DEVELOPMENT ARPA
Development Institution			
Areas of operation	<ul style="list-style-type: none"> Non-public assets Public assets Funds' Fund Formula Residential investments 	<ul style="list-style-type: none"> Financing development of companies and local government units Guarantees and sureties Public finance / Flows of European funds Financing transport infrastructure 	<ul style="list-style-type: none"> Special Economic Zones Polish Investment Zone Debt and equity financing Development restructuring and corporate governance Innovations
Potential	PLN 24 billion capital for investments	PLN 69 billion potential of banking products	PLN 15 billion capital for industrial development
Commissioned operations	PLN 80 billion Demographic Reserve Fund	PLN 121 billion commissioned operations	
Measures aimed to reduce economic effects of the global pandemic*	PLN 100 billion PFR Financial Shield for Companies	PLN 240.6 billion additional financing generated in the economy through activities performed by BGK	PLN 1.7 billion Anti-crisis Shield
	EXPORT INSURANCE Grupa PFR	EXPORTS, INVESTMENTS, PROMOTION Grupa PFR	ENTREPRENEURIAL DEVELOPMENT Grupa PFR
Development Institution			
Areas of operation	<ul style="list-style-type: none"> Insurance of receivables Investment insurance Contractual guarantees Bank loan security 	<ul style="list-style-type: none"> Export Investments Promotion Partnership Polish Investment Zone 	<ul style="list-style-type: none"> Innovations Startups Internationalization Competence development Infrastructure
Potential	PLN 15 billion potential of guarantees and export insurance	PLN 8 billion handled investment projects	PLN 13.8 billion potential of funds for development projects
Measures aimed to reduce economic effects of the global pandemic*	PLN 160 billion turnover insurance in export	program dedicated to support the position of Polish companies in supply chains after the crisis	PLN 2.5 billion subsidies for working capital

* Some anti-crisis activities may be additionally financed from the development institutions' own potential

Warsaw, 25 May 2021



Paweł Borys
President of the Management Board



Bartłomiej Pawlak
Vice President of the Management Board



Bartosz Marczuk
Vice President of the Management Board



Tomasz Fill
Vice President of the Management Board

Financial highlights of PFR S.A.



Financial highlights as at 31 December 2020 and 31 December 2019

Profit and loss account	1.1-31.12.2020	1.1-31.12.2020	1.1-31.12.2019	1.1-31.12.2019
Financial highlights	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net revenues from sales	213,591.17	46,283.95	59,021.96	13,859.80
Net sales profit (loss)	95,797.81	20,758.82	(10,860.08)	(2,550.21)
Profit (loss) before tax	69,406.47	15,039.97	119,223.74	27,996.65
net profit (loss)	49,666.52	10,762.44	118,354.24	27,792.47

Balance sheet	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Financial highlights	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets	54,883,795.28	11,892,995.42	6,270,749.03	1,472,525.31
Current assets	17,383,742.16	3,766,954.62	77,610.54	18,224.85
Equity	4,535,242.46	982,760.35	2,878,446.15	675,929.59
Provisions for liabilities	53,753.04	11,647.97	16,314.95	3,831.15
Non-current liabilities	64,789,706.05	14,039,547.99	1,267.53	297.65
Current liabilities	2,887,687.69	625,744.93	3,451,358.36	810,463.39
Prepayments and accruals	1,148.21	248.81	972.57	228.38

Cash flow statement	1.1-31.12.2020	1.1-31.12.2020	1.1-31.12.2019	1.1-31.12.2019
Financial highlights	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Cash flow on operating activity	(100,665.58)	(21,813.64)	(18,191.97)	(4,271.92)
Cash flow on investing activity	(61,195,429.12)	(13,260,689.33)	(1,379,163.36)	(323,861.30)
Cash flow on financing activity	63,490,761.63	13,758,074.38	562,465.42	132,080.64
Total net cash flows	2,194,666.92	475,571.41	(834,889.90)	(196,052.58)

EUR exchange rate **4.6148** **4.2585**

Warsaw, 25 May 2021



Paweł Borys
President of the Management Board



Bartłomiej Pawlak
Vice President of the Management Board



Bartosz Marczuk
Vice President of the Management Board



Tomasz Fill
Vice President of the Management Board



Ewa Maciąg
Person responsible for keeping the accounting ledgers

Standalone Financial Statements for 2020

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Introduction to financial statements

1. COMPANY'S IDENTIFICATION DATA

1.1. Company name

Polski Fundusz Rozwoju Spółka Akcyjna, hereinafter referred to as the "Company" or "PFR".

1.2. Company's registered office

Krucza 50
00-025 Warsaw

1.3. Registration in the National Court Register (KRS)

Seat of the court: District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register
Date: 19 June 2013
Registration no.: 0000466256

1.4. Information on changes in the composition of the Company's Management Board

In 2020, there were no changes in the composition of the Company's Management Board.

1.5. Core business and duration of activity of the Company

As at the date of preparing the financial statements for 2020, the Company's core business was "Activities of head offices and holding companies, with the exception of financial holdings" (code in the Polish Classification of Businesses: PKD 70.10.Z).

The Company has been established for an indefinite term.

1.6. Period covered by the financial statements

The financial statements have been drawn up for the period from 1 January 2020 to 31 December 2020, while the comparative data cover the period from 1 January 2019 to 31 December 2019.

1.7. Going concern assumption

These financial statements have been prepared based on the assumption that the Company will continue its activity as a going concern in the foreseeable future.

There are no circumstances that would indicate any threats to the Company's continuity of the operations.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements have been prepared using the accounting principles described below:

2.1. Basis of preparation of the financial statements

The financial statements have been drawn up pursuant to the accounting principles in force in the territory of the Republic of Poland, as laid down in the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351, as amended) and in the executive regulations thereto, the Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and manner of presentation of financial instruments.

The accounting principles adopted by the Company have been applied continuously and comply with the accounting principles applied in the previous financial year.

2.2. Revenues and expenses

Revenue and expenses are recognized on an accrual basis, i.e. in the financial year to which they relate, regardless of when the payment is received or made.

2.3. Interest income

Interest income is recognized using the effective interest rate.

2.4. Dividend revenue

Dividend income is recognized as financial income as at the date of adoption of the resolution by the company's Shareholder Meeting in which the entity has invested, to distribute the profit unless the resolution specifies a different record date.

2.5. Cash flow statement

The cash flow statement has been prepared using the indirect method.

2.6. Intangible assets

Intangible assets are recognized in the ledgers at purchase prices or at the costs incurred to manufacture them, less amortization charges and impairment losses.

The entity should periodically verify that the amortization periods and rates applied to intangible assets are correct, adjusting amortization charges made in subsequent years accordingly.

2.7. Fixed assets

Fixed assets are measured in the ledgers at purchase price or production cost (initial value) less depreciation charges and less impairment losses.

The purchase price and production cost of fixed assets and fixed assets under construction include all of the costs incurred by the entity during the period of construction, assembly, adaptation and improvement until the date of its acceptance for use, also including the cost of servicing debt incurred to finance such assets and the related foreign exchange differences less the corresponding revenue.

The initial value of a fixed asset is increased by the costs of its improvement which involves rebuilding, expansion, modernization or reconstruction, meaning that the utility value of this fixed asset after completing improvement exceeds the utility value held at the time of commissioning it for usage.

Fixed assets are depreciated using the straight-line method. Depreciation commences in the month after a fixed asset is commissioned for use.

The entity should periodically verify that the depreciation periods and rates applied to fixed assets are correct, appropriately adjusting depreciation charges made in subsequent years.

2.8. Investments

Investments include assets held to achieve economic benefits resulting from their value growth, obtain income from them in the form of interest, dividends (profit sharing) or other benefits, including gains from commercial transactions, and particularly financial assets and such real property and intangible assets which are not used by the entity, but are held to obtain such benefits.

2.8.1. Investments in shares in subordinated entities

Shares in subordinated entities classified to non-current assets are measured at purchase price. In the event of impairment, the value of shares is reduced by a relevant charge.

2.8.2. Leases

When the Company is party to lease agreements pursuant to which it uses third party fixed assets or intangible assets and which in substance transfer the entire risk and benefits of holding such assets provided for in the agreements, the leased asset is recognized in the balance sheet. The leased asset is initially recognized at the lower of the two amounts: fair value or the present value of the minimum lease payments.

2.8.3. Non-current investments

Non-current investments are non-current assets whose realization time is longer than 12 months. They have been acquired by the Company with a view to economic benefits resulting from incremental value growth. At present, the Company's investments include investments in financial assets – in particular shares, investment certificates, bonds and loans.

The Company invests through Closed-end Non-Public Investment Funds, subscribing and paying for investment certificates. A valuation of the certificates is performed pursuant to the Act on Investment Funds by a specialized external firm in accordance with the rules defined in the Finance Minister's Regulation of 24 December 2007 on the detailed accounting principles for investment funds (Journal of Laws of 2007, no. 249, Item 1859, as amended). The value of an investment certificate is determined by performing a valuation of assets of the given fund, determining the net asset value and net asset value per investment certificate. Then fair value of each investment certificate held by the Company is determined, taking into consideration the principle that investment certificates paid for at the initial price of 0.10 PLN do not give the right to increase net assets, as a result of which their fair value is 0.10 PLN, while the remaining investment certificates participate in the growth of net assets in proportion to the level of payment for them. The acquired investment certificates, regardless of whether they are fully-paid or not, are classified as available-for-sale financial assets. The effects of revaluation to fair value, or revaluation gains or losses, are charged to the revaluation reserve until the certificate is redeemed (profit or loss is realized) or until impairment is recognized. Investment certificates paid for at the initial

price are recognized at the amount of the portion paid up. Not fully-paid investment certificates, apart from certificates paid up at the initial price of PLN 0.10, are recognized at the amount of the portion paid up, adjusted in subsequent periods by the effect of net asset valuation per investment certificate.

2.8.4. Impairment of non-current investments

An impairment charge is made when it is highly probable that an asset of the Company will not generate in the future – in a considerable part or completely – the expected economic benefits. This justifies an impairment charge which adjusts the value of the asset as carried in the accounting ledgers to the net sale price, and if no such price is available – to the fair value determined otherwise.

Not less frequently than at the end of a financial year, the Company determines whether there is a need to carry out the procedure to recognize an impairment loss for assets as a result of their revaluation. Where, in the course of a balance sheet year, the Company obtains information about significant events that may affect the value of the non-current investments being valued, the Company carries out a procedure to determine the impairment charge amount, no later than at the end of the quarter in which it obtained such information.

2.8.5. Current investments

Current investments include:

- cash and cash equivalents, made up of national currency, foreign currency and securities and other financial assets (including accrued interest on financial assets), provided they are due or payable within three months of the date on which they are received, issued or deposited,
- other current financial assets, which comprise other financial assets with a maturity of more than three months from the date on which they are received, issued or deposited.

2.8.6. Non-current investments created and acquired in connection with the execution of the Financial Shield government programs

PFR, in connection with the execution of the Financial Shield government program referred to in Article 21a sec. 1 of the Development Institution System Act and on the terms and conditions defined in the Program Documents, may:

- a. Grant interest-free financial subsidies which are classified in the category of loans granted and own receivables and measured at the amount of funds granted reduced by the repayments of the nominal amount. The Company has applied measurement at the nominal amount because it does not have data making it possible to estimate in a reliable way the amount and dates of receipt of funds from the State Treasury in connection with remissions of subsidies and loans. Nevertheless, considering the absence of interest (for financial subsidies) and commission, the measurement at the nominal amount is deemed close to the measurement at adjusted purchase price,
- b. Grant loans classified in the category of loans granted and own receivables and measured at adjusted purchase price calculated using the effective interest rate method,
- c. Subscribe for or purchase bonds issued by other entities which are classified in the category of loans granted and own receivables and measured at adjusted purchase price calculated using the effective interest rate method,
- d. Purchase shares or ownership interests of other entities which are classified in the category of financial assets available for sale if they do not satisfy the definition of subordinated entities. Financial assets available for sale are measured at fair value, i.e. the total amount which PFR will receive from both a possible buyer and the State Treasury.

2.8.7. Impairment of debt securities created and acquired in connection with the execution of the Financial Shield government programs

For financial subsidies, loans granted, bonds subscribed for/purchased, purchased receivables, created or acquired in connection with financing granted under the Financial Shield government programs, no impairment allowances are recognized, since the Company is not exposed to credit risk in the economic sense in connection with these debt instruments. In the assessment, PFR takes into consideration the probability that the asset will not generate, fully or substantially, expected economic benefits in the future, effects of the mechanism of tranches from the State Treasury, which involves supplementation of cash by the State Treasury to service external financing and other costs, which are first covered from repayments of granted financing, in accordance with the principles specific for the guarantee which constitutes an integral part of the agreements.

2.9. Receivables, claims and liabilities not classified as financial assets and liabilities

Non-financial receivables are recognized at the required payment amount in keeping with the conservative valuation principle. Receivables are remeasured while taking into account the likelihood of their payment, by recognizing an impairment charge allocated accordingly to other operating expenses or financial costs, depending on the type of receivables to which the impairment charge is applied.

