



**MANAGEMENT BOARD'S REPORT ON OPERATIONS  
OF DEVELIA GROUP  
FOR H1 2020**

**Wrocław, 08 September 2020**

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## PRINCIPLES APPLIED TO PREPARE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF DEVELIA GROUP

The Develia Group (formerly LC Corp Group), with Develia S.A. (formerly LC Corp S.A.) as the parent undertaking, is obliged to make consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union.

The interim condensed consolidated financial statements of the Develia Group for the reporting period from 01/01/2020 to 30/06/2020 have been prepared in line with the IFRS in the form approved by the EU, applicable to interim financial reporting.

Information on principles applied while preparing the interim condensed consolidated financial statements of the Group has been also disclosed in Notes 6-8 accompanying the interim condensed consolidated financial statements.

Amendments to accounting principles applied by the Develia Group and the impact thereof on the Group's accounting policy, as well as the manner of how figures and data are presented have been shown in Notes 8-9 accompanying the semi-annual condensed consolidated financial statements.

### I. GENERAL INFORMATION ON GROUP

The Develia Group (the "Group") consists of Develia S.A. and its subsidiary undertakings.

Develia S.A. (hereinafter also called "Develia" or "the Issuer") was established by the Notarial Deed dated 3 March 2006 and entered into the register of entrepreneurs of the National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, under KRS No. 0000253077. The Parent Undertaking's registered office is situated in Wrocław, Poland, at ul. Powstańców Śląskich 2-4. Pursuant to a resolution of the Ordinary General Meeting on an amendment to the articles of association, the Issuer's new name, which was changed from LC Corp S.A. to Develia S.A., was registered on 2 September 2019.

The Parent Undertaking has been assigned statistical identification number REGON 020246398, tax identification number NIP: 899-25-62-750.

The share capital of Develia S.A. totals PLN 447,558,311 (paid up in full).

The Parent Undertaking and the Group's subsidiaries were established for an indefinite period. The Company's primary activity includes:

- PKD 64.20.Z Activities of financial holding companies

The Company's subsidiaries, as part of their primary business activity, carry out construction projects on parcels of land owned by such subsidiaries with a view to leasing or selling residential and business premises in the future.

There is no parent undertaking of Develia S.A. as at the date hereof nor was there any such entity throughout the period covered by these financial statements.

As at 30 June 2020, the Develia S.A. Group comprised the following subsidiaries of Develia S.A.:

Company name	Share capital as at 30/06/2020 [PLN]	Effective Share of Issuer	
		30 June 2020 Share in Capital	31 December 2019 Share in Capital
Arkady Wrocławskie S.A.	113,700,000	100%	100%
Sky Tower S.A.	23,100,000	100%	100%
Warszawa Przyokopowa Sp. z o.o.	33,003,000	100%	100%
Kraków Zielony Złocień Sp. z o.o.	13,530,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest I Sp. z o.o.	5,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest II Sp. z o.o.	88,800,000	100%	100%
LC Corp Invest III Sp. z o.o.	6,700,000	100%	100%
LC Corp Invest VII Sp. z o.o.	4,000,000	100%	100%
LC Corp Invest VIII Sp. z o.o.	13,500,000	100%	100%
LC Corp Invest IX Sp. z o.o.	4,700,000	100%	100%
LC Corp Invest X Sp. z o.o.	10,300,000	100%	100%
LC Corp Invest XI Sp. z o.o.	41,000,000	100%	100%

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LC Corp Invest XII Sp. z o.o.	24,800,000	100%	100%
LC Corp Invest XV Sp. z o.o.	305,000	100%	100%
LC Corp Invest XVI Sp. z o.o.	5,000	100%	100%
LC Corp Invest XVII Sp. z o.o.	5,000	100%	100%
LC Corp Invest XIX Sp. z o.o. w likwidacji <sup>1)</sup>	60,000	100%	100%
LC Corp Invest XXI Sp. z o.o.	10,000	100%	100%
LC Corp Invest XXII Sp. z o.o. w likwidacji <sup>2)</sup>	60,000	100%	100%
LC Corp Invest XXIII Sp. z o.o. w likwidacji <sup>3)</sup>	60,000	-	100%
LC Corp Invest XXIV Sp. z o.o.	2,050,000	100%	100%
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k. <sup>4)</sup>	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.	85,910,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.	42,710,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Investments S.K.A.	91,905,080	100% (directly and indirectly)	100% (directly and indirectly)
Develia Invest Sp. z o.o.	1,339,000	100%	100%
LC Corp Service S.A.	630,000	100% (directly and indirectly)	100% (directly and indirectly)

- 1) On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XIX Sp. z o.o. was carried, and on 29 March 2020, a resolution on the completion of liquidation was adopted. Consequently, the company was removed from the National Court Register (KRS) on 14 July 2020 upon the liquidation being completed.
- 2) On 11 May 2020, a resolution on initiating the liquidation of LC Corp Invest XXII Sp. z o.o. was carried.
- 3) On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XXIII Sp. z o.o. was carried, and on 29 March 2020, a resolution on the completion of liquidation was adopted. Consequently, the company was removed from the National Court Register (KRS) on 13 May 2020 upon the liquidation being completed.
- 4) On 30 June 2020, LC Corp Service S.A. acquired from Kraków Zielony Złocień Sp. z o.o. all the rights and obligations of the limited partner in LC Corp Invest XV Sp. z o.o. Projekt 9 Sp.k.

Subsidiaries are fully consolidated, whereas associated companies are valued by the equity method.

### 1. Major Changes in Group in H1 2020

In the period of 6 months ended 30 June 2020, the Group's composition changed. The said changes are described below.

1. On 11 May 2020, a resolution on initiating the liquidation of LC Corp Invest XXII Sp. z o.o. was carried.
2. On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XIX Sp. z o.o. was carried, and on 29 March 2020, resolution on the completion of liquidation was adopted. Consequently, the company was removed from the National Court Register (KRS) on 14 July 2020.
3. On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XXIII Sp. z o.o. was carried, and on 29 March 2020, a resolution on the completion of liquidation was adopted. Consequently, the company was removed from the National Court Register (KRS) on 13 May 2020.
4. On 30 June 2020, LC Corp Service S.A. acquired from Kraków Zielony Złocień Sp. z o.o. all the rights and obligations of the limited partner in LC Corp Invest XV Sp. z o.o. Projekt 9 Sp.k.

### 2. Group's Objects

The Group is involved in a development activity related to construction projects, however, the operations of Develia S.A., as recorded in the national official business register (REGON), are associated with the activity of financial holding companies, business management and administration, the activity linked to the utilisation and sale of own real property.

In the period from 1 January to 30 June 2020, the strategy of both the Issuer and the Group was pursued in line with the primary objects thereof, i.e. the investment activity.

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### 3. Share Capital of Issuer

#### 3.1. Ownership Structure of Issuer's Qualifying Holding

As at 30 June 2020 the share capital of Develia S.A. amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares carrying one vote at the General Meeting, with a par value of PLN 1.00 each.

Ownership Structure of Qualifying Holding as at the date of submitting semi-annual consolidated financial statements for H1 2020, according to information obtained by Issuer.

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
Nationale-Nederlanden Otworthy Fundusz Emerytalny	83,470,921	83,470,921	18.65 %	18.65 %
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	77,195,648	77,195,648	17.25 %	17.25 %
AVIVA Otworthy Fundusz Emerytalny AVIVA Santander	59,612,000	59,612,000	13.32%	13.32%
MetLife Otworthy Fundusz Emerytalny	34,528,295	34,528,295	7.71%	7.71%

Ownership Structure of Qualifying Holding as at Date of Submitting Financial Statements for Q1 2020, According to Information Obtained by Issuer:

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
Nationale-Nederlanden Otworthy Fundusz Emerytalny	81,545,000	81,545,000	18.22 %	18.22 %
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	77,195,000	77,195,000	17.25 %	17.25 %
AVIVA Otworthy Fundusz Emerytalny AVIVA Santander	54,707,246	54,707,246	12.22%	12.22%
MetLife Otworthy Fundusz Emerytalny	34,528,295	34,528,295	7.71%	7.71%
Aegon Otworthy Fundusz Emerytalny	30,546,601	30,546,601	6.82 %	6.82%

On 18 June 2020, Aegon Otworthy Fundusz Emerytalny gave the Issuer a notice that as a consequence of a transaction consisting in the disposal of shares, made on 16 June 2020 and settled on 18 June 2020, the fund decreased its shareholding in Develia S.A. ("the Company") below five per cent of votes of the General Meeting. Prior to the disposal of shares, Aegon Otworthy Fundusz Emerytalny held 23,031,601 Company's shares, accounting for 5.15 per cent of share in the share capital, and 23,031,601 votes attaching to the shares, representing 5.15 per cent of total vote. Following the said transaction the fund held 16,831,601 Company's shares, accounting for 3.76 per cent of share in the share capital, and 16,831,601 votes attaching to the shares, representing 3.76 per cent of total vote.