Liabilities are recognized in the accounting ledgers at the required payment amount.

Receivables and liabilities denominated in foreign currencies are recognized on the date they arise at the average foreign exchange rate announced by the National Bank of Poland for that currency on the preceding day.

As at the balance sheet date, receivables and liabilities denominated in foreign currencies are measured at the average exchange rate announced for such date and such currency by the National Bank of Poland.

2.10. Prepayments and accruals

The Company recognizes prepaid expenses if they refer to future reporting periods. Accrued expenses are recognized in amounts of probable liabilities for the current reporting period.

2.11. Provisions for liabilities

Provisions are liabilities with an uncertain due date or amount.

Provisions reflect the duty of the Company – arising from past events – to make payments in the future, whose amount can be reliably estimated, even though neither the amount, nor the time of payment are certain. Provisions are added for non-incurred costs allocated to a given period, in a reliably estimated amount.

2.12. Income tax

Income tax shown in the profit and loss account includes current part and the deferred part.

Current income tax liability is calculated in compliance with the fiscal regulations. The deferred part presented in the profit and loss account is the difference between the balance of deferred tax liabilities and assets at the end and at the beginning of the reporting period.

Deferred tax liabilities and assets pertaining to operations recorded against equity are recognized in equity.

Deferred tax assets are recognized in the amount that is expected to be deducted from income tax in the future in connection with deductible temporary differences, and deductible taxable loss determined in keeping with the prudential principle.

Deferred tax liability is recognized in the income tax amount that will have to be paid in the future due to the occurrence of taxable temporary differences, i.e., differences that will increase the tax base in the future.

The amount of deferred tax liabilities and assets is calculated while taking into account the income tax rates in effect in the year when the tax liability comes into existence, taking into account the tax regulations in effect on the balance sheet date.

Deferred tax liabilities and assets are not set off for presentation purposes in the financial statements.

2.13. Foreign exchange differences

Foreign exchange differences resulting from the measurement, as at the balance sheet date, of assets and equity and liabilities denominated in foreign currencies, except for non-current investments, and ones arising in connection with the payment of receivables and liabilities in foreign currencies, as well as on the sale of foreign currencies, are recognized accordingly as financial income or costs and in justified cases – as the production cost of products or the purchase price of goods, as well as the purchase price or production cost of fixed assets, fixed assets under construction or intangible assets.

2.14. Financial instruments

2.14.1. Classification of financial instruments

Financial instruments are recognized and measured in accordance with the Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, measurement methods, scope of disclosure and method of presentation of financial instruments (Journal of Laws of 2001, No. 149, Item 1674). The principles of measurement and recognition of financial assets described in the note below do not apply to the following that are excluded from the Regulation, in particular: shares in subordinated entities, rights and obligations arising out of lease and insurance agreements, trade receivables and liabilities and financial instruments issued by the Company constituting its equity instruments.

2.14.2. Loans granted and own receivables

Loans granted and own receivables include, irrespective of their maturity (payment) date, financial assets created as a result of releasing cash directly to the other contractual party. Loans granted and own receivables also include bonds and other debt financial instruments acquired in return for cash handed over directly to the other contractual party, if the concluded contract clearly shows that the seller did not lose control over the issued financial instruments (repurchase transactions).

Loans granted and own receivables do not include loans incurred or receivables as well as payments made by the Company to purchase new issues of equity instruments, also if the purchase is made in the initial public offering or in primary trading, and in the case of rights to shares – also in secondary trading.

Loans granted and own receivables are measured at adjusted purchase price calculated using the effective interest rate method.

2.14.3. Financial assets available for sale

Financial assets not qualified in the foregoing categories are included in the financial assets available for sale.

Financial assets available for sale are measured at fair value, while gains and losses from periodic remeasurements are captured in the revaluation reserve.

Available-for-sale financial assets whose fair value cannot be determined in a reliable way are measured at purchase price.

Because Pekao S.A. is not a subordinated entity, the shares held by the Company have been classified to financial assets available for sale. As a result, shares of Pekao S.A. are measured at fair value and the remeasurement effect is presented in the revaluation reserve.

2.14.4. Financial liabilities

Financial liabilities held for trading, including derivatives not designated as hedging instruments, are measured at fair value, while profits and losses resulting from their measurement are recognized directly in the profit and loss account.

Financial liabilities held for trading also include an obligation to supply borrowed securities and other financial instruments if the Company enters into a short sale agreement.

Other financial liabilities are measured at adjusted purchase price calculated using the effective interest rate method.

2.14.5. Non-current liabilities on account of debt securities issued

A non-current liability is a duty – arising from past events – to make a payment of a reliably estimated value, which will result in using the existing or future assets of the PFR, with maturity longer than 12 months as from the balance sheet date.

Items classified as non-current liabilities include non-current liabilities on account of debt securities issues, including bonds issued by the PFR in connection with the execution of the Financial Shield government programs.

As at the balance sheet date, non-current liabilities on account of debt securities issues are measured at adjusted purchase price, while the effects of the measurement as well as revenues and expenses associated with the issue of bonds financing the execution of the Financial Shield government programs are recognized as settlements with the State Treasury.

2.15. Specification of the item of financial statements where assets / liabilities and revenues/costs connected with service of the Financial Shield government programs are recognized:

Item A. IV.3. Non-current financial assets

c) in other entities

- shares - Equity investments acquired within the execution of the Shield for Large Companies government program

- loans granted – Financial subsidies and loans granted in performance of the government programs: the Shield for MSMEs, the Shield for Large Companies and the Shield for LOT Polish Airlines – the non-current part

Item B.II.3 Receivables from other entities

c) other – Settlements with the State Treasury for servicing Financial Shield government programs

Item B.III.1 Current financial assets

b) in other entities

- loans granted – Financial subsidies and loans granted in performance of the government programs: the Shield for MSMEs, the Shield for Large Companies and the Shield for LOT Polish Airlines – the current part

c) cash and cash equivalents

- cash in hand and at bank – Cash in the accounts of the Financial Shield programs



- other cash - Term deposits from Financial Shield funds

Item B. II.3 Non-current liabilities to other entities

b) for issue of debt securities - PFR bonds issued for the purposes of executing the Financial Shield government programs – the non-current part

Item B. III.3 Current liabilities to other entities

b) for issue of debt securities - PFR bonds issued for the purposes of executing the Financial Shield government programs – the current part

Item A. I. Net revenues from sales of products

Remuneration for PFR from the State Treasury for servicing Financial Shield government programs

Balance sheet: assets

ASSETS	Note	31.12.2020	31.12.2019
A Non-current assets		54,883,795,277.39	6,270,749,025.83
I. Intangible assets	2		
3. Other intangible assets		14,005,809.69	9,221,935.33
		14,005,809.69	9,221,935.33
II. Property, plant and equipment	3		
1. Fixed assets		6,053,752.75	5,583,258.80
c) plant and machinery		1,787,857.07	2,106,476.66
d) means of transport (leasing)		755,162.34	1,176,754.05
e) other fixed assets		3,510,733.34	2,300,028.09
3. Advance payments for fixed assets under construction		-	22,497.80
		6,053,752.75	5,605,756.60
III. Non-current receivables			
From other entities		1,363,405.48	1,363,405.48
c) other		1,363,405.48	1,363,405.48
		1,363,405.48	1,363,405.48
IV. Non-current investments			
3. Non-current financial assets	9.1	54,459,649,655.43	6,094,312,934.59
a) in related parties	9.2	309,488,605.87	285,621,483.03
- shares		293,284,371.07	269,566,937.95
- other securities		10,188,000.00	10,197,550.00
- loans granted		6,016,234.80	5,856,995.08
b) in other entities in which the company holds an equity stake	9.3	2,052,725,742.60	3,374,734,874.77
- shares		2,052,725,742.60	3,374,734,874.77
c) in other entities	9.4	52,097,435,306.96	2,433,956,576.79
- shares		230,886,000.00	
- other securities		374,979,835.82	401,935,735.89
- loans granted		48,691,238,470.51	-
- other non-current financial assets		2,800,331,000.63	2,032,020,840.90
		54,459,649,655.43	6,094,312,934.59
V. Non-current prepayments and accruals			
1. Deferred tax assets	22.3	402,574,278.55	160,132,196.01
2. Other prepayments and accruals	10.1	148,375.49	112,797.82
		402,722,654.04	160,244,993.83



ASSETS	Note	31.12.2020	31.12.2019
B. Current assets		17,383,742,162.65	77,610,539.05
I. Inventory			
5. Advance payments for deliveries		-	-
		-	-
II. Current receivables			
1. Receivables from related parties		19,030,753.86	14,925,742.13
a) trade receivables		19,030,753.86	14,925,742.13
b) other		-	-
3. Receivables from other entities		829,771,173.84	4,017,670.13
a) trade receivables		1,443,891.44	1,498,193.58
b) on taxes, subsidies, customs duties, social insurance and health insurance or other public dues		-	163,505.22
c) other	1	828,327,282.40	2,355,971.33
		848,801,927.70	18,943,412.26
III. Current investments			
1. Current financial assets		16,532,785,099.95	57,533,988.47
a) in related parties	9.2	3,531,246.00	1,817,297.00
- loans granted		3,531,246.00	1,817,297.00
b) in other entities		14,278,870,237.70	-
- loans granted		14,278,870,237.70	-
- other current financial assets		-	-
c) cash and cash equivalents	12.1	2,250,383,616.25	55,716,691.47
- cash in hand and at bank		736,861,873.01	55,716,691.47
- other cash		1,513,521,743.24	-
		16,532,785,099.95	57,533,988.47
IV. Current prepayments and accruals	13	2,155,135.00	1,133,138.32
TOTAL ASSETS		72,267,537,440.04	6,348,359,564.88

Balance sheet: equity and liabilities

EQUITY AND LIABILITIES	Note	31.12.2020	31.12.2019
A. Equity			
I. Share capital	14.1	4,953,252,553.00	2,453,326,553.00
II. Supplementary capital	14.3	1,078,560,168.06	960,205,925.24
- share premium account		498,561,195.92	498,561,195.92
III. Revaluation reserve, including:	14.4	(1,546,236,782.40)	(653,440,568.64)
- from revaluation of fair value		(1,546,236,782.40)	(653,440,568.64)
IV. Other reserve capital		-	-
VI. Net profit (loss)	14.2	49,666,517.73	118,354,242.82
		4,535,242,456.39	2,878,446,152.42
B. Liabilities and provisions for liabilities			
		67,732,294,983.65	3,469,913,412.46
I. Provisions for liabilities			
1. Deferred tax liability	22.3	32,519,434.59	-
2. Provision for pension and similar benefits	15.1	18,162,805.08	12,891,899.11
- current		18,162,805.08	12,891,899.11
3. Other provisions		3,070,799.93	3,423,047.19
- current	15.2	3,070,799.93	3,423,047.19
		53,753,039.60	16,314,946.30
II. Non-current liabilities			
3. To other entities	16	64,789,706,046.24	1,267,532.96
a) loans and borrowings		-	-
b) under debt securities issued		64,788,827,606.95	-
c) other financial liabilities		878,439.29	1,267,532.96
		64,789,706,046.24	1,267,532.96



EQUITY AND LIABILITIES	Note	31.12.2020	31.12.2019
III. Current liabilities	17		
1. To related parties		2,420,101.94	10,208.08
a) trade liabilities		2,406,573.13	10,208.08
b) other		13,528.81	-
3. To other entities		2,885,067,622.53	3,451,234,814.67
a) loans and borrowings		1,823,718,754.47	3,442,040,397.80
b) under debt securities issued		1,029,266,663.86	
d) trade liabilities		14,987,197.87	6,560,789.96
g) on taxes, customs duties, social insurance and health insurance or other public dues for payroll		15,776,854.22	2,549,124.31
i) other		272,493.61	-
4. Special-purpose funds		1,045,658.50	84,502.60
		199,964.47	113,336.88
		2,887,687,688.94	3,451,358,359.63
IV. Accruals and deferred income			
Other accruals and deferred income		1,148,208.87	972,573.57
- current		1,148,208.87	972,573.57
		1,148,208.87	972,573.57
TOTAL EQUITY AND LIABILITIES		72,267,537,440.04	6,348,359,564.88