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Except for the foregoing changes, within the period from the submission of the Q1 2020 report to the date of the preparation hereof, nothing else changed significantly in the ownership structure of the Issuer's qualifying holding.

### **3.2. Issuer's Shares or Rights Thereto Held by Persons Responsible for Management and Supervision of Issuer as at Date of Release of Report for H1 2020, Including Changes in Number of Shares or Rights Thereto Owned by Such Persons in Period Following Submission of Previous Quarterly Report**

Full name	Function in the body	Holding of the Issuer's shares as at 14/05/2020	Decrease	Increase	Holding of the Issuer's shares as at 08/09/2020
<b>Supervisory staff</b>					
Michał Hulbój <sup>1)</sup>	Chairman, Member of Supervisory Board	-	-	-	n/a
Jacek Osowski	Vice Chairman of Supervisory Board	-	-	-	-
Paweł Małycka	Member of Supervisory Board	-	-	-	-
Grzegorz Grabowicz <sup>2)</sup>	Member of Supervisory Board	-	-	-	n/a
Michał Wnorowski <sup>3)</sup>	Member of Supervisory Board	-	-	-	n/a
Piotr Kaczmarek	Member of Supervisory Board	-	-	-	-
Artur Osuchowski <sup>4)</sup>	Member of Supervisory Board	-	-	-	-
Robert Pietryszyn <sup>5)</sup>	Member of Supervisory Board	n/a	n/a	n/a	-
Piotr Pinior <sup>5)</sup>	Member of Supervisory Board	n/a	n/a	n/a	-
Marek Szydło <sup>5) 6)</sup>	Member of Supervisory Board	n/a	n/a	n/a	n/a

(1) On 28 November 2019, Michał Hulbój, as a Supervisory Board Member, was delegated to act as President of Management Board for a fixed term from 28 November 2019 to 28 February 2020 and from 29 February 2020 to 29 May 2020. Michał Hulbój tendered his resignation from the Supervisory Board, effective as of 31 August 2020.

(2) Grzegorz Grabowicz tendered his resignation from the Supervisory Board, effective as of 31 August 2020.

(3) Michał Wnorowski tendered his resignation from the Supervisory Board, effective as of 31 August 2020.

(4) A Supervisory Board Member until 08 January 2020.

(5) Supervisory Board Members appointed on 31/08/2020.

(6) Marek Szydło tendered his resignation from the Supervisory Board, effective as of 8 September 2020.

<b>Management staff</b>					
Michał Hulbój <sup>1)</sup>	Supervisory Board Member Designated to Act as President of Management Board	-	-	-	n/a
Paweł Ruszczak <sup>2)</sup>	acting President of Management Board	35,200	-	-	35,200
Tomasz Wróbel	Member of Management Board	-	-	-	-
Mirosław Kujawski	Member of Management Board	-	-	-	-

(1) On 28 November 2019, Michał Hulbój, as a Supervisory Board Member, was delegated to act as President of Management Board for a fixed term from 28 November 2019 to 28 February 2020 and from 29 February 2020 to 29 May 2020.

(2) On 14 May 2020, the Supervisory Board of the Company entrusted Management Board President's duties for a temporary period to Mr Paweł Ruszczak, previously serving as Member of Management Board and CFO. He took the new role as of 30 May 2020, acting in his new capacity until the appointment of the President of Management Board.

## **II. DESCRIPTION OF GROUP'S OPERATIONS IN H1 2020**

In H1 2020 Develia S.A. carried out tasks relating to the administration, management and corporate governance of subsidiaries, the implementation of development projects, as well as arranged for financing

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necessary for investment activities of the Group. Further, the Issuer was deeply engaged in the acquisition of land for new projects in Warsaw, Cracow, Gdańsk and Wrocław. As regards operations performed on the development market, the subsidiaries of Develia S.A. continued existing construction projects or prepared for the commencement of new ones, as well as were responsible for the administration of office, retail and services centres – Arkady Wrocławskie and Sky Tower, and office buildings – Wola Retro and Wola Center, with the latter (Wola Center) being sold on 29 January 2020 by a subsidiary – Warszawa Przyokopowa Sp. z o.o.

### 1. Basic Products, Goods and Services

The Group's revenues in H1 2020 came mainly from the sales of residential and business premises, which accounted for 79.9% of all revenues earned. Other revenues raised by the Group, which totalled approx. 20.1%, were derived predominantly from the lease of commercial real property.

The below table shows figures for the six-month period ended 30 June 2020, pertaining to revenues and profits earned by the Group on respective segments (PLN'000):

Period of 6 months ended	Rental services	Property development activity	Holding (other) activity	TOTAL
<b>30 June 2020</b>				
Total sales revenue	44,193	175,845	41	220,079
Pre-tax profit/(loss) on sales				
- Result for segment	25,512	66,012	41	91,565

### 2. Information on Trade Area

The Group's operations are centred around Poland, and specifically the key locations of Poland's biggest cities: Warsaw, Wrocław, Cracow, Gdańsk and Katowice.

Revenues earned in H1 2020 came from the development activities performed by the Group companies on the domestic market – in Warsaw, Wrocław, Cracow and Gdańsk.

In total, 423 residential and business units were sold in H1 2020 (preliminary sales agreements/development agreements; withdrawals from agreements taken into account), which was 32% fewer than in the corresponding period of the previous year, whereas 482 residential and business units were delivered (the sale reported in the income statement), which was 71% less than in H1 of 2019.

The below table presents in detail sales in individual cities for H1 and for July and August 2020 (including comparatives for 2019) (figures shown in the tables refer to the number of residential and business premises).

<i>pre-sales</i>				
City	H1 2019	H1 2020	July-August 2019	July-August 2020
Warsaw	268	126	57	60
Wrocław	120	126	42	45
Cracow	102	69	44	40
Gdańsk	124	82	50	95
Łódź	4	0	0	0
Katowice	0	20	11	5
<b>TOTAL</b>	<b>618</b>	<b>423</b>	<b>204</b>	<b>245</b>
		-32%		+20

<i>delivery</i>				
City	H1 2019	H1 2020	July-August 2019	July-August 2020
Warsaw	866	224	71	2
Wrocław	162	0	2	58
Cracow	355	254	0	93
Gdańsk	286	4	5	99

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Łódź	4	0	0	0
Katowice	0	0	0	0
<b>TOTAL</b>	<b>1,673</b>	<b>482</b>	<b>78</b>	<b>252</b>

-71%

*offer*

City	On offer as at 30 June 2020	On offer as at 31 August 2020	To be introduced as at 31 August 2020	Total for sale as at 31 August 2020
Warsaw	349	289	1,791	2,080
Wrocław	356	311	963	1,274
Cracow*	446	406	2,109	2,515
Gdańsk**	433	338	1,674	2,012
Łódź	0	0	275	275
Katowice*	106	192	956	1,148
<b>TOTAL</b>	<b>1,690</b>	<b>1,536</b>	<b>7,768</b>	<b>9,304</b>

\*including Centralna Park - stage 6 (270 premises), Ceglana Park (stage 2) - stage 2 (178 premises)

\*\*including Ptasia - land purchased after the balance-sheet date (158 premises)

The following information pertains to both the Group's ongoing projects and projects currently in the preparation stage, according to data available as at 30 June 2020.

### 3. Development Projects – Implemented

#### 3.1. Commercial Projects

Name of Project	City	District	Segment	Construction Completion Date	Area (sq m)
Wola Retro	Warsaw	Wola	Office and services	Q3 2019	25,954
Arkady Wrocławskie	Wrocław	Krzyki	Office, retail and services	Q2 2007	38,638
Sky Tower	Wrocław	Krzyki	Office, retail and services	Q1 2013	53,859
Wola Center *	Warsaw	Wola	Office and services	Q3 2013	33,283
Retro Office House *	Wrocław	Stare Miasto	Office and services	Q1 2018	21,914
Silesia Star (Building "A") *	Katowice	Bogucice Zawodzie	Office and services	Q4 2014	14,969
Silesia Star (Building "B") *	Katowice	Bogucice Zawodzie	Office and services	Q3 2016	14,210

\* parcels of land, on which the "Retro Office House" building (in Wrocław) and the "Silesia Star" Buildings A & B (in Katowice) had been erected, were disposed of by Group companies in 2019, whereas the "Wola Center" building in Warsaw in 2020.

The following table shows NOI for commercial real property of the Company in H1 2019 and H1 2020 and WALT

NOI for commercial real property (EUR million)	H1 2019	H1 2020	WALT
Arkady Wrocławskie	1.98	1.67	Office area – 3.1 Retail area – 3.1
Sky Tower	3.04	2.84	Office area – 3.9 Retail area – 4.8



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Wola Retro	n/a	1.11	Office area – 7.9 Retail area – 10.3
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Relevant agreements concluded after 30/06/2020 – not included in NOI

The following table shows the valuations of commercial buildings made by valuers or the Management Board of the Company as at 30 June 2020.

Real property		30/06/2020	
		Yield	Valuation in EUR
Arkady Wrocławskie	services	8.05%	48,060,000
	offices	8.05%	
Sky Tower	services	7.25%	115,670,000
	B1 & B3 offices	6.75%	
	B2 offices	6.75%	
Wola Retro	offices	5.70 %	71,890,000

### 3.2. Housing Projects

Name of Project	City	District	Segment	Construction Completion Date	Number of Apartments and Commercial Premises	Area (sq m)
Przy Promenadzie (stage 1-3)	Warsaw	Praga-Południe	Apartments, services	Q4 2010	730	48,160
Przy Promenadzie (stage 4)	Warsaw	Praga-Południe	Apartments, services	Q3 2016	202	9,773
Rezydencja Kaliska	Warsaw	Śródmieście-Ochota	Apartments, services	Q1 2011	101	7,430
				Q4 2012	114	6,918
Powstańców 33 (stage 1-5)	Ząbki near Warsaw		Apartments, services	Q3 2014	229	13,141
				Q3 2016	230	13,635
				Q3 2018	165	10,045
				Q2 2019	123	6,958
Na Woli (stage 1-7)	Warsaw	Wola	Apartments, services	Q4 2014	192	10,008
				Q4 2015	112	5,628
				Q1 2018	157	7,982
				Q4 2018	150	7,586
				Q1 2019	147	7,565
				Q2 2019	147	7,554
Poborzańska	Warsaw	Targówek	Apartments, services	Q2 2016	91	4,189
				Q2 2016	140	7,409
Mała Praga (stage 1-4)	Warsaw	Praga Południe	Apartments, services	Q3 2017	217	11,359
				Q1 2018	158	8,124
				Q1 2019	235	12,058

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Korona Pragi (stage 1-3)	Warsaw	Praga Południe	Apartments, services	Q4 2017	170	8,988
				Q3 2018	171	8,992
				Q4 2018	173	9,086
Krzemowe (stage 1-3)	Warsaw	Mokotów	Apartments	Q2 2017	159	8,604
				Q4 2017	244	11,917
				Q4 2018	130	6,622
Maestro (stage 1-3)	Wrocław	Krzyki-Jagodno	Apartments	Q3 2012	176	9,352
				Q3 2013	160	8,829
				Q3 2017	125	7,126
Potokowa (stage 1-3)	Wrocław	Maślice	Apartments and houses	Q2 2013	72	2,819
				Q3 2013	42	4,486
				Q2 2014	73	3,621
Graniczna (stage 1-6)	Wrocław	Fabryczna	Apartments	Q3 2013	173	9,200
				Q3 2014	179	8,716
				Q4 2015	187	9,688
				Q2 2016	125	6,449
				Q4 2016	168	9,103
Nowalia	Wrocław	Klecina	Terraced houses	Q3 2017	168	9,119
				Q1 2014	44	4,634
Brzeska 5	Wrocław	Krzyki	Apartments, services	Q4 2014	167	7,889
Stabłowicka 77 (stage 1-2)	Wrocław	Fabryczna	Apartments	Q3 2014	73	4,259
				Q1 2015	60	3,159
Dolina Piastów	Wrocław	Fabryczna	Apartments	Q2 2016	176	9,278
Nowa Tęczowa	Wrocław	Stare Miasto	Apartments, services	Q1 2018	212	10,025
Sołtysowicka	Wrocław	Sołtysowice	Apartments	Q1 2018	165	9,486
Między Parkami (stage 1)	Wrocław	Klecina	Apartments	Q1 2019	164	8,607
Małe Wojszyce	Wrocław	Wojszyce	Apartments	Q2 2020	63	3,636
Słoneczne Miasteczko (stage 1-7)	Cracow	Bieżanów- Prokocim	Apartments	Q4 2011	120	6,624
				Q4 2012	164	8,960
				Q3 2014	42	2,162
				Q4 2015	120	6,498
				Q2 2017	108	5,894
				Q4 2018	108	5,903
Okulickiego 59	Cracow	Mistrzejowice	Apartments, services	Q1 2019	108	5,878
				Q4 2012	146	6,701
	Cracow	Śródmieście		Q2 2015	164	8,011

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Grzegórzecka (stage 1-4)			Apartments, services	Q4 2015	149	7,042
				Q1 2016	85	4,562
				Q1 2017	242	11,928
Centralna Park (stage 1-5)	Cracow	Czyżyny	Apartments	Q2 2017	150	7,055
				Q1 2018	130	6,190
				Q4 2018	264	12,941
				Q4 2019	151	7,459
5 Dzielnica (stage 1-2)	Cracow	Krowodrza	Apartments, services	Q1 2020	103	5,183
				Q1 2017	190	10,018
Przy Srebrnej (stage 1-4)	Gdańsk	Łostowice	Apartments, services	Q3 2017	113	5,678
				Q4 2012	72	3,795
				Q3 2014	28	1,734
				Q4 2014	46	2,104
Świętokrzyska Park (stage 1-4)	Gdańsk	Łostowice	Apartments	Q3 2016	32	1,687
				Q1 2018	65	2,940
				Q4 2018	65	2,949
Przy Alejach (stage 1-2)	Gdańsk	Zaspa	Apartments	Q2 2019	65	2,936
				Q4 2019	65	2,939
Bastion Wałowa (stage 1-2)	Gdańsk	Śródmieście	Apartments	Q2 2016	110	5,521
				Q2 2017	97	5,087
Dębowa Ostoja (1 stage)	Łódź	Bałuty	Terraced houses	Q4 2017	230	12,336
				Q4 2018	230	12,339
Pustynna 43 (1 stage)	Łódź	Góna	Apartments	Q4 2012	38	2,884
<b>Total as at 30/06/2020</b>					<b>11,582</b>	<b>623,310</b>

As at 30 June 2020, the Group failed to deliver 94 premises located in the aforesaid competed projects.

### 4. Investment projects under Construction

#### 4.1. Housing Projects

Name of Project	City	District	Segment	Planned Construction Completion Date	Number of Apartments and Commercial Premises	Area (sq m)
Na Woli (stage 8, 9)	Warsaw	Wola	Apartments, services	Q4 2020	177	9,573
				Q1 2022	305	15,873
Mały Grochów (stage 1-2)	Warsaw	Grochów	Apartments, services	Q1 2021	105	5,338
				Q1 2021	137	7,014
Rokokowa Residence	Warsaw	Bielany	Apartments, houses	Q1 2021	29	3,548
Mała Praga (stage 5)	Warsaw	Praga Południe	Apartments, services	Q4 2021	48	2,940.36
	Wrocław	Huby		Q1 2021	253	13,082

## Management Board's Report on Operations of Develia S.A. Group for H1 2020

Kamienna (stage 1-2)			Apartments, services	Q1 2021	186	9,761
Nowa Raclawicka	Wrocław	Krzyki	Apartments	Q1 2021	231	13,297
Między Parkami (stage 2)	Wrocław	Klecina	Apartments	Q4 2021	202	12,972
				Q3 2020	108	5,797
Słoneczne Miasteczko (stage 8 - 11)	Cracow	Bieżanów-Prokocim	Apartments	Q1 2021	102	5,865
				Q3 2021	124	8,647
				Q4 2021	102	5,777
Przy Mogińskiej (stage 1)	Cracow	Prądnik Czerwony	Apartments	Q2 2021	65	3,031
				Q3 2020	108	5,306
Świętokrzyska Park (stage 5-7)	Gdańsk	Łostowice	Apartments	Q3 2020	54	2,629
				Q2 2021	108	5,146
Wałowa (stage 3-4)	Gdańsk	Śródmieście	Apartments	Q1 2021	140	7,192
				Q1 2021	115	4,068
Osiedle Latarników (stage 1)	Gdańsk	Letnica	Apartments, services	Q4 2021	135	7,677
Baltea	Gdańsk	Przymorze	Apartments, services	Q4 2022	239	15,221
Centralna Park 2 (stage 1)	Katowice	Brynów	Apartments, services	Q4 2020	86	5,305
<b>Total as at 30/06/2020</b>					<b>3,159</b>	<b>175,058</b>

As at 30 June 2020, the Group had sold 1848 premises which were under construction at that time.