Profit and loss account

	Note	1.1-31.12.2020	1.1-31.12.2019
A. Net revenues from sales and equivalents			
I. Net revenues from sales of products	18	213,591,168.44	59,021,956.19
- from related parties		73,648,952.90	56,462,160.33
		213,591,168.44	59,021,956.19
B. Operating expenses			
I. Depreciation and amortization		(3,340,098.91)	(2,265,622.96)
II. Consumption of materials and energy		(750,144.86)	(921,296.47)
III. Third party services		(41,910,697.59)	(18,156,308.43)
IV. Taxes and charges		(428,124.58)	(295,634.28)
V. Payroll		(41,541,218.94)	(30,157,500.07)
VI. Social insurance and other benefits		(8,875,375.01)	(6,053,614.86)
- pension		(1,931,660.73)	(1,476,045.06)
VII. Other costs by nature		(20,947,700.74)	(12,032,060.53)
		(117,793,360.63)	(69,882,037.60)
C. Profit/(Loss) on sales		95,797,807.81	(10,860,081.41)
D. Other operating income			
I. Profit on disposal of non-financial non-current assets		-	2,276.42
II. Subsidies		435,373.86	238,697.98
III. Other operating income		2,325,875.39	1,150,339.10
		2,761,249.25	1,391,313.50
E. Other operating expenses			
III. Other operating expenses		(11,959,195.68)	(10,997,088.86)
		(11,959,195.68)	(10,997,088.86)
F. Operating profit/(loss)		86,599,861.38	(20,465,856.77)
G. Financial income			
I. Dividends and profit sharing		-	221,734,695.60
b) from other entities, by virtue of:		-	221,734,695.60
- in which the company holds an equity stake		-	221,734,695.60
I. Interest	19	20,942,354.00	24,654,211.77
- including from related parties		1,038,213.81	1,284,062.72
III. Profit on disposal of investments		37,525,717.58	-
IV. Other		2,118,656.69	797,032.23
		60,586,728.27	247,185,939.60



	Note	1.1-31.12.2020	1.1-31.12.2019
H. Financial costs			
I. Interest	20	(62,531,639.69)	(101,831,050.29)
- including budget interest		-	-
III. Revaluation of investments	21	-	(1,877,695.00)
IV. Other		(15,248,481.09)	(3,787,594.51)
		(77,780,120.78)	(107,496,339.80)
I. Profit (loss) before tax		69,406,468.87	119,223,743.03
J. Income tax	22.1	(19,739,951.14)	(869,500.21)
L. Net profit (loss)		49,666,517.73	118,354,242.82

Statement of changes in equity

	1.1-31.12.2020	1.1-31.12.2019
I. Equity at the beginning of the period	2,878,446,152.42	3,032,450,295.22
I.a. Equity at the beginning of the period after adjustments	2,878,446,152.42	3,032,450,295.22
1. Share capital at the beginning of the period	2,453,326,553.00	2,453,326,553.00
1.1. Change in share capital	2,499,926,000.00	
a) increases	2,499,926,000.00	-
- capital increase	2,499,926,000.00	-
b) decreases	-	-
1.2. Share capital at the end of the period	4,953,252,553.00	2,453,326,553.00
2. Supplementary capital at the beginning of the period	960,205,925.24	793,683,513.88
2.1. Change in supplementary capital		
a) increases	118,354,242.82	166,522,411.36
- capital increase	0.00	0.00
- distribution of the result	118,354,242.82	166,522,411.36
- from profit distribution (above the minimum value required by law)	-	0.00
b) decreases	-	-
2.2. Supplementary capital at the end of the period	1,078,560,168.06	960,205,925.24
3. Revaluation reserve at the beginning of the period	(653,440,568.64)	(381,082,183.02)
3.1. Change in revaluation reserve	(892,796,213.76)	(272,358,385.62)
a) increases	470,973,319.43	63,950,190.77
- investment measurement to fair value	219,791,584.32	-
- deferred tax asset	251,181,735.11	63,950,190.77
b) decreases	(1,363,769,533.19)	(336,308,576.39)
- investment measurement to fair value for shares of Pekao S.A.	(1,322,009,132.17)	(287,247,241.03)
- investment measurement to fair value for investment certificates	-	(49,061,335.36)
- deferred tax liability	(41,760,401.02)	-
3.2. Revaluation reserve at the end of the period	(1,546,236,782.40)	(653,440,568.64)



	1.1-31.12.2020	1.1-31.12.2019
4. Other reserve capital at the beginning of the period	-	-
4.1. Change in other reserve capital		
a) increases	-	-
- contribution to increase capital	-	-
b) decreases	-	-
- contribution to supplementary capital on account of capital increase in 2017	-	
- contribution to share capital on account of capital increase in 2017	-	
- contribution to share capital on account of PCC tax	-	-
4.2. Other reserve capital at the end of the period	-	-
5. Retained earnings at the beginning of the period	118,354,242.82	166,522,411.36
5.1. Change in retained earnings	(118,354,242.82)	(166,522,411.36)
b) decreases	(118,354,242.82)	(166,522,411.36)
- distribution of the result	(118,354,242.82)	(166,522,411.36)
5.2. Retained earnings at the end of the period	-	-
6. Net result		
net profit	49,666,517.73	118,354,242.82
net loss	-	-
profit write-offs	-	-
II. Equity at the end of the period	4,535,242,456.39	2,878,446,152.42
III. Equity after taking into consideration the proposed distribution of profit	4,535,242,456.39	2,878,446,152.42

Cash flow statement

	Note	1.1-31.12.2020	1.1-31.12.2019
A. Cash flows from operating activities			
I. Net profit (loss)		49,666,517.73	118,354,242.82
II. Total adjustments:			
1. Depreciation and amortization		3,340,098.91	2,265,622.96
3. Interest and profit sharing (dividends)		41,589,285.69	(144,557,857.08)
4. Profit on investing activity	24.1	(37,525,717.58)	(2,276.42)
5. Change in provisions		37,438,093.30	(948,214.20)
6. Change in inventories		-	-
7. Change in receivables		(2,239,003.55)	(8,244,024.22)
8. Change in current liabilities, except for loans and borrowings	24.2	24,995,215.11	4,239,053.18
9. Change in prepayments and accruals		(243,324,021.59)	(61,212,591.46)
11. Other adjustments	24.4	25,393,953.80	71,914,075.67
		(150,332,095.91)	(136,546,211.57)
III. Net cash flows from operating activities		(100,665,578.18)	(18,191,968.75)
B. Cash flows from investing activities			
I. Proceeds		3,533,019,427.37	253,152,545.23
1. Sale of intangible assets and property, plant and equipment		-	2,276.42
2. From financial assets, of which:		3,533,019,427.37	253,150,268.81
b) in other entities		3,533,019,427.37	253,150,268.81
- disposal of financial assets		2,557,368,198.16	-
- dividends and profit-sharing		-	221,734,695.60
- repayment of long-term loans granted		925,400,393.54	4,345,200.74
- interest		18,425,290.26	27,070,372.47
- interest on Financial Shield		3,025,545.41	-
- other proceeds from financial assets		28,800,000.00	-
3. Other investment proceeds		-	-

	Note	1.1-31.12.2020	1.1-31.12.2019
II. Expenditures		(64,728,448,552.25)	(1,632,315,905.70)
1. Purchase of intangible assets and property, plant and equipment	24.3	(8,638,844.14)	(8,724,010.70)
2. Investments in real property and intangible assets		-	-
3. For financial assets, including:		(64,151,197,421.39)	(418,000,000.00)
a) in related parties		(25,590,621.84)	(80,000,000.00)
- purchase of financial assets		(25,590,621.84)	(80,000,000.00)
b) in other entities		(64,125,606,799.55)	(338,000,000.00)
- purchase of financial assets		(64,125,606,799.55)	(338,000,000.00)
4. Other investment disposals	24.5	(568,612,286.72)	(1,205,591,895.00)
III. Net cash flows from investing activities		(61,195,429,124.88)	(1,379,163,360.47)
C. Cash flows from financing activities			
I. Proceeds		65,173,050,750.00	789,901,914.79
1. Net inflows from issuing shares and other equity instruments and additional capital contributions		-	-
2. Credits and loans		-	789,901,914.79
3. Issue of debt securities		65,173,050,750.00	-
II. Expenditures		(1,682,289,122.19)	(227,436,490.52)
1. Repayment of loans and borrowings		(1,609,900,914.79)	(125,330,070.95)
2. Liabilities paid under financial lease agreements		(389,093.67)	(111,740.37)
3. Interest		(71,999,113.73)	(101,994,679.20)
III. Net cash flows from financing activities		63,490,761,627.81	562,465,424.27
D. Total net cash flows		2,194,666,924.75	(834,889,904.95)
E. Balance sheet change in cash		2,194,666,924.78	(846,542,829.66)
F. Cash at the beginning of the period		55,716,691.47	890,606,596.42
G. Cash at the end of the period	12.2	2,250,383,616.25	55,716,691.47
- including restricted cash		1,886,630,900.19	55,583,923.33

Notes and explanations

1. FINANCIAL SHIELD GOVERNMENT PROGRAMS

Pursuant to the Development Institutions System Act of 4 July 2019 (Journal of Laws, Item 1572, as amended), PFR performs tasks entrusted by the state administration authorities, i.e. handling of the government programs: the Financial Shield for Large Companies, the Financial Shield for MSMEs and the government support program for PLL LOT S.A.

When performing the duties arising from the Financial Shield government programs, PFR takes action for the account of the State Treasury represented by the Development Minister acting in agreement with the Finance Minister and at its exclusive cost and risk. These actions include raising third party financing through the issue of bonds and granting financing pursuant to the contractual terms of the Financial Shield government programs.

On initial recognition, the measurement of the subsidies and loans granted under the Financial Shield government programs is equal to their nominal value. On subsequent balance sheet dates, interest-free financial subsidies which are classified in the category of loans granted and own receivables, are measured at the amount of funds granted, less repayments of the nominal amount. The Company has applied measurement at the nominal amount because it does not have data making it possible to estimate in a reliable way the amount and dates of receipt of funds from the State Treasury in connection with remissions of subsidies and loans. Nevertheless, considering the absence of interest (for financial subsidies) and commission, the measurement at the nominal amount is deemed close to the measurement at adjusted purchase price. Pursuant to the adopted accounting policy, the Company does not recognize impairment losses for the financial subsidies and loans granted because the State Treasury incurs all the costs and risks associated with the performance of the government programs, which includes being ready to cover the costs resulting from failures to repay the subsidies and loans.

The financial subsidies granted under the government program – Financial Shield for MSMEs, and some of the loans granted under the government program – Financial Shield for Large Companies, may be subject to remission, after satisfying the conditions defined in the agreements. PFR presents remissions of financial subsidies and loans granted as well as interest income and revaluations as settlements with the State Treasury as referred to below.

Pursuant to the rules and regulations of the government program – Financial Shield for MSMEs, the maximum remission level may be 75% of the subsidy amount after beneficiaries satisfy the conditions defined in the program, except for entrepreneurs operating in the industries most affected by the effects of Covid-19-related administrative restrictions who, having satisfied the conditions defined in the program, will be exempt from the duty to repay financial subsidies entirely.

Pursuant to the rules and regulations of the government program – Financial Shield for Large Companies, the maximum remission level for preferential loans may be 75% of the loan amount after the beneficiary satisfies the conditions defined in the program. Liquidity loans are not subject to remission.

Non-current liabilities on account of debt securities issues include bonds issued by PFR in connection with obtaining funds for granting financing within the execution of the Financial Shield government programs. The bonds are secured by the State Treasury's guarantee and the costs of issuing the bonds, payment of interest on the bonds and the bond redemption are subject to the mechanism of tranches from the State Treasury, which involve disbursement of cash to cover the above costs and redemption if there are no funds in the accounts of the Financial Shield government programs. Both costs of emissions, costs of interest and tranches from the State Treasury are recognized as settlements with the State Treasury.

In the item of receivables / liabilities on account of settlements with the State Treasury, the Company presents effects of operations connected with the execution of the Financial Shield government programs, based on the mechanism of tranches from the State Treasury, which guarantee that costs are refunded and redemption of the issued bonds is covered and which involve the condition that cash surpluses remaining in the accounts of the Financial Shield government programs have to be returned after repayment of the external financing (bonds).

As at 31 December 2020, settlements with the State Treasury showed a debit balance, therefore they are presented in PFR's balance sheet in the item "Current receivables from other entities – other" in the amount of PLN 827,619,511.89.

Components of assets and liabilities of the Financial Shield for MSMEs

	Note	31.12.2020	31.12.2019
Program Assets, including:		61,842,745,635.99	
Loans granted		60,521,942,990.88	-
Financial subsidies granted within the Financial Shield for MSMEs government programs – non-current	9.4	46,588,622,291.98	-
Financial subsidies granted within the Financial Shield for MSMEs government programs – current	12.1	13,933,320,698.90	-
Cash at hand and on bank accounts, including:	12.2	552,521,365.15	-
Bank account of the Financial Shield for MSMEs program		552,521,365.15	-
Term deposits of the Financial Shield for MSMEs program			
Receivables on account of settlements with the State Treasury, including:		768,281,279.96	-
Cost of interest on the issued bonds		635,070,738.92	-
Adjustment of the valuation of the issued bonds (SCN)		(3,610,217.90)	-
Remissions of financial subsidies		-	-
External costs of the Financial Shield for MSMEs government program		15,852,866.23	-
Remuneration for PFR for executing the Financial Shield for MSMEs government program		125,196,428.58	-
Cash received from the State Treasury in Tranches		(2,267,750.00)	-
Interest income		(1,960,785.87)	-

Receivables on account of financial subsidies are divided into the current and non-current parts without taking into consideration planned remissions of the subsidies because at the balance sheet date, the level of remissions was not known yet.