### 5. Development Projects in Preparation (Currently Land Banked)

#### 5.1. Commercial Projects

Name of Project	City	GLA (sq m)	Planned Date of Completion
Kolejowa	Wrocław	33,000	Q2 2021

#### 5.2. Housing Projects

Name of Project	City	Number of Apartments and Commercial Premises	Area (sq m)
Trzciniowa	Warsaw	167	8,833
Toruńska	Warsaw	196	10,219
Jagiellońska	Warsaw	162	8,279
Podskarbińska	Warsaw	1,266	67,030

## Management Board's Report on Operations of Develia S.A. Group for H1 2020

Reszelska	Wrocław	84	5,337	
Reja	Wrocław	61	2,954	
Mglista	Wrocław	48	2,970	
Orawska	Wrocław	644	34,526	
Cynamonowa	Wrocław	126	6,516	
Vratislavia Reidence (Malin)	Wrocław	-	-	(*)
Słoneczne Miasteczko	Cracow	412	23,391	
Przy Mogińskiej (stage 2)	Cracow	273	12,312	
Grzegórzecka	Cracow	471	25,699	
Centralna Park	Cracow	864	46,629	
Braci Czechów	Cracow	89	5,000	
Świętokrzyska Park	Gdańsk	259	13,626	
Przy Alejach (stage 3)	Gdańsk	48	2,870	
Płasia	Gdańsk	158	7,991	(**)
Osiedle Latarników	Gdańsk	388	21,405	
Marinus	Gdańsk	87	5,049	
Bajkowy Park	Gdańsk	734	45,152	
Ceglana Park	Katowice	1,047	57,341	
Pustynna 43	Łódź	114	8,286	
Dębowa Ostoja	Łódź	161	24,479	
<b>Total as at 30/06/2020</b>		<b>7,859</b>	<b>445,894</b>	(***)
<b>moved to offer 7-8</b>		<b>-91</b>	<b>-5,426</b>	(****)
<b>Total as at 31/08/2020</b>		<b>7,768</b>	<b>440,468</b>	

(\*) The Malin Project was not taken into consideration for the calculation of land bank as at 30/06/2020

(\*\*) The Płasia Project purchased after the balance-sheet date

## Management Board's Report on Operations of Develia S.A. Group for H1 2020

(\*\*\*\*) The table does not include the Ceglana Park project - stage: Building 2 (91 premiss) added to offer after the balance-sheet date

### 6. Group's Reliance on Suppliers and Consumers

- Service Recipients

As regards the sale of residential and business units in H1 2020, the Group companies were not dependent on any service recipient. This stemmed from the fact that the Group's customers are mainly individuals who are generally perceived as the consumer group.

- Service Providers

The Group companies were not dependent on specific service providers in H1 2020 – construction works are provided by a large variety of different businesses that compete with each other on the developed construction market in Poland, therefore the Group companies use the services of various construction companies in order to eliminate the risk of being dependent on one particular entity. Contracts for construction works are put up by the Group to tender, to make sure that only contractors that made the most favourable proposals have been selected. The Group's development projects are carried out mainly on a general contracting basis.

### 7. Significant Contracts, Insurance Agreements

1) On 29 January 2020, in pursuance of the preliminary agreement of 24 September 2019, an Issuer's subsidiary – Warszawa Przyokopowa sp. z o.o. entered into a final sales and purchase agreement with an entity which was not related to the Issuer, concerning the sale of the perpetual usufruct right to parcels of land located at 33 Przyokopowa Street in Warsaw, including the right of ownership to an office building erected on the said land, known as the "Wola Center" building, along with tangible and intangible assets related to the said real property for a price of EUR 101,900,000 (plus an applicable rate of VAT and transaction costs).

In pursuance of the Preliminary Sales and Purchase Agreement, the Company undertook to the Purchaser to stand surety for the Seller, Warszawa Przyokopowa Sp. z o.o., under which it guaranteed that:

- a) The seller would perform the obligations and discharge the liabilities of Warszawa Przyokopowa Sp. z o.o., as the seller, arising from agreements covering the subject-matter of the transaction, and
- b) The Company would incur debts of Warszawa Przyokopowa Sp. z o.o. arising from obligations and liabilities of that company under the Sales and Purchase Agreement, if the seller ceased its operations, went into liquidation or was dissolved, which circumstances were described in the surety arrangements,
- c) The contractual penalty would be paid, should the purchaser withdraw from the preliminary agreement due to reasons attributable to the seller.

2) On 5 March 2020, the Issuer and mBank S.A. concluded an amendment to the programme agreement of 2 October 2018 ("the Programme Agreement") under which the Issuer set up a bond issue programme for its bonds up to the total amount (nominal value) of issued and outstanding bonds of PLN 400,000,000 ("the Issue Programme"). The amendment to the Programme Agreement is designed to adapt both the Programme Agreement and documentation relating to the Issue Programme to amended provisions of law that apply to the issue of bonds. Bonds issued under the amended Issue Programme ("the Bonds") will be tendered for purchase pursuant to Article 33(1) or (2) of the Bonds Act of 15 January 2015.

Apart from the aforesaid agreements, in H1 2020 the Group companies did not enter into any significant agreements the value of which would be at least 10% of the Issuer's equity. As regards other agreements of great significance to the Group companies (in particular those relating to financing and purchase of real property), have been referred to in this report.

### III. INFORMATION ON GROUP'S INCOME AND ECONOMIC AND FINANCIAL STANDING IN H1 2020

General Economic and Financial Figures	As at 30 June 2020 PLN'000	As at 30 June 2019 PLN'000
Non-current assets	1,243,789	1,633,599
Current assets	1,765,364	1,409,642
Non-current assets classified as held for sale	-	462,501

## Management Board's Report on Operations of Develia S.A. Group for H1 2020

Equity	1,510,123	1,496,143
Liabilities and provisions for liabilities	1,499,030	2,009,599
Balance-sheet total	3,009,153	3,505,742
Sales revenue	220,079	631,733
Gross profit on sales	91,565	238,375
Operating profit/(loss)	56,790	167,752
Gross profit	15,359	158,143
Net profit	8,817	125,427

During the period ended 30 June 2020, the Group earned revenues from sales of PLN 220,079,000 and the net profit of PLN 8,817,000.

Major factors and events that had considerable impact on the financial performance of the Group within the period of 6 months ended 30 June 2020 include, but are not limited to the following:

1. The sale (delivery) of residential and retail units located in development properties;
2. A growth in the EUR to PLN exchange rate (4.4660) as at 30 June 2020, compared with the EUR to PLN exchange rate effective on 31 December 2019 (4.3018), which had a bearing on the conversion of the EUR value of investment property to PLN and of loans in EUR taken out to obtain funding for the said real property;
3. The revaluation of commercial property, in particular a decrease in the valuation of Arkady Wrocławskie and Sky Tower resulting from a change that took place on the local retail property market in Wrocław and the spread of the COVID-19 pandemic.
4. Effects of announcement of the COVID-19 epidemic on the Group's current operations described in detail in section IV.7.

### **The specification of the structure of assets and liabilities disclosed in the consolidated balance sheet, including from the Group's liquidity perspective**

	30 June 2020 PLN'000	Structure %
<b>Assets</b>		
<b>A. Non-current assets</b>	<b>1,243,789</b>	<b>41.33%</b>
1. Intangible assets	341	0.01%
2. Property, plant and equipment	6,046	0.20%
3. Non-current receivables	8,938	0.30%
4. Land classified as fixed assets	86,775	2.88%
5. Investment property	1,104,729	36.71%
6. Non-current prepayments and accrued income	560	0.02%
7. Deferred tax assets	36,400	1.21%
<b>B. Current assets</b>	<b>1,765,364</b>	<b>58.67%</b>
1. Inventory	1,201,661	39.93%
2. Trade and other receivables	40,735	1.35%
3. Income tax receivable	9,218	0.31%
4. Current financial assets	27,218	0.90%
5. Cash and other cash assets	481,357	16.00%
6. Current prepayments and accrued income	5,175	0.17%
<b>C. Non-current assets classified as held for sale</b>	<b>-</b>	<b>0.00%</b>
<b>Total assets</b>	<b>3,009,153</b>	<b>100.00%</b>
<b>Equity and liabilities</b>		
<b>A. Equity</b>	<b>1,510,123</b>	<b>50.18%</b>
<b>I. Equity attributable to shareholders of the parent</b>	<b>1,510,123</b>	<b>50.18%</b>
1. Share capital	447,558	14.87%
2. Other capital	1,053,748	35.02%

## Management Board's Report on Operations of Develia S.A. Group for H1 2020

3. Net profit/(loss)	8,817	0.29%
<b>II. Minority interest</b>	-	<b>0.00%</b>
<b>B. Non-current liabilities</b>	<b>657,708</b>	<b>21.86%</b>
1. Non-current liabilities on account of loans and bonds	577,097	19.18%
2. Non-current lease liabilities	19,042	0.63%
3. Non-current liabilities on account of acquisition of subsidiary	-	0.00%
4. Provisions	4,765	0.16%
5. Deferred tax liability	56,804	1.89%
<b>C. Current liabilities</b>	<b>841,322</b>	<b>27.96%</b>
1. Current liabilities on account of loans and bonds	201,116	6.68%
2. Current lease liabilities	43,012	1.43%
3. Current liabilities on account of acquisition of subsidiary	-	0.00%
4. Current trade and other payables	121,280	4.03%
5. Income tax payables	54,263	1.80%
6. Provisions	9,473	0.31%
7. Accruals and deferred income	412,178	13.70%
<b>D. Liabilities arising from assets held for sale</b>	-	-
<b>Total equity and liabilities</b>	<b>3,009,153</b>	<b>100.00%</b>

### **IV. SIGNIFICANT EVENTS THAT HAD OR MIGHT HAVE AN IMPACT ON THE GROUP'S OPERATIONS AND FINANCING NECESSARY FOR THE GROUP'S ACTIVITIES IN H1 2020**

#### **1. Loan Agreements Concluded by Group Companies**

Amendments to the agreement concerning a bank loan taken out by Arkady Wrocławskie S.A. with Santander Bank Polska S.A., pursuant to the loan agreement concluded on 28 February 2008.

On 27 April 2020, Arkady Wrocławskie S.A. and Santander Bank Polska S.A. executed an amendment to the loan agreement of 28 February 2008, under which the payment of principal instalments originally due for payment on 31 March 2020 and 30 June 2020 was rescheduled on the date of final loan repayment, i.e. on 31 December 2022. Further, under the aforesaid amendment, the Bank decided to refrain from the verification of debt service ratios for Q1 and Q2 2020. On 29 July 2020, Arkady Wrocławskie S.A. and Santander Bank Polska S.A. executed an amendment to the loan agreement, under which the payment of principal instalments originally due for payment on 30 September 2020 and 31 December 2020 was rescheduled on 31 July 2020. Further, under the aforesaid amendment, the Bank decided to refrain from the verification of debt service ratios for Q3 and Q4 2020. On 27 August 2020, Arkady Wrocławskie S.A. and Santander Bank Polska S.A. executed an amendment to the loan agreement of 28 February 2008, including further modifications thereto, under which the payment of certain principal instalments originally due for payment on 31 March 2021 and 30 June 2021 was rescheduled on or before 31 August 2020.

Amendments to the agreement concerning a bank loan taken out by Sky Tower S.A. with Getin Noble Bank S.A. and Alior Bank S.A., pursuant to the loan agreement concluded on 29 December 2012.

On 29 June 2020, Sky Tower S.A. concluded an amendment to the loan agreement of 29 December 2012, with a syndicate of banks comprised of Getin Noble Bank S.A. and Alior Bank S.A., under which the payment of principal instalments originally due for payment on 30 June 2020 and 30 September 2020 was rescheduled on the date of final loan repayment, i.e. on 20 December 2022. Further, under the aforesaid amendment, the Banks decided to refrain from the verification of debt service ratios for Q2 and Q3 2020.

In the period of 6 months ended 30 June 2020, neither new loan agreements were concluded nor the existing ones were amended.

#### **2. Draw-down of Loan Funds by Subsidiary Undertakings**

Draw-down of Loan Funds by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.

In the period of 6 months ended 30 June 2020, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k., according to a loan agreement with mBank Hipoteczny S.A., concerning a loan taken out in EUR and designated for the partial financing of Wola Retro Project in Warsaw, drew down funds in the total amount of



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PLN 4,413,000. As at 30 June 2020, the total outstanding amount after conversion into Polish Zlotys was PLN 113,783,000.

### **3. Repayment to Banks of Loans Taken Out by Group Companies**

#### **Repayment by Warszawa Przyokopowa Sp. z o.o. of Loan Taken out with BNP Paribas Bank Polska S.A.**

On 29 January 2020, following the disposal of the real property referred to in Section 7.1. above, Warszawa Przyokopowa sp. z o.o. paid off in full a bank loan of EUR 45,246,208.46 taken out with BNP Paribas Bank Polska S.A.. The entire security provided in connection with the loan agreement and an agreement hedging against foreign exchange risk and interest rate risk (hedging agreements) expired upon the said repayment. In connection with the repayment of a loan by Warszawa Przyokopowa Sp. z o.o. on 29 January 2020, the Company settled transactions hedging against a risk associated with an increase in interest rates, which had been concluded for a total amount of EUR 3,468,899.70.

#### **Repayment by Arkady Wrocławskie of Loan Instalments Obtained from Santander Bank Polska S.A.**

In the period of 6 months ended 30 June 2020, Arkady Wrocławskie S.A. repaid, in accordance with the repayment schedule, the instalments of the loan in EUR taken out with Santander Bank Polska S.A. As at 30 June 2020, the total outstanding amount after conversion into Polish Zlotys was PLN 70,054,000. On 31 July 2020, Arkady Wrocławskie S.A. repaid the principal of loan taken out in EUR to Santander Bank Polska S.A. in the amount of PLN 3,858,000, and on 31 August 2020, the principal of PLN 1,927,000 was repaid.

#### **Repayment by Sky Tower S.A. of Loan Taken out with Consortium of Banks**

In the period of 6 months ended 30 June 2020, Sky Tower S.A. repaid, in accordance with the repayment schedule, the instalments of the loan in EUR taken out with a consortium consisting of the following banks: Getin Noble Bank S.A. and Alior Bank S.A. in the amount of PLN 2,446,000. As at 30 June 2020, the total outstanding amount after conversion into Polish Zlotys was PLN 196,619,000.

#### **Repayment by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. of Loan Instalments**

In the period of 6 months ended 30 June 2020, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k., according to a loan agreement with mBank Hipoteczny S.A., concerning a loan taken out in EUR and designated for the partial financing of Wola Retro Project in Warsaw, drew down funds in the total amount of PLN 4,413,000. As at 30 June 2020, the total outstanding amount after conversion into Polish Zlotys was PLN 113,783,000.