	Note	31.12.2020	31.12.2019
Program Liabilities, including:		61,842,745,635.99	-
Liabilities on the issue of debt securities - non-current	16.2	60,828,525,526.30	-
Liabilities on the issue of debt securities – current	16.2	967,963,724.40	-
Cash payable to PFR as remuneration for Q4 2020		46,125,000.00	-
Current trade liabilities		131,385.29	-

The remuneration for executing the government program for Micro, Small and Medium-sized Enterprises (MSMEs) is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. In 2020, the net remuneration for handling the Financial Shield for MSMEs government program was PLN 101,785.7 million.

Components of assets and liabilities of the Financial Shield for Large Companies

	Note	31.12.2020	31.12.2019
Program Assets, including:		3,143,632,457.35	-
Non-current investments, including:	9.4	230,886,000.00	-
Shares of PGG SA		230,886,000.00	-
Loans granted		1,554,483,717.33	-
Loans - non-current receivables	9.4	1,208,934,178.53	-
Loans – current receivables	12.1	345,549,538.80	-
Cash at hand and on bank accounts, including:	12.2	1,299,499,819.70	-
Bank account of the program of the Financial Shield for Large Companies		1,299,499,819.70	-
Receivables on account of settlements with the State Treasury, including:		58,762,920.32	-
Cost of interest on the issued bonds		13,391,986.26	-
Adjustment of the valuation of the issued bonds (SCN)		(97,750.34)	-
Revaluation of shares		-	-
Remissions of loans		-	-
External costs of the government program of the Financial Shield for Large Companies		4,801,301.08	-
Remuneration for PFR for executing the government program of the Financial Shield for Large Companies		41,732,142.86	-
Cash received from the State Treasury in Tranches		-	-
Interest income		(1,064,759.54)	-

Receivables on account of loans granted are divided into the current and non-current parts without taking into consideration planned remissions of the loans because at the balance sheet date, the level of remissions was not known yet.

	Note	31.12.2020	31.12.2019
Program Liabilities, including:		3,143,632,457.35	-
Liabilities on the issue of debt securities - non-current	16.2	3,078,529,149.23	-
Liabilities on the issue of debt securities – current	16.2	49,105,086.69	-
Cash payable to PFR as remuneration for Q4 2020		15,375,000.00	-
Current trade liabilities		623,221.43	-

The remuneration for executing the government program for Large Companies is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. In 2020, the net remuneration for handling the government program – Financial Shield for Large Companies was PLN 33,928.6 million.

Components of assets and liabilities of the Financial Shield for LOT Polish Airlines

	Note	31.12.2020	31.12.2019
Program Assets, including:		894,257,384.19	-
Loans granted		893,682,000.00	-
Loans - non-current receivables	9.4	893,682,000.00	-
Loans – current receivables	12.1	-	-
Cash at hand and on bank accounts, including:	12.2	72.58	-
Bank account of the program of the Financial Shield for LOT Polish Airlines		72.58	-
Receivables on account of settlements with the State Treasury, including:		575,311.61	-
Cost of interest on the issued bonds		290,438.33	-
Adjustment of the valuation of the issued bonds (SCN)		(1,654.14)	-
External costs of the government program of the Financial Shield for LOT Polish Airlines		286,527.42	-
Cash received from the State Treasury in Tranches		-	-
Interest income		-	-
	Note	31.12.2020	31.12.2019
Program Liabilities, including:		894,257,384.19	-
Liabilities on the issue of debt securities – non-current	16.2	881,772,931.42	-
Liabilities on the issue of debt securities – current	16.2	12,197,852.77	-
Current trade liabilities		286,600.00	-

The remuneration for executing the government program for LOT Polish Airlines is paid as a total amount with the remuneration for executing the government program for Large Companies.

2. INTANGIBLE ASSETS

2.1. Change in intangible assets

in the period from 1.1.2020 to 31.12.2020

	Other intangible assets	Total
Gross amount		
1.1.2020	10,809,810.87	10,809,810.87
Additions by virtue of purchases	5,713,512.07	5,713,512.07
31.12.2020	16,523,322.94	16,523,322.94
Accumulated amortization		
1.1.2020	(1,587,875.54)	(1,587,875.54)
Additions by virtue of a planned remission	(929,637.71)	(929,637.71)
31.12.2020	(2,517,513.25)	(2,517,513.25)
Net value		
1.1.2020	9,221,935.33	9,221,935.33
31.12.2020	14,005,809.69	14,005,809.69

in the period from 1.1.2019 to 31.12.2019

	Other intangible assets	Total
Gross amount		
1.1.2019	3,167,795.43	3,167,795.43
Additions by virtue of purchases	7,642,015.44	7,642,015.44
31.12.2019	10,809,810.87	10,809,810.87
Accumulated amortization		
1.1.2019	(997,357.95)	(997,357.95)
Additions by virtue of a planned remission	(590,517.59)	(590,517.59)
31.12.2019	(1,587,875.54)	(1,587,875.54)
Net value		
1.1.2019	2,170,437.48	2,170,437.48
31.12.2019	9,221,935.33	9,221,935.33

3. PROPERTY, PLANT AND EQUIPMENT

3.1. Change in fixed assets

in the period from 1.1.2020 to 31.12.2020

	Plant and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross amount					
1.1.2020	4,510,878.92	1,692,663.90	3,958,880.27	22,497.80	10,184,920.89
Additions by virtue of:	1,146,482.37	-	1,778,849.70	-	2,925,332.07
- purchases	1,146,482.37	-	1,778,849.70	-	2,925,332.07
- leasing	-	-	-	-	-
Internal transfer	-	-	-	-	-
Reductions	(12,831.20)	-	(169,753.98)	(22,497.8)	(205,082.98)
31.12.2020	5,644,530.09	1,692,663.90	5,567,975.99	-	12,905,169.98
Accumulated depreciation					
1.1.2020	(2,404,402.26)	(515,909.85)	(1,658,852.18)	-	(4,579,164.29)
Additions by virtue of a planned remission	(1,461,073.39)	(421,591.71)	(548,033.81)	-	(2,430,698.91)
Internal transfer	-	-	-	-	-
Reductions	8,802.63	-	149,643.34	-	158,445.97
31.12.2020	(3,856,673.02)	(937,501.56)	(2,057,242.65)	-	(6,851,417.23)
Net value					
1.1.2020	2,106,476.66	1,176,754.05	2,300,028.09	22,497.80	5,605,756.60
31.12.2020	1,787,857.07	755,162.34	3,510,733.34	-	6,053,752.75

in the period from 1.1.2019 to 31.12.2019

	Plant and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross amount					
1.1.2019	2,765,904.37	1,330,292.19	4,671,358.80	-	8,767,555.36
Additions by virtue of:	912,020.20	504,803.90	124,979.46	22,497.80	1,564,301.36
- purchases	912,020.20	-	124,979.46	22,497.80	1,059,497.46
- leasing	-	504,803.90	-	-	504,803.90
Internal transfer	837,457.99	-	(837,457.99)	-	-
Reductions	(4,503.64)	(142,432.19)	-	-	(146,935.83)
31.12.2019	4,510,878.92	1,692,663.90	3,958,880.27	22,497.80	10,184,920.89
Accumulated depreciation					
1.1.2019	(1,079,333.22)	(166,765.00)	(1,694,920.41)	-	(2,941,018.63)
Additions by virtue of a planned remission	(944,676.76)	(384,749.87)	(345,993.64)	-	(1,675,420.27)
Internal transfer	(382,061.87)	-	382,061.87	-	-
Reductions	1,669.59	35,605.02	-	-	37,274.61
31.12.2019	(2,404,402.26)	(515,909.85)	(1,658,852.18)	-	(4,579,164.29)
Net value					
1.1.2019	1,686,571.15	1,163,527.19	2,976,438.39	-	5,826,536.73
31.12.2019	2,106,476.66	1,176,754.05	2,300,028.09	22,497.80	5,605,756.60

4. FIXED ASSETS THAT ARE NOT DEPRECIATED

The value of fixed assets not presented in the Company's assets – the vehicles used by the Company based on financial lease agreements as at 31 December 2020 was PLN 501,319.52. The initial value of those fixed assets results from executed lease agreements. The Company also has other non-depreciated fixed assets – 7 items of office equipment worth PLN 97,000, which are used by the Company based on a lease agreement.

5. REVALUATION CHARGES FOR PROPERTY, PLANT AND EQUIPMENT

The Company did not make any revaluation charges for property, plant and equipment in the reporting period.

6. COMPLETED DEVELOPMENT WORK

Not applicable.

7. LAND IN PERPETUAL LEASEHOLD

Not applicable.

8. OUTLAYS FOR NON-FINANCIAL NON-CURRENT ASSETS INCURRED LAST YEAR AND PLANNED FOR THE NEXT YEAR

In connection with the further development of the Company, the capital expenditures incurred in 2020 amounted to PLN 8.3 million. The expenditures were allocated for, among others:

- construction and implementation of IT solutions earmarked for servicing the program of Financial Shield performed by the Company: PLN 4.5 million
- purchase of hardware and software: PLN 0.6 million,
- purchase of a system to strengthen security: PLN 0.3 million,
- establishment of a new branch of Contact Center in Chelm: PLN 1.8 million.

The capital expenditures planned for 2021 amount to PLN 15.8 million and will be earmarked for, among others, hardware and necessary software, further IT works on the Financial Shield, programming work in connection with servicing the program for Employee Capital Plans (ECPs, [Polish: PPK]), preparation of data exchange mechanism for the CIE system being designed. The above expenditures are justified by the Company's further development and programs performed by the Company.

Capital expenditures for environmental protection for the 2020 financial year were PLN 0.00 (in 2019, PLN 0.00).

9. NON-CURRENT INVESTMENTS

9.1. Change in non-current investments

As at 31.12.2020

	Non-current financial assets	Total
Gross amount		
1.1.2020	6,918,046,983.90	6,918,046,983.90
Additions by virtue of purchases, including:	64,719,809,708.11	64,719,809,708.11
- subsidies and loans granted within the government Financial Shield programs	63,894,720,799.55	63,894,720,799.55
- shares acquired within the government Financial Shield programs	230,886,000.00	230,886,000.00
Additions by virtue of accrued interest, including:	2,622,852.13	2,622,852.13
- on subsidies and loans granted within the government Financial Shield programs	788,302.20	788,302.20
Reductions by virtue of repayment, including:	(974,294,104.85)	(974,294,104.85)
- subsidies and loans granted within the government Financial Shield programs	(925,400,393.54)	(925,400,393.54)
Reductions by virtue of a merger of companies	-	-
31.12.2020	70,666,185,439.29	70,666,185,439.29
Fair value measurement		
1.1.2020	(821,916,752.31)	(821,916,752.31)
Revaluation	(1,102,217,547.85)	(1,102,217,547.85)
31.12.2020	(1,924,134,300.16)	(1,924,134,300.16)
Net value		
1.1.2020	6,096,130,231.59	6,096,130,231.59
31.12.2020	68,742,051,139.13	68,742,051,139.13
including:		
current, including:	14,282,401,483.70	14,282,401,483.70
- financial instruments on account of Financial Shield government programs	14,278,870,237.70	14,278,870,237.70
non-current, including:	54,459,649,655.43	54,459,649,655.43
- financial instruments on account of Financial Shield government programs	48,922,124,470.51	48,922,124,470.51

As at 31.12.2019

	Non-current financial assets	Total
Gross amount		
1.1.2019	5,294,306,590.47	3,734,985,806.90
Additions by virtue of purchases	1,623,591,895.00	1,623,591,895.00
Additions by virtue of accrued interest	5,559,871.45	5,559,871.45
Reductions by virtue of repayments	(3,533,678.02)	(3,533,678.02)
Reductions by virtue of a merger of companies	(1,877,695.00)	(1,877,695.00)
31.12.2019	6,918,046,983.90	5,358,726,200.33
Fair value measurement		
1.1.2019	(485,671,830.02)	2,955,290,383.24
Revaluation	(336,244,922.29)	(336,244,922.29)
31.12.2019	(821,916,752.31)	2,619,045,460.95
Net value		
1.1.2019	4,808,634,760.45	6,690,276,190.14
31.12.2019	6,096,130,231.59	7,977,771,661.28
including:		
current	1,817,297.00	1,817,297.00
non-current	6,094,312,934.59	7,975,954,364.28

9.2. Non-current financial assets in related parties

	31.12.2020	31.12.2019
Shares	293,284,371.07	269,566,937.95
Loans granted	9,547,480.80	7,674,292.08
Bonds	10,188,000.00	10,197,550.00
	313,019,851.87	287,438,780.03
including:		
non-current	309,488,605.87	285,621,483.03
current	3,531,246.00	1,817,297.00

Shares

As at 31 December 2020, an impairment test was carried out for selected companies (National Cloud Operator, PFR Nieruchomości, PFR Ventures, PFR Portal PPK) in which PFR S.A. holds equity stakes and which are related parties to PFR S.A. The impairment test was performed, among others, for companies in which there occurred a condition for impairment, i.e. there was a surplus of the PFR S.A. investment value over the company's net asset value attributable to PFR S.A., and the surplus amount makes a material difference. The test was conducted based on the companies' financial forecasts (a period from 5 to 10 years). As a result of performing the impairment test for companies using the income method based on discounted cash flows, no impairment was identified for any related parties.