### **4. Payment of Dividend by Issuer**

On 31 August 2020, the Ordinary General Meeting of Develia S.A. adopted a resolution on the payment of dividend on the following principles:

- a) Amount of dividend: PLN 44,755,831.10
- b) Amount of dividend per share: PLN 0.10
- c) Number of shares subject to dividend: 447,558,311 shares
- d) Record date: 18 September 2020
- e) Dividend payment date: 02 October 2020

### **5. Payment of Dividend by Subsidiary Undertakings with Issuer's Participation in Dividend Distribution**

- 1) Under the Resolution of the Ordinary General Meeting of Warszawa Przyokopowa Sp. z o.o. carried on 25 March 2020, dividend for 2019 in the amount of PLN 131,300,000 was paid to Develia S.A. on 31 March 2020.
- 2) Under the Resolution of the Ordinary General Meeting of LC Corp Invest III Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 6,000,000 was paid to Develia S.A. on 8 April 2020.
- 3) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XV Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 1,232,000 was paid to Develia S.A. 8 April 2020.
- 4) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 58,100,000 was paid to Develia S.A. on 8 April 2020.
- 5) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XII Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 14,853,000 was paid to Develia S.A. on 8 April 2020.
- 6) Under the Resolution of the Ordinary General Meeting of LC Corp Invest X Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 8,000,000 was paid to Develia S.A. on 8 April 2020.
- 7) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XVII Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 500,000 was paid to Develia S.A. on 16 April 2020.

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- 8) On 16 June 2020, the Ordinary General Meeting of LC Corp Invest VII Sp. z o.o. passed a resolution on the payment of dividend for 2019 to Develia S.A. in the amount of PLN 5,274,000. As at 30 June 2020, dividend was not paid.
- 9) On 16 June 2020, the Ordinary General Meeting of LC Corp Invest VIII Sp. z o.o. passed a resolution on the payment of dividend for 2019 to Develia S.A. in the amount of PLN 10,300,000. As at 30 June 2020, dividend was not paid.

### **6. Issue, Buyout of Securities**

On 20 March 2020, 65,000 five-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 65,000,000 were redeemed.

On 20 July 2020, 46,000 four-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 46,000,000 were redeemed.

In the period of 6 months ended 30 June 2020, no other bonds – except for those mentioned above – were issued or redeemed.

### **7. Analysis of COVID-19 Impact**

An important factor that affected the Group's current operations in H1 2020 was the state of COVID-19 epidemic announced in that period.

January and February 2020 saw very good sales, however, after that period the Group recorded a significant drop in the number of new sales contracts concluded in April 2020, and although May and June saw increasing sales volume, the result for the entire quarter and half year was worse than in corresponding periods of 2019.

After the balance-sheet date, i.e. in the period between July and August 2020, the higher number of flats sold could be observed (higher sales than in the corresponding period of the previous year). Consequently, the current sales figures give an optimistic outlook on the situation of the housing market and its prospects.

In Q2, due to an outbreak of the epidemic, the Group decided to change its investment plan, delaying the implementation of some housing projects, starting to phase individual projects over a longer period and changing the order of construction works for multi-stage projects – with next stages being chosen for implementation in consideration of a changing market situation.

Furthermore, the Group also noted a delay in the process of issuing administrative decisions, e.g. decisions on building permit, which stemmed from the fact that time limits for administrative authorities to give such decisions were suspended on account of the epidemic.

The Management Board monitor, on a daily basis, works progress on sites, and no major effects of the epidemic on project schedules were observed. As regards projects already completed and scheduled to be completed in this year, no delays in delivering premises to clients are envisaged by the Group.

The COVID-19 pandemic had also a considerable impact on the Group's operations in the commercial segment, it was reflected in revenues and cash flows generated by commercial buildings with a significant share in commercial floor space – these changes resulted in a lower value of investment real property – Arkady Wrocławskie and Sky Tower by a total of EUR 11,240,000.

### **V. OTHER EVENTS AFTER 30 JUNE 2020**

1. LC Corp Invest XIX Sp. z o.o. was removed from the National Court Register (KRS) on 14 July 2020.
2. On 3 July 2020, the Company purchased real estate of 0.9998 ha located at Ptasia Street in Gdańsk, designated for a development project.
3. On 28 August 2020, a resignation from the Supervisory Board, effective as at 31 August 2020, was tendered by the Supervisory Board Chairman – Michał Hulbój.
4. On 30 August 2020, a resignation from the Supervisory Board, effective as at 31 August 2020, was tendered by the Supervisory Board Member – Grzegorz Grabowicz.
5. On 31 August 2020, a resignation from the Supervisory Board, effective as at 31 August 2020, was tendered by the Supervisory Board Member – Michał Wnorowski.

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6. On 31 August 2020, the Ordinary General Meeting of Develia S.A. adopted a resolution on the payment of dividend in the amount of PLN 44,755,831.10 (PLN 0.10 per share), setting the record date for 18 September 2020 and the date of dividend payment for 2 October 2020.
7. On 31 August 2020, the Ordinary General Meeting of Develia S.A. appointed Mr Robert Pietryszyn, Mr Piotr Pinior and Mr Marek Szydło to the Supervisory Board.
8. On 31 August 2020, the Ordinary General Meeting of Develia S.A. adopted a resolution on the merger pursuant to Article 492(1)(1) of the Commercial Partnerships and Companies Code between Develia S.A. and LC Corp Invest XXI Sp. z o.o., based in Wrocław ("the Acquired Company 1") and LC Corp Invest XXIV Sp. z o.o., based in Wrocław, ("the Acquired Company 2") through the transfer to the Acquiring Company – as the sole shareholder in the Acquired Company 1 and 2 – of the entire assets of both Acquired Companies (merger through take-over). Relevant resolutions were carried on the same day by the Acquired Company 1 and the Acquired Company 2.
9. On 31 August 2020, the Ordinary General Meeting of the Issuer adopted the Remuneration Policy for Management Board and Supervisory Board Members.
10. On 2 September 2020, the Issuer communicated its intention to issue bonds as part of a bond issue scheme up to the total amount (nominal value) of issued and outstanding bonds of PLN 400,000,000, with such issuance being subject, however, to satisfactory conditions on the debt securities market (maturity – three years, floating interest rate).
11. On 7 September 2020, Marek Szydło tendered his resignation from the Supervisory Board, which was effective as from 8 September 2020.

Apart from the foregoing, no other event that could significantly influence the financial results of the LC Corp Group occurred after 30 June 2020.

### **VI. MANAGEMENT BOARD'S OPINION REGARDING FEASIBILITY OF MEETING EARLIER PUBLISHED FINANCIAL FORECASTS FOR GIVEN YEAR, IN VIEW OF RESULTS PRESENTED IN SEMI-ANNUAL REPORT AS COMPARED TO FORECAST RESULTS**

The Issuer did not publish any financial forecasts for the year 2020.

### **VII. COURT PROCEEDINGS**

As at 30 June 2020, there were no significant proceedings before the court or arbitration or public administration authorities with regard to liabilities or receivables of the Issuer or its subsidiaries, the value of which would have an important bearing on the financial standing of the Group companies. The subsidiary undertakings of the Issuer are parties to court and public administration proceedings whose value is insignificant for their operations or financial standing. The vast majority of other cases relate to claims lodged by subsidiaries of the Issuer against their debtors. Provisions for legal actions are shown in Note 28 to the Consolidated Financial Statements.

### **VIII. FACTORS WHICH IN ISSUER'S OPINION MAY AFFECT ITS PERFORMANCE AT LEAST IN PERSPECTIVE OF FOLLOWING QUARTER**

The results achieved by the Develia S.A. Group will be highly affected by a macroeconomic situation, in particular when considering the availability of mortgage loans for potential clients and the development of economic situation amidst the epidemic. These factors are strong determinants of the demand for new apartments and the structure and price thereof. In addition, a factor that might have a bearing on demand for flats is uncertainty about a slowdown in the global economy due to coronavirus, which may also translate into customers deciding to refrain from purchasing flats.

According to IFRS 15, the Develia S.A. Group recognises the revenue from the sale of residential and business premises on the transfer of control thereof to the client. As a consequence, in the next quarter the results of sale will depend on the value of premises transferred to the client in line with the above description.

The operating performance of the Group will be also influenced by the level of revenue generated from the rental of commercial space in the following developments: Arkady Wrocławskie, Sky Tower and Wola Retro, which is linked to the EUR exchange rate. The EUR exchange rate will also affect the valuation of foreign currency loans and investment property Arkady Wrocławskie, Sky Tower and Wola Retro.

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In the long term, in the opinion of the Management Board, the following will also influence the Group's performance:

- implementation of the strategy of acquiring land for residential buildings and carrying out investments on the land to ensure the appropriate offering scale of the Group, adequate to the demand on the market,
- A shift in an attitude towards commercial property in the Develia's Group portfolio, manifested through an opportunity for the sale of selected assets;
- Increasing construction costs of new development projects, which may have a direct bearing on margins achieved in the future;
- Increasing costs of funding raised through the issue of bonds and limited access to this market, associated with the current situation on the capital market and a possibility that more stringent regulations may be brought in;
- Further uncertainty over the epidemic situation in Poland and all around the world.

### **IX. OTHER INFORMATION DEEMED BY ISSUER AS RELEVANT FOR ASSESSMENT OF ITS PERSONNEL, ASSETS, FINANCIAL AND PROFIT/LOSS STANDING AND CHANGES THEREOF AND INFORMATION RELEVANT FOR FEASIBILITY OF FULFILLING ITS OBLIGATIONS**

Apart from the events referred to in the Financial Statements and the Report on the operations of the Group, in the reporting period ended 30 June 2020 there were no other events which would have any impact on the assessment of the Group's personnel, assets and financial standing and on the evaluation of the Issuer's feasibility of discharging its obligations.

### **X. INFORMATION ON SINGLE OR MANY TRANSACTIONS CONCLUDED BY ISSUER OR ITS SUBSIDIARY UNDERTAKING WITH RELATED ENTITIES (IF THEY ARE SIGNIFICANT INDIVIDUALLY OR COLLECTIVELY AND IF MADE ON TERMS OTHER THAN AT ARM'S LENGTH)**

In the reporting period ended 30 June 2020, neither the Issuer nor any of its subsidiaries entered into significant transactions with related parties, including also deals other than arm's length transactions.

### **XI. INFORMATION ON SURETY AND GUARANTEE GRANTED BY ISSUER AND GROUP COMPANIES**

In pursuance of the Preliminary Sales and Purchase Agreement, the Company undertook to the Purchaser to stand surety for the Seller, Warszawa Przyokopowa Sp. z o.o., under which it guaranteed that:

- a) The seller would perform the obligations and discharge the liabilities of Warszawa Przyokopowa Sp. z o.o., as the seller, arising from agreements covering the subject-matter of the transaction, and
- b) The Company would incur debts of Warszawa Przyokopowa Sp. z o.o. arising from obligations and liabilities of that company under the Sales and Purchase Agreement, if the seller ceased its operations, went into liquidation or was dissolved, which circumstances were described in the surety arrangements,
- c) The contractual penalty would be paid, should the purchaser withdraw from the preliminary agreement due to reasons attributable to the seller.

In the reporting period ended 30 June 2020, neither the Issuer nor any of its subsidiaries gave any significant surety or guarantee to the benefit of other entities, except for those mentioned above.

### **XII. SPECIFICATION OF SIGNIFICANT RISK FACTORS FOR GROUP'S OPERATIONS**

The Issuer is of the opinion that the risk factors, which – to the best of the Issuer's knowledge – have been identified below, are exhaustive. Nevertheless, the Issuer does not rule out the possibility that the below list of risks may change as a result of the Group companies' operations. Certain risks may occur in the future, which now cannot be foreseen, for instance, random risks that will be beyond the control of the Group. The Issuer, while presenting the risk factors in the following order, did not take into consideration the possibility of their occurrence or the order of priority.

#### **COVID-19 Risk**

A risk factor affecting the Issuer's and its Group's operations in H2 2020 is an epidemic of COVID-19, which started in March 2020. A possible rise in the number of people being sick with COVID-19 in Poland and restrictions introduced to limit the social and economic life can change the lifestyle of many people and also affect the structure of demand for flats, and consequently their prices, and as regards commercial real property – rent revenue, pressure created by tenants to lower rent rates and even termination of lease contracts.



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As at the date hereof, the Issuer's Management Board are not able to determine possible consequences of the COVID-19 epidemic, however, actions are being taken to reduce this risk by providing proper security for the Company's financial liquidity, implement precautionary measures in line with the World Health Organisation's and the Polish Chief Sanitary Inspectorate's recommendations and monitor, on a daily basis, the epidemic situation and its impact on the Company's activities.

### **Risks Associated With Situation on Financial and Real Property Markets**

Factors that might affect the Group's operations negatively include a policy pursued by the banking sector in relation to development companies, as the developers' lending level will have an important bearing on the number of new projects launched. Also, a policy on mortgage loans adopted by the banking sector towards individuals is a major risk factor. Stringent criteria applied by banks when assessing clients to calculate their credit score caused difficulties for prospective buyers of flats, whose creditworthiness is poor. A lack of new credit solutions and the scarce availability of loans may be a factor behind lower demand for new flats and houses. Further, a situation on the bond market is difficult to predict, which is of relevance to the Group companies, as they use bonds to secure funding.

A situation on the housing market (fluctuations in supply/demand) also affects the Group's operations to a large extent. The ups and downs of the commercial real property market play also an influential role, as they affect lease rent levels and the valuation of commercial real property (due to capitalisation rates (yield) that are effective on the market). A continuing rise in the prices of residential premises is expected on the housing market, which can be caused by the fact that land for construction is becoming more and more expensive, and the costs of contractors' services are also soaring. On top of that, the availability of land has been reduced by regulations on trading in agricultural land. Furthermore, it is envisaged that the number of units purchased for investment purposes can grow, as the acquisition of real property is considered to be a more advantageous form investing capital than bank deposits, however, this trend can be bucked if interest rates go up. The Management Board are of the opinion that possible disturbances to the real estate market caused by coronavirus, *inter alia*, customers' decision to avoid public places, which may result in a lower turnout for the retail and services areas of commercial real property owned by the Group. In addition, there is uncertainty about a slowdown in the global economy due to coronavirus, which may translate into customers deciding to refrain from purchasing flats.

### **Foreign Exchange Risk**

Companies responsible for the management of commercial premises record in their books proceeds from lease and liabilities arising from financing agreements, which are denominated in Euro (EUR). Consequently, the Group is exposed to foreign exchange risk caused by the volatility of PLN to EUR exchange rates.

The currency risk arising from the servicing of a foreign currency loan is minimised by collecting rents indexed against the currency of the loan financing the investment. The risk posed by time differences, between invoicing and the repayment of the loan is minimised, depending on the market situation, by the purchase of a proper amount of currency at the dates of invoicing rents.

The foreign exchange risk concerns also the balance-sheet valuation of commercial real property and the valuation of loans (obtained for the financing of investment), which as at the balance-sheet date are translated from EUR to PLN at an average exchange rate published by the National Bank of Poland on such a day.

A decline in the EUR exchange rate leads to a drop in the fair value of investment real property, the measurement of which is made in EUR and converted to PLN – this is reflected in the "Consolidated Statement of Comprehensive Income" under "Profit/(Loss) on Investment Property", and to a drop in the measurement of liabilities arising from loans taken out in EUR for the construction of investment property – this has been recognised in the "Consolidated Statement of Comprehensive Income" under "Financial Income". Consequently, a decrease in the EUR exchange rate has a direct bearing on the lower consolidated gross profit.

Similarly, a climb in the EUR exchange rate leads to an increase in the fair value of investment real property, the measurement of which is made in EUR and converted to PLN – this is reflected in the "Consolidated Statement of Comprehensive Income" under "Profit/(Loss) on Investment Property", and to a rise in the measurement of liabilities arising from loans taken out in EUR for the construction of investment property – this has been recognised in the "Consolidated Statement of Comprehensive Income" under "Financial Income". Consequently, a climb in the EUR exchange rate has a direct bearing on the higher consolidated gross profit.

The fair value measurement of assets in EUR (investment property), expressed in the financial statements at the average exchange rate of the National Bank of Poland, and the valuation of loans in EUR, reported in the financial statements at the same rate can cause significant unrealised foreign exchange differences. The table below shows the sensitivity of a net financial result to possible fluctuations of the Euro exchange rates, on the assumption of the invariability of other factors. Because of a considerable instability of euro exchange rate in recent years, the sensitivity of the financial result for this year is presented for a change by 20 groszy.

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	Increase/decrease in the exchange rate in PLN	Impact on the net financial result in PLN '000	Impact on equity in PLN '000
31 December 2019	+ 0.20	35,262	35,262
(audited)	- 0.20	(35,262)	(35,262)
30 June 2020	+ 0.20	26,002	26,002
(audited)	- 0.20	(26,002)	(26,002)

The change in the EUR exchange rate is of a non-cash nature and has no bearing on the current position and operating activities of the Group companies.