Bonds

As at 31 December 2020, the Company held 10,000 (ten thousand) Series A2 and B2 bearer bonds of PFR Nieruchomości Spółka Akcyjna of the nominal value of PLN 1000.00 each, and the total value of PLN 10,000,000.00, with a five-year maturity period, classified as loans granted and own receivables. The bonds bear variable interest WIBOR 6M + interest margin of 2.5% with a six-month interest payment period.

9.3. Non-current financial assets in other entities in which the company holds an equity stake

	31.12.2020	31.12.2019
Shares of Bank Pekao SA	2,052,725,742.60	3,374,734,874.77
	2,052,725,742.60	3,374,734,874.77

On 7 June 2017, as a result of the performance of block transactions on the exchange market, PFR and PZU acquired from Uni-Credit S.p.A. shares of Bank Pekao, which were subject to a preliminary agreement to sell shares entered into on 8 December 2016. The block of 33,596,165 shares purchased by PFR represents 12.8% of the overall number of votes at the Shareholder Meeting of Bank Pekao.

As at 31 December 2020, PFR held a block of 33,596,166 shares (12.8% of the total number of the shares) of Bank Pekao. According to the measurement, the value of shares held by the Company as at 31 December 2020 was PLN 2,052,725,742.60 (the price of a share is PLN 61.10).

Within the process of verification of the value of PFR S.A.'s investments, including the owned block of shares of Bank Pekao S.A., an analysis was conducted in the context of a potential impairment of the investment in the shares of Bank Pekao S.A. In PFR S.A.'s opinion, there are no sufficient grounds to identify the impairment. In 2020, there was a significant decrease in the price of Bank Pekao S.A.'s shares, among others, as a result of the beginning of the COVID-19 virus pandemic. One of the major factors influencing the decrease in the share price was the uncertainty of capital markets at the time with regard to the economic future. The fact that the NBP reduced basic interest rates was not without significance either, as it translated directly into a decrease in the amount of interest income generated by Polish banks. An additional analysis of the share price was carried out, as a result of which the observed share price decrease was classified as temporary, caused by natural processes of market fluctuations, including, in particular, temporary changes in the market environment.

The lowest share price of Bank Pekao S.A. was observed between the periods of the so-called the first and second waves of the pandemic. Since that time, share prices have continued to increase, which represents a clear trend, both in the perspective of the beginning of the pandemic as well as in the current period, i.e. from the beginning of 2021. At present, the closing price (data as at 18 May 2021) is at the level of PLN 90.76 per share, while as at 30 December 2020, it was PLN 61.10.

Furthermore, at the present moment, it is expected that the bank, provided that the KNF issues the relevant recommendation, will disburse dividend at the level of 50-75% of the net profit for 2020 (i.e. PLN 1.1 billion), which would translate into financial income for PFR S.A. in the amount between PLN 70 and 105 million.

Based on the above analysis, the Company does not identify sufficient grounds to think that the investment has been subject to impairment. The trend of the changing share price, expectations of dividend payment as well as the anticipated increase in NBP's basic interest rates in the future – all of these factors indicate that the decrease in the share price is a temporary effect of fluctuations in the market situation and that a recovery in the investment value can be reasonably expected.

9.4. Non-current financial assets in other entities

	31.12.2020	31.12.2019
Loans granted	48,691,238,470.51	-
Financial subsidies granted within the Financial Shield for MSMEs government programs	46,588,622,291.98	-
Loans granted under the government program of the Financial Shield for Large Companies	1,208,934,178.53	-
Loans granted under the government program of the Financial Shield for LOT Polish Airlines	893,682,000.00	-
Shares, including	230,886,000.00	-
Shares of PGG SA acquired under the government program of Financial Shield for Large Companies	230,886,000.00	-
Other non-current financial assets, including:	2,800,331,000.63	2,032,020,840.90
Investment certificates of FIJK	307,993,099.18	311,315,120.22
Investment certificates of FIID	-	18,445,772.68
Investment certificates of FIS	309,671,000.00	311,039,500.00
Investment certificates of FIPP	165,951,551.99	161,094,448.00
Investment certificates of PFR FF	217,001,000.00	94,777,000.00
Investment certificates of PFR Inwestycje	1,799,713,053.00	1,135,349,000.00
Investment certificates of FSMDR	218.98	-
Investment certificates of FSMNW	1,077.48	-
Other securities, including:	374,979,835.82	401,935,735.89
Bonds of Trenino Holding Sp. z o.o.	69,424,269.30	63,676,948.86
Bonds of PFR Porty Sp. z o.o.	305,555,566.52	338,258,787.03
	52,097,435,306.96	2,433,956,576.79

Financial subsidies granted under the Financial Shield for MSMEs government program and loans granted under the Financial Shield government programs for Large Companies and for LOT Polish Airlines

Detailed information on the subsidies and loans granted under the Financial Shield government programs are presented in Note 1.

Shares acquired under the government program of Financial Shield for Large Companies

The duty to purchase the shares of PGG followed from the terms and conditions of "the Polish Development Fund's financial shield for Large Companies". In accordance with the provisions of the Program, when granting financing under the Program and where a given commercial undertaking is a portfolio company of the fund managed by PFR, then PFR is obligated, before granting such financing, to transfer such exposure to date to the Program's account. The transfer should be effected at the value following from the measurement of the fund's assets as at 31 March 2020. As at 31 December 2020, PFR held a block of 3,000,000 shares of PGG (7.66% of the total number of the shares).

Bonds

As at 31 December 2020, the Company held 54,412 (fifty four thousand four hundred twelve) registered discount bonds (Series A) and 62,047 (sixty two thousand forty seven) registered discount bonds (Series B) purchased from Trenino Holding Spółka z ograniczoną odpowiedzialnością, of the total nominal value of PLN 116,459,000.00 with the redemption date – 31 December 2026. The Company purchased the bonds from Trenino Holding Spółka z ograniczoną odpowiedzialnością for the total amount of PLN 57,999,700.66. The effective interest rate of the bonds is 9% per annum.

As at 31 December 2020, the Company held 4,200 (four thousand two hundred) registered bonds (Series A) and 305,000 (sixty three thousand and five thousand) registered bonds (Series B) purchased from PFR Porty Spółka z ograniczoną odpowiedzialnością, of the total nominal value of PLN 309,200,000.00. The bonds' interest rate as at the date of this report was 4.22% (WIBOR 3M = 0.22% + margin 4%).

Investment certificates

Investment certificates of FIJK

As at 31 December 2020, PFR held 298,012 FIJK Investment Certificates, to which PFR paid a total amount of PLN 298,012,000.00, and whose total fair value was PLN 307,993,099.18.

Investment certificates of FIS

As at 31 December 2020, PFR held 310,000 FIS Investment Certificates, to which PFR paid a total amount of PLN 310,000,000.00, and whose total fair value was PLN 309,671,000.

Investment certificates of FIPP

As at 31 December 2020, PFR held 204,000 FIPP Investment Certificates, to which PFR paid a total amount of PLN 204,000,000.00, and whose total fair value was PLN 165,951,551.99.

Investment certificates of FIID

On 21 December 2020, funds in the amount of PLN 18,235,198.19, due to PFR in connection with the liquidation of FIID, were received by PFR on its account.

Investment certificates of PFR FF

As at 31 December 2020, PFR held 600,000 FIPP Investment Certificates, of nominal value of PLN 600,000,000.00, to which PFR paid a total amount of PLN 196,709,900.00, and whose total fair value was PLN 217,001,000.00.

Investment certificates of PFR Inwestycje

As at 31 December 2020, PFR held 2,250,000 Investment Certificates of PFR Inwestycje, of nominal value of PLN 2,250,000,000.00, to which PFR paid a total amount of PLN 1,620,452,895.00, and whose total fair value was PLN 1,799,713,053.00.

Investment certificates of FSMDR and FSMNW

In 2020, PFR paid for 1 Investment Certificate of FSMDR the amount of PLN 221.41 and purchased 1 Investment Certificate of FSMNW for PLN 1,065.31. As at 31 December 2020, the fair values of those Investment Certificates were PLN 218.98 and PLN 1,077.48 respectively.

9.5. Measurement of non-current investments

	Investment certificates	Shares of PFR Ventures Sp. z o.o.	Shares of Pekao S.A.
1.1.2020	(48,636,665.41)	(15,200,000.00)	(758,080,086.00)
Change	219,791,584.32	-	(1,322,009,132.17)
31.12.2020	171,154,918.91	(15,200,000.00)	(2,080,089,218.17)

9.6. List of affiliated entities and subsidiaries

Company name	Registered office	% of shares held	% of total number of votes in the management body	Net profit for the financial year (in PLN thousand)	Equity as at the balance sheet date (in PLN thousand)	Carrying amount (in PLN thousand)
PPP Venture Sp. z o.o.	Poland	90.00%	90.00%	984	8,304	3,104
PFR Ventures Sp. z o.o.	Poland	100.00%	100.00%	455	74,760	101,141
PFR Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100.00%	100.00%	5,098	55,674	48,967
PFR Nieruchomości S.A.	Poland	100.00%	100.00%	(2,290.00)	28,179.00	44,772
PFR Portal PPK Sp. z o.o.	Poland	100.00%	100.00%	(13,489.00)	9,836.00	30,000
PFR Operacje Sp. z o.o.	Poland	100.00%	100.00%	n/a	n/a	2,522
Operator Chmury Krajowej Sp. z o.o.	Poland	50.00%	50.00%	(38,965)	56,602	60,000
Polska Agencja Ratingowa S.A.	Poland	35.86%	35.86%	(2,284)	1,355	2,778

9.7. List of other companies in which the entity has capital exposure

Company name	Registered office	% of shares held	% of total number of votes in the management body	Net profit for the financial year (in PLN thousand)	Equity as at the balance sheet date (in PLN thousand)	Carrying amount (in PLN thousand)
Bank Pekao S.A.	Poland	12.80%	12.80%	1,126,424	24,647,371	2,052,726

10. NON-CURRENT PREPAYMENTS AND ACCRUALS

10.1. Other prepayments and accruals

	31.12.2020	31.12.2019
IT services	148,375.49	101,322.82
Training courses and conferences		11,475.00
	148,375.49	112,797.82

11. IMPAIRMENT LOSSES ON RECEIVABLES

The Company did not make any impairment charges for receivables in the reporting period.

12. CURRENT INVESTMENTS

12.1. Current financial assets in other entities

	31.12.2020	31.12.2019
Loans granted	14,278,870,237.70	-
Financial subsidies granted within the Financial Shield for MSMEs government programs	13,933,320,698.90	-
Loans granted under the government program of the Financial Shield for Large Companies	345,549,538.80	-
	14,278,870,237.70	-

12.2. Cash and cash equivalents

	31.12.2020	31.12.2019
Cash at hand and on bank accounts, including:	736,861,873.01	55,710,683.72
- Bank account of the Financial Shield for MSMEs program	552,521,365.15	-
- Bank account of the program of the Financial Shield for Large Companies	149,499,819.70	-
- Bank account of the program of the Financial Shield for LOT Polish Airlines	72.58	-
Other cash, including:	1,513,521,743.24	6,007.75
- Bank account of the Financial Shield for MSMEs program	-	-
- Bank account of the program of the Financial Shield for Large Companies	1,150,000,000.00	-
- Bank account of the program of the Financial Shield for LOT Polish Airlines	-	-
- on a Split Payment account	21,743.24	6,007.75
	2,250,383,616.25	55,716,691.47

including:

restricted cash	1,886,630,900.19	55,577,915.58
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In accordance with item 20 (Accounts) of the Loan Agreement of 30 May 2017 granted to the Company by Powszechna Kasa Oszczędności Bank Polski S.A. earmarked for the purchase of a block of shares of Bank Pekao S.A., the Company is obligated to set up a Debt Service Reserve Account. In accordance with Loan Agreement, the Company is obligated to deposit cash needed to service the debt in the Debt Service Reserve Account. The cash was presented as at 31 December 2020 as restricted cash.

Pursuant to the agreement of 27 April 2020 on the conditions and procedure for providing funds for the performance of government programs (as amended), PFR set up separate bank accounts, dedicated to each government program, used exclusively to: (i) deposit cash received by virtue of external financing; (ii) disbursement of program financing; (iii) deposit program revenues; and (iv) other settlements connected with the performance of government programs. In connection with the above, the cash deposited in the accounts was presented as at 31 December 2020 as restricted cash.

13. CURRENT PREPAYMENTS

	31.12.2020	31.12.2019
Insurance	261,997.56	142,639.51
Access to information services	99,232.15	160,602.10
IT services	1,099,722.35	637,495.07
Advertising and promotion	74,118.12	8,077.34
Recruitment services	141,577.33	-
Training courses and conferences	42,753.03	28,880.83
Settlement of purchase of receivables	67,615.09	-
Other	70,261.77	9,492.96
Next Step	150,257.60	119,706.59
DIS subsidy	147,600.00	-
	2,155,135.00	1,133,138.32

14. EQUITY

14.1. Ownership structure of the share capital

in the period from 1.1.2020 to 31.12.2020

Shareholder	Number of shares	Par value of shares	Share in %
State Treasury	4,938,252,553.00	4,938,252,553.00	99.697%
Bank Gospodarstwa Krajowego	15,000,000.00	15,000,000.00	0.303%
	4,953,252,553.00	15,000,000.00	100.00%

	State Treasury	BGK
Series A	300,000.00	-
Series B	-	15,000,000.00
Series C	1,143,062,525.00	-
Series D	1,294,964,028.00	-
Series E	2,499,926,000.00	-
	4,938,252,553.00	15,000,000.00

On 24 March 2020, the Extraordinary Shareholder Meeting adopted Resolution No. 2 in the matter of increasing the Company's share capital by issuing as a private subscription new ordinary registered shares (Series E). All the shares were subscribed for by the State Treasury.

in the period from 1.1.2019 to 31.12.2019

Shareholder	Number of shares	Par value of shares	Share in %
State Treasury	2,438,326,553.00	2,438,326,553.00	99.39%
Bank Gospodarstwa Krajowego	15,000,000.00	15,000,000.00	0.61%
	2,453,326,553.00	2,453,326,553.00	100.00%

	State Treasury	BGK
Series A	300,000.00	-
Series B	-	15,000,000.00
Series C	1,143,062,525.00	-
Series D	1,294,964,028.00	-
	2,438,326,553.00	15,000,000.00

300,000 Series A shares owned by the State Treasury are preferred shares in terms of voting rights with two votes per share.

14.2. Proposals how to distribute profit or cover loss for the financial year

The net profit of PLN 49,666,517.73 for the reporting period from 1 January 2020 to 31 December 2020, the Company's Management Board proposes to earmark the entire amount to supplementary capital.

14.3. Change in supplementary capital

<i>in the period from 1.1.2020 to 31.12.2020</i>	Supplementary capital
1.1.2020	960,205,925.24
Additions	118,354,242.82
- capital increase	
- distribution of the result	118,354,242.82
Reductions	-
31.12.2020	1,078,560,168.06

Pursuant to Resolution No. 4 of 30 June 2020, the Company's Ordinary Shareholder Meeting resolved to earmark the Company's net profit of PLN 118,354,242.82 for the reporting period from 1 January 2019 to 31 December 2019 to supplementary capital.

<i>in the period from 1.1.2019 to 31.12.2019</i>	Supplementary capital
1.1.2019	793,683,513.88
Additions	166,522,411.36
- capital increase	
- distribution of the result	166,522,411.36
Reductions	-
31.12.2019	960,205,925.24

14.4. Change in the revaluation reserve

<i>in the period from 1.1.2020 to 31.12.2020</i>	Revaluation reserve
1.1.2020	(653,440,568.64)
Revaluation of fair value of investment certificates	219,791,584.32
Revaluation of fair value of shares of Pekao S.A.	(1,322,009,132.17)
Deferred tax liability	(32,519,434.59)
Deferred tax asset	241,940,768.68
31.12.2020	(1,546,236,782.40)

<i>in the period from 1.1.2019 to 31.12.2019</i>	Revaluation reserve
1.1.2019	(381,082,183.02)
Revaluation of fair value of investment certificates	(48,997,680.36)
Revaluation of fair value of shares of Pekao S.A.	(287,247,241.03)
Deferred tax liability	68,593.00
Deferred tax asset	63,817,942.77
31.12.2019	(653,440,568.64)

The change in the revaluation reserve is due to the fair value remeasurement of investment certificates and shares in Pekao S.A. and from recognition of the amounts of the deferred tax assets and liabilities in the revaluation reserve item. The tables below present each revaluation of investment certificates and shares:

Investment certificates

<i>as at 31.12.2020</i>	Amount paid by the Company	Fair value of IC	increase/decrease	valuation difference
FII-K	298,012,000.00	307,993,099.18	9,981,099.18	(3,322,021.04)
FII-D	-	-	-	1,647,938.63
FIS	310,000,000.00	309,671,000.00	(329,000.00)	(1,368,500.00)
FIPP	204,000,000.00	165,951,551.99	(38,048,448.01)	4,857,103.99
PFR FF	196,709,900.00	217,001,000.00	20,291,100.00	25,224,000.00
PFR Inwestycje	1,620,452,895.00	1,799,713,053.00	179,260,158.00	192,753,053.00
FSMDR	221.41	218.98	(2.43)	(2.43)
FSMNW	1,065.31	1,077.48	12.17	12.17
Total	2,629,176,081.72	2,800,331,000.63	171,154,918.91	219,791,584.32

Within the process of verification of the value of PFR S.A.'s investments, including the owned investment certificates ("IC"), an analysis was conducted in the context of a potential impairment of the investment in the investment certificates of FIPP FIZAN. Based on the performed test, in PFR S.A.'s opinion, there are no sufficient grounds to identify the impairment.

The temporary reduction in the value of FIPP IC is largely caused by the present pandemic situation. Assumptions and forecasts about the fund indicate that it is a temporary situation which should not be interpreted as the grounds for recognizing an impairment loss. The forecast was performed based on the assumed duration of the fund (i.e. 15 years), the assumptions adopted in PFR's budget for 2021, forecasts of launches/proceeds/assumed levels of internal rates of return ("IRR") for investment projects for 2022 and further years from the perspective of the general IRR level of the fund.

<i>as at 31.12.2019</i>	Amount paid by the Company	Fair value of IC	increase/decrease	valuation difference
FII-K	298,012,000.00	311,315,120.22	13,303,120.22	7,694,940.76
FII-D	20,093,711.31	18,445,772.68	(1,647,938.63)	(576,382.30)
FIS	310,000,000.00	311,039,500.00	1,039,500.00	4,652,000.00
FIPP	204,000,000.00	161,094,448.00	(42,905,552.00)	(46,600,536.00)
PFR FF	99,709,900.00	94,777,000.00	(4,932,900.00)	(692,000.00)
PFR Inwestycje	1,148,841,895.00	1,135,349,000.00	(13,492,895.00)	(13,475,702.82)
Total	2,080,657,506.31	2,032,020,840.90	(48,636,665.41)	(48,997,680.36)

Shares of Pekao S.A.

<i>as at 31.12.2020</i>	Shares of Bank Pekao S.A.	Total
Share purchase value	4,132,814,960.77	4,132,814,960.77
Fair value	2,052,725,742.60	2,052,725,742.60
	(2,080,089,218.17)	(2,080,089,218.17)

<i>as at 31.12.2019</i>	Shares of Bank Pekao S.A.	Total
Purchase price of the shares	4,132,814,960.77	4,132,814,960.77
Fair value	3,374,734,874.77	3,374,734,874.77
	(758,080,086.00)	(758,080,086.00)

15. PROVISIONS

15.1. Provisions for pension and similar benefits

in the period from 1.1.2020 to 31.12.2020

	Provision for unused holiday leaves	Provision for bonuses	Total
1.1.2020	1,708,439.45	11,183,459.66	12,891,899.11
Additions	3,167,524.80	14,995,280.28	18,162,805.08
Utilization	-	(8,932,800.01)	(8,932,800.01)
Reversal	(1,708,439.45)	(2,250,659.65)	(3,959,099.10)
31.12.2020	3,167,524.80	14,995,280.28	18,162,805.08

including:

current	3,167,524.80	14,995,280.28	18,162,805.08
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in the period from 1.1.2019 to 31.12.2019

	Provision for unused holiday leaves	Provision for bonuses	Total
1.1.2019	1,388,154.59	12,409,652.62	13,797,807.21
Additions	1,708,439.45	10,888,943.55	12,597,383.00
Utilization		(11,205,636.33)	(11,205,636.33)
Reversal	(1,388,154.59)	(909,500.18)	(2,297,654.77)
31.12.2019	1,708,439.45	11,183,459.66	12,891,899.11

including:

current	1,708,439.45	11,183,459.66	12,891,899.11
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15.2. Other current provisions

in the period from 1.1.2020 to 31.12.2020

	Reserve for promotional activities and costs of settlements	Reserve for accounting and consulting services	Reserves for other costs	Reserve for lease	Total
1.1.2020	-	-	102,986.00	3,320,061.19	3,423,047.19
Additions			311,875.78		311,875.78
Utilization			(102,986.00)	(561,137.04)	(664,123.04)
Reversal					-
31.12.2020	-	-	311,875.78	2,758,924.15	3,070,799.93

in the period from 1.1.2019 to 31.12.2019

	Reserve for promotional activities and costs of settlements	Reserve for accounting and consulting services	Reserves for other costs	Reserve for lease	Total
1.1.2019	118,110.49	140,220.00	110,000.00	1,358,794.53	1,727,125.02
Additions			102,986.00	2,168,278.24	2,271,264.24
Utilization	(48,000.00)	(138,122.40)	(101,272.15)	(207,011.58)	(494,406.13)
Reversal	(70,110.49)	(2,097.60)	(8,727.85)	-	(80,935.94)
31.12.2019	-	-	102,986.00	3,320,061.19	3,423,047.19

16. NON-CURRENT LIABILITIES

16.1. Age structure of non-current liabilities towards other entities

	Credits and loans	Issues of debt securities	Other financial liabilities	Other	Total
<i>Maturing in:</i>					
1 to 3 years	-	2,008,223,618.96	878,439.29	-	2,009,102,058.25
3 years to 5 years	-	48,606,127,726.79	-	-	48,606,127,726.79
over 5 years	-	14,174,476,261.21	-	-	14,174,476,261.21
	-	64,788,827,606.96	878,439.29	-	64,789,706,046.25

Maturing in:

up to 1 year	1,823,718,754.47	1,029,266,663.86	-	-	2,852,985,418.33
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recognized as current liabilities

16.2. Non-current liabilities on the issue of debt securities – Financial Shield

in the period from 1.1.2020 to 31.12.2020

Abbreviated bond name	Issue date	Par value	Issue price	Currency	Maturity	Interest rate	Carrying amount as at 31.12.2020
PFR0324	27.4.2020	16,325,000,000.00	16,306,879,250.00	PLN	2024	1.375%	16,462,043,193.58
PFR0325	8.5.2020	18,500,000,000.00	18,423,595,000.00	PLN	2025	1.625%	18,627,907,757.25
PFR0925	22.5.2020	15,175,000,000.00	15,134,634,500.00	PLN	2025	1.625%	15,289,224,706.03
PFR0627	5.6.2020	10,000,000,000.00	9,923,200,000.00	PLN	2027	1.750%	10,028,920,825.91
PFR0330	5.6.2020	2,000,000,000.00	1,993,080,000.00	PLN	2030	2.000%	2,016,246,415.54
PFR1227	10.12.2020	500,000,000.00	500,000,000.00	PLN	2027	1.400%	500,399,945.30
PFR0927	14.12.2020	2,000,000,000.00	1,997,980,000.00	PLN	2027	1.500%	1,999,380,643.01
PFR092027	23.12.2020	900,000,000.00	893,682,000.00	PLN	2027	1.375%	893,970,784.19
Total		65,400,000,000.00	65,173,050,750.00	-	-	-	65,818,094,270.81

The amount of liabilities on the issue of debt securities include the following values:

	Non-current liabilities on account of debt securities issued
Value of liabilities on the issue of debt securities as at 31.12.2020	64,788,827,606.95
Value of current liabilities on the issue of debt securities	1,029,266,663.86
	65,818,094,270.81

17. CURRENT LIABILITIES

17.1. Current trade liabilities to related parties

Current trade liabilities to related parties in the amount of PLN 2,406,573.13 are due and payable within 12 months of the balance sheet date.

17.2. Current trade liabilities to other entities

Current trade liabilities to other entities in the amount of PLN 14,987,197.87 are due and payable within 12 months of the balance sheet date.

17.3. Current liabilities on account of a loan

The amount of liabilities on account of a loan include the following values:

	Current liabilities
Value of debt on account of current account overdraft	-
Value of debt on account of loan for purchase of shares	1,833,492,354.43
Revaluation at adjusted purchase price	(9,346,512.14)
Commissions on loans granted settled over time	(427,087.82)
	1,823,718,754.47

Current liabilities include a loan granted by Powszechna Kasa Oszczędności Bank Polski S.A. based on a loan agreement of 30 May 2017. Pursuant to the agreement, the loan is to be repaid within three years of the date of executing the agreement, with two possible extensions of the repayment date of one year each.

The loan was incurred to finance the purchase of shares of Bank Pekao S.A.

Interest on the loan is accrued on the last day of a calendar quarter.

In accordance with item 20 (Accounts) of the Loan Agreement of 30 May 2017 granted to the Company by Powszechna Kasa Oszczędności Bank Polski S.A. earmarked for the purchase of a block of shares of Bank Pekao S.A., the Company is obligated to set up a Debt Service Reserve Account. In accordance with Loan Agreement, the Company is obligated to deposit cash needed to service the debt in the Debt Service Reserve Account.

17.4. Other current liabilities to other entities

Other current liabilities to other entities in the amount of PLN 1,045,658.50 are due and payable within 12 months of the balance sheet date.