### **Interest Rate Risk**

The interest rate risk relates mainly to non-current financial liabilities, based on a floating interest rate. This risk is partly compensated by the indexation of revenue from lease in the Group companies which are engaged in the management of commercial premises. Some companies which have raised financing through long-term investment loans, pursuant to provisions contained in such loan agreements, enter into transactions hedging against the risk of an interest rate increase and adopt a hedge accounting approach. Nevertheless, a risk associated with an increase in interest rates may also be a reason behind the reduced availability of loans necessary for the Group's customers to obtain funding for the purchase of residential units and may have a negative impact on their decision to buy such units for investment purposes with a view to leasing them and reaping benefits instead of making bank deposits. Furthermore, in view of the fact that the Company raises funding necessary for its operations through issuing bonds and taking out floating interest rate loans, changes in the rates of interest will also have a direct bearing on financial performance.

### **Credit Risk**

The Group always seeks to conclude transactions with renowned entities of good credit capacity. Moreover, owing to the current monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is negligible. With regard to the Group's other financial assets such as cash and cash equivalents, the Group's credit risk is minimal, because the Group deposits its funds in banks of good and stable financial standing. There is no significant concentration of credit risk in the Group.

### **Liquidity Risk**

The Group aims to maintain a balance between the continuity and flexibility of financing, by means of using different sources of financing such as bank loans and bonds. The Group has its own funds which are used for securing day-to-day operations and ongoing development projects, however, it is required to obtain further financing through taking out bank loans or issuing bonds to expand the business. When setting repayment dates of further loan instalments, the Company strives to make sure that proceeds from the sales of individual projects are already available. Having considered the present situation on the corporate bond market, access to this source of financing may be limited. Consequently, there is a risk that the parameters of debt financing would deteriorate in terms of amounts, terms and costs.

### **Development Project Risk**

Development projects, due to their complex nature, both in terms of legal and technical aspects, carry multiple significant risks. These risks include, without limitation, a failure to obtain permits necessary for using land in accordance with the Group's plans; delays in the completion of construction; costs higher than the costs envisaged in the budget, arising from unfavourable weather conditions; contractors' or subcontractors' insolvency; higher general contracting costs; increase in construction material costs; industrial disputes affecting contractors or subcontractors; a shortage of materials or construction equipment; accidents or unexpected technical difficulties; impossibility to obtain permits necessary for handing over a building or buildings for operation or other required permits; or changes in regulations governing the use of land. In the event that any of the foregoing risks occur, the development projects may be delayed, costs may increase or revenues can be lost, funds invested in the purchase of land for a development project can be frozen, and in certain circumstances, even inability to complete the project, which may have a significant negative impact on the Group's operations, financial standing or performance.

### **Risk Associated With Higher Construction Costs**

Apart from a rise in property prices, a substantial risk includes also continuously increasing costs of project implementation, resulting from higher costs of construction materials and a shortage of construction labour, higher salaries, as well as the considerable number of development projects carried out concurrently. An increase in the

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contractors' costs and material prices will significantly influence the profitability of development projects, especially if the prices of flats do not climb proportionately and lease rents do not go up in respect of new commercial properties. It is difficult to foresee how these trends will develop in the near future.

### **Administration and Construction Risk**

Imperfections in regulations of the Polish legal system may lead to administrative decisions (e.g. a building permit) being issued by construction authorities in contravention of law, which can consequently result in a complaint being lodged against such decisions by third parties having interest to do so. A complaint (whether legitimate or not) brought against such decisions, may be a reason behind withholding the project development process, and have a direct bearing on worse project profitability. Consequently, this can translate into the project owner's poorer financial performance. Furthermore, an essential risk, which is more and more frequently faced, includes requests made by local authorities that make the issuing of a building permit contingent on extra conditions which do not arise from law. The incapacity of administration authorities and administrative courts to issue decisions on time not only extends the very development process, but also the preparation of development projects before their commencement.

### **Risk Associated With Legislative Changes**

Another risk that the Group companies carrying out residential projects may run is an announced amendment to the Development Law, which is to impose an obligation to have closed escrow accounts instead of open ones, introduce mandatory contributions to the guaranteed development fund and bring about changes to the construction law understood in a general sense. Imposing the obligation to have closed escrow accounts may change, to a large extent, the manner in which projects are financed today, as funds necessary for construction works will have to be obtained from a loan facility or the developer's own sources. Consequently, this may lead to reduction in competition by way of eliminating smaller developers. Moreover, as far as legislative changes are concerned, yet another risk that can lessen the possibility of carrying out a development project is an announced amendment designed to limit the number of cases when planning permission may be granted or even completely abolish the duty to give such permission, resulting thus in reduced development opportunities. On the other hand, the introduction of mandatory contributions to the guaranteed development fund will increase the developers' financial burden and reduce the profitability of development projects, consequently having an impact on the entire development industry.

### **Risk Associated With Liability After Sale of Residential Premises and Houses**

The Group's operations include specifically the sale of flats and houses. Therefore, the Group might be exposed to disputes and court proceedings relating to completed projects, as a result of which the Group companies may be required to perform specific acts or pay specific consideration (e.g. arising from a warranty given to customers for construction works). This may have negative effects on the Group's business, financial standing or performance.

### **Risk from Competitors**

The Group companies, as the owners of office, retail and services buildings, are exposed to the risk of intense competition from other similar facilities that already operate on the same markets or are being prepared for opening. In this regard, a risk is faced particularly by companies which run retail and services facilities in Wrocław, following the opening of a new shopping centre "Wroclavia" in the immediate vicinity. In practice, based on preliminary data pertaining to turnover generated by the "Arkady Wrocławskie" shopping centre, this risk is to be perceived as high. Also, the development of the office and commercial property market may lead, among other things, to the excess supply of office and retail and services property. Each of the aforesaid risks, whether considered individually or collectively, may have a negative impact on the current operations, financial standing and performance of the Group.

### **Property Price and Lease Rent Risks**

The profit-earning capacity of the Group companies depends, among other things, on the prices of residential units and the rates of lease rent for office and service floor space in Poland. Should these prices plummet down, this may have negative effects on the Group's business, financial standing or performance. Moreover, a significant risk results from a rise in investment property prices and the lack of well-prepared development projects which have both spatial development plans and planning permission in place, so much necessary for the quick completion of works for the property. Nowadays, developers have to assume greater risks when buying real property and meet a requirement to obtain administrative decisions requisite for the development process. In turn, this causes a risk that the commencement of works for such an investment property may be postponed. In addition, a factor that might have a bearing on demand for flats is uncertainty about a slowdown in the global economy due to coronavirus, which may also translate into customers deciding to refrain from purchasing flats.

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In addition, another risk that Group companies engaged in the management of shopping centres face is the further impact of the COVID-19 and the enacted statutory prohibition on Sunday trading, which in 2020 concerns almost all Sundays (only five Sundays are exempted from this prohibition). This resulted in a lower turnout, pressure being created by tenants to lower rent rates and reduction in rent for new lease contracts, consequently, leading to lower revenues.

Risk management is performed at Develia S.A. through a formal process of periodic identification, analysis and assessment of risk factors. The aforesaid risk identification process is designed to establish proper procedures and processes aiming to eliminate or minimise risks for both the Group and the Company.

### **XIII. CONCLUSIONS**

In H1 2020, the Group continued development projects commenced in the previous periods, launched new ones and looked for new land for potential acquisition, despite the fact that the state of epidemic was announced in Poland.

The Group is persistent in pursuing a strategy orientated towards the activity in two segments: residential and commercial property.

The sale of the "Wola Center" building in 2020 (and of two other buildings – "Retro Office House" and "Silesia Star" in 2019), as well as the completion of the "Wola Retro" project will provide the Group with capital for further projects and the liquidity buffer in the event that a negative market scenario arising from the epidemic of coronavirus unfolds.

The Group companies fulfil, as they always did in the past, obligations towards the State Treasury, financial institutions and business partners in a timely fashion. A good and stable financial standing of the Group creates an opportunity for its further growth and financing necessary for day-to-day activity – both operating and investment ones.

The Management Board of Develia S.A. hereby declare that there is no risk to the Company's or the Group's operation as a going concern.

Made: Wrocław, 08 September 2020

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Paweł Ruszczak – Acting President of Management Board

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Tomasz Wróbel – Member of Management Board      Mirosław Kujawski – Member of Management Board