18. STRUCTURE OF SALES REVENUES

	1.1-31.12.2020	1.1-31.12.2019
<i>Geographic structure</i>		
Revenues from sales of products		
Country	213,591,168.44	59,021,956.19
	213,591,168.44	59,021,956.19
<i>Structure</i>		
Revenues on account of the performance of the Financial Shield government programs	135,714,285.72	-
Management revenue	71,228,968.77	55,293,366.6
Other income	6,647,913.95	3,728,589.58
	213,591,168.44	59,021,956.18

The major sales revenues in the Company include: remuneration on account of the performance of the Financial Shield government programs and management fee. The remuneration for executing the government programs is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. Management fee is due for managing some of the Funds' assets. In accordance with the formula of calculating the management fee, the fee is in principle dependent on the net asset value [NAV] of the Funds reduced by the cash on the Funds' bank accounts and increased by the amounts of planned involvement of the Funds in performed Investment Projects.

The Company's other sales revenues mainly include:

1. revenues connected with keeping ECP Records for Mutual Fund Companies.
2. revenues on account of services provided to affiliated and non-affiliated entities (in the area of general support, HR services, IT and security services, Contact Center services, delivery of economic reports, etc.).

19. INTEREST INCOME

(including resulting from debt financial instruments, loans granted and own receivables)

in the period from 1.1.2020 to 31.12.2020

	Interest realized	Interest outstanding payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Loans granted and own receivables	682,513.81	-	-	-	682,513.81
Other assets	18,425,290.26	-	-	1,834,549.93	20,259,840.19
	19,107,804.07	-	-	1,834,549.93	20,942,354.00

in the period from 1.1.2019 to 31.12.2019

	Interest realized	Interest outstanding payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Loans granted and own receivables	811,712.72	-	-	-	811,712.72
Other assets	18,282,627.60	302,137.03	-	5,257,734.42	23,842,499.05
	19,094,340.32	302,137.03	-	5,257,734.42	24,654,211.77

20. INTEREST EXPENSES

(including resulting from incurred financial liabilities)

in the period from 1.1.2020 to 31.12.2020

	Interest realized	Interest outstanding payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Current financial liabilities	66,101,965.80	-	-	-	66,101,965.80
Other equity and liabilities	5,897,147.93	-	-	-	5,897,147.93
	71,999,113.73	-	-	-	71,999,113.73
SCN adjustment					(9,467,474.04)
					62,531,639.69

in the period from 1.1.2019 to 31.12.2019

	Interest realized	Interest outstanding payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Current financial liabilities	101,831,050.29	-	-	-	101,831,050.29
Other equity and liabilities	-	-	-	-	-
	101,831,050.29	-	-	-	101,831,050.29

21. REVALUATION OF FINANCIAL INVESTMENTS

	1.1-31.12.2020	1.1-31.12.2019
Impairment loss on shares	-	-
Merger of KFK with PFR Ventures Sp. z o.o.		1,877,695.00
	-	1,877,695.00

22. CORPORATE INCOME TAX

22.1. Structure of corporate income tax

	1.1-31.12.2020	1.1-31.12.2019
Current income tax	20,241,265.00	961,960.00
Change in deferred income tax	(501,313.86)	(92,459.79)
	19,739,951.14	869,500.21

22.2. Calculation of corporate income tax

	1.1-31.12.2020	1.1-31.12.2019
Profit before tax	69,406,468.87	119,223,743.03
Amounts increasing the taxable income base		
Fixed costs not classified as tax-deductible expenses	24,468,876.69	90,080,640.64
Costs transitionally not classified as tax deductible expenses	18,881,885.44	12,748,605.15
Transitional taxable income transitional from previous periods	-	22,032,184.19
	43,350,762.13	124,861,429.98
	1.1-31.12.2020	1.1-31.12.2019
Amounts reducing the taxable income base		
Non-taxable income	2,565,964.11	221,734,695.60
Revenues transitionally not classified as tax deductible expenses	4,523,644.79	17,395,969.48
Transitional tax costs from previous periods	13,982,404.37	14,171,914.22
	21,072,013.27	253,302,579.30
Tax income / (loss)	91,685,217.73	(9,217,406.29)
Tax income / (loss) – capital gains	(26,784,800.64)	(27,385,196.50)
Tax income / (loss) – other sources of revenues	118,470,020.67	18,167,790.21
Donations	(9,500,000.00)	(1,816,779.00)
Retained losses	(2,498,808.89)	(11,288,063.90)
Taxable income – other sources of revenues	106,471,211.78	5,062,947.31
Tax adjustment for previous years	11,735.00	-
Income tax	20,241,265.00	961,960.00

22.3. Deferred tax

	31.12.2020	31.12.2019
Deductible temporary differences:		
Effects of restatement to market prices of ICs	-	48,636,665.41
Effects of restatement to market prices of shares	17,077,695.00	17,077,695.00
Effects of restatement to market prices of shares of Pekao S.A.	2,080,089,218.17	758,080,086.00
Provision for bonuses	14,995,280.28	11,183,459.66
Provision for unused holiday leaves	3,167,524.80	1,708,439.45
Reserve for promotional activities and costs of settlements	-	-
Reserve for accounting and consulting services	-	-
Reserve for audit and other	311,875.78	102,986.00
Reserve for leasing office space	2,758,924.15	3,320,061.19
Reserve for revenues	411,474.23	192,830.00
	2,118,811,992.41	840,302,222.71
Tax losses to be settled in subsequent years:		
2017 tax loss (total)	22,576,127.79	22,576,127.79
Settled part of the tax loss	22,576,127.79	20,077,318.90
2017 tax loss to be settled	-	2,498,808.89
Sum total of tax losses to be used subsequent periods	-	2,498,808.89
	31.12.2020	31.12.2019
Gross value of deferred tax assets	402,574,278.56	160,132,196.00
Net value of deferred tax assets	402,574,278.56	160,132,196.00
Taxable temporary differences:		
Interest accrued on bank deposits	-	-
Effects of restatement to market prices of shares of Pekao S.A.	-	-
Effects of restatement to market prices of ICs	171,154,918.91	-
Unrealized FX gains	-	-
Other	-	-
	171,154,918.91	-
Value of deferred tax liability	32,519,434.59	-
Deferred tax assets recognized in the balance sheet	402,574,278.56	160,132,196.00
Deferred tax liability recognized in the balance sheet	32,519,434.59	-
Net balance sheet change in deferred tax assets/liability	209,922,647.97	63,978,995.58
Value of deferred tax recognized in equity in the period	(209,421,334.00)	(63,886,534.00)
Adjustment of deferred tax recognized in equity in the period	-	-
	(209,421,334.00)	(63,886,534.00)
Change in deferred tax recognized through profit or loss	501,313.86	92,459.79

23. OUTLAYS FOR NON-FINANCIAL NON-CURRENT ASSETS

	1.1-31.12.2020	1.1-31.12.2019
Outlays for non-financial non-current assets:		
- incurred in the year	8,638,844.14	8,701,512.90

24. NOTES TO THE CASH FLOW STATEMENT

24.1. Investment (gain) / loss

	1.1-31.12.2020	1.1-31.12.2019
(Profit) on disposal of fixed assets	-	(2,276.42)
(Profit) on disposal of financial assets	(37,525,717.58)	
	(37,525,717.58)	(2,276.42)

24.2. Change in the balance of current liabilities (except for credits and loans)

	1.1-31.12.2020	1.1-31.12.2019
Change in current liabilities	24,995,215.11	4,239,053.18
	24,995,215.11	4,239,053.18

24.3. Purchase of intangible assets and property, plant and equipment

	1.1-31.12.2020	1.1-31.12.2019
Increases in intangible assets	(5,713,512.07)	(7,642,015.44)
Increases in fixed assets	(2,925,332.07)	(1,081,995.26)
	(8,638,844.14)	(8,724,010.70)

24.4. Explanations to the item "Other adjustments"

	1.1-31.12.2020	1.1-31.12.2019
Value of deferred tax recognized in equity in the period	209,421,334.00	63,886,534.00
Reduction of value with the merger of Companies	-	1,877,695.00
Settlement of commission on the loan over time	(286,608.14)	3,199,999.93
Remuneration for PFR for executing the Financial Shield Programs	(166,928,571.44)	
External costs incurred in connection with the performance of the Financial Shield Programs	(19,899,488.01)	-
Cash received in Tranches from the State Treasury	2,267,750.00	-
Other	819,537.39	2,949,846.74
	25,393,953.80	68,964,228.93

24.5. Explanations to the item "Other capital expenditures"

	1.1-31.12.2020	1.1-31.12.2019
Contributions to not fully paid up investment certificates	568,612,286.72	1,205,591,895.00
	568,612,286.72	1,205,591,895.00

24.6. Additional explanations

As at 31 December 2019, the difference between the total cash flows and the balance sheet change in cash is due to an increase in the amount of cash in the balance sheet as at the end of 2018 by the interest accrued in the amount of PLN 11,652,925 on deposits which ended in 2019.

25. INFORMATION ON THE NATURE AND BUSINESS OBJECTIVE OF THE COMPANY'S AGREEMENTS NOT REFLECTED IN THE BALANCE SHEET

Not applicable.

26. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Major related party transactions include: the management fee due to the Company for managing some of the Funds' assets based on the agreement with PFR Towarzystwo Funduszy Inwestycyjnych S.A.

Apart from the above, the Company:

1. on 20 March 2020 and 28 October 2020, the Company made a capital injection to PFR Portal PPK for a total amount of PLN 20,000,000.00 (2x PLN 10,000,000);
2. on 21 October 2020, the Company made a capital injection to PFR Operacje for the amount of PLN 2,500,000.00;
3. on 29 April 2020, the Company made a capital injection to Polska Agencja Ratingowa for the amount of PLN 583,000.00;
4. performed transactions with related parties in the area of general support, HR services, Contact Center/CRM services, delivery of economic reports and cost recharge invoices.

26.1. Balance of settlements with related parties as at the balance sheet date

	Receivables, including debt instruments	Liabilities
PPP Venture Sp. z o.o.	9,356,705.80	-
PFR Ventures Sp. z o.o.	144,483.67	24,638.91
PFR Towarzystwo Funduszy Inwestycyjnych S.A.	18,671,519.99	13,528.81
PFR Nieruchomości S.A.	10,242,603.37	-
PFR Portal PPK Sp. z o.o.	129,223.17	2,344,643.98
PFR Operacje Sp. z o.o.	7,606.71	-
Bank Gospodarstwa Krajowego	18,696.00	-
	38,570,838.71	2,382,811.70

26.2. Revenues on mutual transactions in the financial year

	Revenue	Revenues on recharge invoices
PPP Venture Sp. z o.o.	90,000.00	659.73
PFR Ventures Sp. z o.o.	396,590.66	95,072.56
PFR Towarzystwo Funduszy Inwestycyjnych S.A.	71,557,677.23	30,413.23
PFR Nieruchomości S.A.	150,636.63	5,827.05
PFR Portal PPK Sp. z o.o.	977,740.16	749,199.27
PFR Operacje Sp. z o.o.	17,692.00	7,637.46
Bank Gospodarstwa Krajowego	15,200.00	13,000.00
	73,205,536.68	901,809.30

26.3. Costs of mutual transactions in the financial year

	Purchases of services
PPP Venture Sp. z o.o.	-
PFR Ventures Sp. z o.o.	108,367.23
PFR Towarzystwo Funduszy Inwestycyjnych S.A.	-
PFR Nieruchomości S.A.	9,539.65
PFR Portal PPK Sp. z o.o.	1,937,132.02
PFR Operacje Sp. z o.o.	-
Bank Gospodarstwa Krajowego	-
	2,055,038.90

27. INFORMATION ON MATERIAL TRANSACTIONS WITH RELATED PARTIES EXECUTED BY THE COMPANY ON A NON-ARM'S LENGTH BASIS

Transactions with related parties are not executed on a non-arm's length basis.

28. HEADCOUNT

The Company employed on average 174 persons in the financial year.

29. COMPENSATION AND LOANS AND SIMILAR BENEFITS FOR PERSONS IN THE MANAGEMENT, SUPERVISORY OR ADMINISTRATION BODIES

The base compensation of the Management Board Members in the 2020 financial year resulted from management services contracts, in compliance with the principles defined in the Act of 9 June 2016 on the Rules of Defining Remuneration of Managers of Certain Companies. The cost of compensation of the Management Board also include costs of variable compensation. The costs are recognized in the item of third party services.

Compensation paid in 2020 for the current year	PLN 2,552,431.04
Variable compensation paid in 2020 for previous years	PLN 2,540,640.00

Gross amount of compensation of the Management Board Members paid in 2019 was PLN 7,910,854.7 and resulted from management services contracts. The item also includes variable compensation for previous years for the present and former Management Board Members paid in 2019. The costs are recognized in the item of third party services.

The gross amount of compensation of the Supervisory Board Members, including profit sharing, was PLN 505,994.43.

The gross amount of compensation of Supervisory Board Members, including profit sharing, was PLN 510,540.27 in 2019.

In 2019-2020, no loans or similar benefits were granted to persons in management, supervisory or administrative bodies.

30. FEE FOR THE AUDIT FIRM, PAID OUT OR DUE FOR THE FINANCIAL YEAR

	1.1-31.12.2020	1.1-31.12.2019
The fee for auditing the annual financial statements (statutory audit within the meaning of Article 2 item 1 of the Act on Statutory Auditors)	140,053.01	102,880.60

The fee is shown as a gross amount, i.e. with the VAT due.

31. EVENTS CONCERNING PREVIOUS YEARS INCLUDED IN THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR

No events concerning previous years were captured in the financial statements.

32. EVENTS AFTER THE BALANCE SHEET DATE NOT CAPTURED IN THE FINANCIAL STATEMENTS

On 22 February 2021, the Ministry of Finance credited the fiduciary account of Company with bonds marked as OF0423 (later assimilated with OK0423) with the nominal value of PLN 6.6 billion. The Company commissioned valuation of the received securities from an independent expert, Deloitte Advisory Sp. z o.o. sp. k., which valued the bonds as at 1 March 2021 to their market value, which is PLN 6.58 billion. The valuation was then verified by an independent statutory auditor appointed by the registry court, who issued an opinion confirming that the valuation was correct and the Management Board's report on the valuation was formally correct. At present, the Company is completing the necessary procedure to have the registry court register an increase in the share capital.

On 5 January 2021, the Council of Ministers adopted Resolution No. 2/2021 on the government program "The Polish Development Fund's financial shield 2.0 for micro, small and medium-sized enterprises". PFR SA was entrusted with the task of implementing the Program. The total value of the Program Financing under the Program could reach PLN 13,000,000,000, with the reservation that PFR was permitted to obtain External Financing in the above amount. The Program provides for two types of aid measures:

1. Financial Shield 2.0 for Micro-companies for the amount not exceeding, as at the Program's date, PLN 6,500,000,000; and
2. Financial Shield for SMEs 2.0 for the amount not exceeding, as at the Program's date, PLN 6,500,000,000.

The Program is part of support for entrepreneurs under the Financial Shield and under public aid notified to date up to the total budget amount of PLN 100,000,000,000.

The Company was informed about possible litigation to be initiated against it with regard to PFR's decisions to disburse loans and subsidies from the Financial Shield government programs. In the event of unfavorable court decisions, such cases do not pose for PFR the risk of outflow of its own funds.

The Company exercised the right provided for in the loan agreement of 30 May 2017 entered into with PKO Bank Polski S.A. to extend the term of the agreement for another year. On 10 March 2021, the Company received information from PKO Bank Polski S.A. that the Bank gave consent to extension of the loan term. A relevant annex with PKO Bank Polski S.A. was signed by the PFR S.A. Management Board on 11 May 2021.

On 30 March 2021, the Management Board of Polski Fundusz Rozwoju S.A. (the "Company", "PFR") adopted Resolution No. 260/2021 in the following matters: (i) to make an investment decision to purchase shares in the share capital of Międzynarodowe Targi Gdańskie S.A., with its registered office in Gdańsk ("MTG") from the Local Government Investment Fund, Closed-ended Investment Fund of Non-public Assets ("FIS"), represented by PFR TFI S.A. (ii) to approve the signing of transaction documents by PFR including in particular: the purchase agreement and the agreement on joining the investment agreement of 8 December 2015 (iii) to give consent to taking any other actual or legal actions necessary or required to purchase shares of MTG.

On 5 May 2021, PFR was entered by BM PKO BP to the register of shareholders instead of FIS. On the same date, PFR paid the purchase price of PLN 56,238,954.29 (fifty six million two hundred thirty eight thousand nine hundred fifty four zloty and twenty nine grosz), i.e. PLN 281.194771 per share, based on the value resulting from the measurement of the shares as at 15 March 2021.



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

On 9 March 2021, the Company subscribed for 181,818 Mabion S.A. shares at PLN 55 per share. The total investment amount was PLN 9,999,990.

33. CONTINGENT LIABILITIES

As at 31 December 2020, the Company held:

1) contingent liabilities in the form of a blank promissory note.

The Company's liability follows from signing an agreement with the Ministry of Development to carry out a Pilot of "Dobry Pomysł" ["Good Idea"] Program. The subject matter of the liability under the signed agreement is a blank promissory note. The promissory note sum under the liability cannot be higher than PLN 1,976,250.00.

Surety granted to Operator Chmury Krajowej in the amount of PLN 395,860,000.

The surety refers to OChK's liabilities under the Guarantee Agreement granted by PKO BP. The surety is up to the amount of USD 100,000,000.00 (one hundred million USD dollars 00/100), i.e. 50% (fifty per cent) of the guarantee amount, and the surety amount will be reduced pro rata to the reduction of the guarantee amount.

34. ASSET-BACKED SECURITY ESTABLISHED BY THE COMPANY

	31.12.2020
<hr/>	
Shares	
pledge	118,341,000.00
<hr/>	
Shares	
pledge	2,052,725,742.60
	2,171,066,742.60

Pursuant to agreements executed on 17 November 2014 and 12 February 2015 between the Company and Bank Polska Kasa Opieki S.A., the Company established a pledge on shares of PFR in PPP Venture Sp. z o. o. with the maximum sum of the security of PLN 118,341,000.00.

Pursuant to an agreement entered into on 30 May 2017 between the Company and Bank Powszechna Kasa Oszczędności Bank Polski S.A., the Company established financial pledge and registered pledge on 33,596,165 shares of Pekao SA (12.8%), worth PLN 2,052,725,742.60 as at 31 December 2020.

35. INFORMATION ON FINANCIAL INSTRUMENTS

35.1. Financial risk management objectives and policies

The Company's operations are exposed, among others, to the following risks arising from financial instruments held by the Company:

- Credit risk;
- Liquidity risk;
- Market risk.

Key risk management principles

The Management Board is responsible for the establishment and oversight of the Company's risk management, including the identification and analysis of risks to which the Company is exposed, definition of principles for their measurement and control. Rules and risk management procedures are regularly reviewed to reflect changes in the market conditions and changes in the Company's activities. The scope of risk management also includes managing the risk of some of the Funds' assets managed by the Company.

Credit risk

Credit risk is the risk of the Company incurring a financial loss in a situation in which a party to a financial instrument fails to perform its contractual obligations. The risk arises both directly in the Company and concerns investment agreements signed by the Company on its own behalf and indirectly through Investment Certificates, representing the portfolio of investments performed by the Company on behalf of and for the benefit of the Funds. Credit risk arises principally from debt instruments. The purpose of risk management is to maintain a stable and balanced (in terms of quality and value) portfolio of receivables following from loans granted and other investments in debt financial instruments. Credit risk is subject to detailed analysis for each investment proposal. The Company aims to limit credit risk by structuring transactions appropriately.

For the debt instruments granted under the Financial Shield government programs, no credit risk is identified because it is the State Treasury that incurs exclusively the cost and risk of the Financial Shield government programs pursuant to Article 21a section 4 of the SIR Act and the Financial Shield Program Documents.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity management in the Company involves ensuring, as far as possible, that the Company has sufficient liquidity to settle its due and payable liabilities, both in a normal and a crisis situation, without exposing the Company to unacceptable losses or undermining its reputation. For this purpose, the Company monitors its cash flows on an ongoing basis and prepares liquidity forecasts and keeps sufficient cash to cover anticipated operating and current expenditures and to fulfill long-term investment commitments, by maintaining adequate funds on bank deposits with a time structure matching the liability structure, with flexibility buffers.

Market risk

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

a) Currency risk

At present, the Company has no material exposure to currency risk. The investments, both those made directly by the Company and those made indirectly by the Funds are in PLN and the future cash flows are also planned to be in PLN. For projects which generate certain cash flows in foreign currencies, the Company minimizes its currency risk by structuring the transactions in question appropriately and taking into consideration the currency risk in models on which its assessments of investment projects are based.

- shaping appropriately the structure of its assets and liabilities denominated in foreign currencies;
- executing forward contracts for purchase/sale of currencies;
- using hedge derivatives such as forwards, swaps.

b) Interest rate risk

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

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

35.2. Description of financial instruments

Portfolio	Description (quantity)	Carrying amount	Terms and conditions affecting future cash flows
Financial assets available for sale:	Investment certificates	2,800,331,000.63	-
	Shares of Bank Pekao S.A.	2,052,725,742.60	-
	Shares of PGG S.A.	230,886,000.00	-
Loans granted and own receivables:	Loan granted to PPPV	9,347,480.80	fixed 7.2%
	Loan granted to PAR	200,000.00	fixed 3.4%
	Financial subsidies granted within the Financial Shield for MSMEs government programs	60,521,942,990.91	non-interest bearing
	Loans granted within the government Financial Shield programs for Large Companies and LOT Polish Airlines	2,448,165,717.30	variable 0.75%-2.75%
	Term deposits	1,513,500,000.00	-
	Cash on the current account	736,861,893.33	0%
	Bonds of PFR Nieruchomości S.A.	10,188,000.00	ordinary bearer bonds with maturity: series 2A - 19 October 2022, series 2B - 29 December 2022, WIBOR 6M + 2.5%
	Bonds of Trenino Holding Sp. z o.o.	69,424,269.30	registered discount bonds with maturity on 31 December 2026, with the effective interest rate of 9%
	Bonds of PFR Porty	305,555,566.52	ordinary registered bonds with maturity on 19 April 2029, WIBOR 3M+4%
Financial liabilities:	Loan received for purchase of shares	1,823,718,754.47	WIBOR 3M + margin (from 1.5 to 1.75%), with the margin dependent on the level of the coverage ratio and own contribution
	Own bonds issued	65,818,094,270.81	fixed 1.38%-2.0%

35.3. Information on interest rate risk

As at the balance sheet date, the portfolio of debt financial instruments has the following structure:

	31.12.2020 carrying amount	31.12.2019 carrying amount
Financial instruments:		
<i>- with a fixed interest rate</i>		
Financial assets:		
Term deposits	-	-
Bonds of Trenino Sp. z o.o.	69,424,269.30	63,676,948.90
Loan granted	9,547,480.80	7,674,292.08
<i>- with a floating interest rate</i>		
Financial assets:		
Bonds of PFR Nieruchomości S.A.	10,188,000.00	10,197,550.00
Bonds of PFR Porty	305,555,566.52	338,258,787.03
Financial liabilities	1,823,718,754.47	2,653,613,316.33

The note does not present financial instruments established within handling the Financial Shield programs by PFR because it is the State Treasury that incurs all the costs and risks associated with the performance of government programs.

35.4. Information on credit risk

The Company's maximum exposure to credit risk corresponds to the carrying amount of the following financial assets:

	31.12.2020 carrying amount	31.12.2019 carrying amount
Financial assets:		
Loans granted and own receivables	394,715,316.62	419,807,577.97
Cash	34,858,052.13	55,716,691.47
Term deposits	-	-
Trade receivables	20,474,645.30	16,423,935.71
	449,848,014.05	491,948,205.15

36. EXCHANGE RATES APPLIED TO THE VALUATION OF ITEMS OF THE FINANCIAL STATEMENTS

		31.12.2020	31.12.2019
Euro	EUR 1	4.6148	4.2585
US dollar	USD 1	3.7584	3.7977
pound sterling	GBP 1	5.1327	4.9971

37. DISCONTINUED OPERATIONS

In the current reporting period, the Company did not discontinue any kind of activity.

38. INFORMATION ON UNCERTAINTIES AS TO THE CAPACITY TO CONTINUE OPERATIONS AS A GOING CONCERN

These financial statements have been prepared based on the assumption that the Company will continue its activity as a going concern in the foreseeable future.

39. PERSONS RESPONSIBLE FOR SIGNING THE FINANCIAL STATEMENTS

Paweł Borys
President of the Management Board

Bartłomiej Pawlak
Vice President of the Management Board

Bartosz Marczuk
Vice President of the Management Board

Tomasz Fill
Vice President of the Management Board

Ewa Maciąg
Person responsible for keeping the accounting ledgers

Warsaw, 25 May 2021

Management Board
Polski Fundusz Rozwoju S.A.
ul. Krucza 50
00-025 Warsaw
("Company")

Acting pursuant to § 14 sec. 1 item 5) and item 6) of Attachment No. 4 to the Rules and Regulations of the Alternative Trading System – "Current and Periodic Information Provided by Issuers of Debt Financial Instruments in the Alternative Trading System at Catalyst," the Company's Management Board hereby represents as follows:

1. to its best knowledge, the annual financial statements and comparative data have been prepared in accordance with the applicable accounting principles and are a true, accurate and clear presentation of the assets and financial standing of the Company's group and its financial result, and that the Company's activity report shows a true picture of the development, achievements and standing of the Company, including a description of the major threats and risks,
2. to its best knowledge, the audit firm to carry out the audit of the annual financial statements of the Company for the financial year ended 31 December 2020 was selected in accordance with the prevailing laws, including the laws regarding the selection and the selection procedure for an audit firm, while the audit firm and members of the audit team met the conditions for drafting an impartial and independent audit report of the annual financial statements and annual financial statements pursuant to prevailing provisions of law, professional standards and professional ethics principles.



Paweł Borys
President of the Management Board



Bartłomiej Pawlak
Vice President of the Management Board



Bartosz Marczuk
Vice President of the Management Board



Tomasz Fill
Vice President of the Management Board

