



**MANAGEMENT BOARD'S REPORT ON
OPERATIONS OF DEVELIA S.A. AND
DEVELIA GROUP FOR 2019**

Wrocław, 12 March 2020

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PRINCIPLES OF PREPARING ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF DEVELIA S.A. AND DEVELIA GROUP

According to the provisions of the Accounting Act of 29 September 1994, the Management Board are obliged to prepare an annual report on the company's and the Group's operations within a financial period, which contains significant information on economic and financial position and is designed to assess effects produced, identify risk factors and describe threats. The report in question may be drawn up along with the report of the parent undertaking's (Develia S.A.) operations as one document.

This Report of Develia S.A.'s ("Develia's", "the Company's" or "the Issuer's") operations and of the Develia Group's ("the Group's") operations covers a period from 1 January 2019 to 31 December 2019.

1. GENERAL INFORMATION ON COMPANY AND GROUP

Develia S.A. (formerly LC Corp S.A.) was established by the Notarial Deed dated 3 March 2006 and entered into 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.

The Company has been assigned statistical identification number REGON 020246398.

The Company 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 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

The Company is the parent undertaking of entities that belong to the Develia Group.

1.1. Composition of Group and Share Capital Amounts

As at 31/12/2019, the Develia Group was comprised of Develia S.A. and the following subsidiaries:

Company name	Share capital as at 31/12/2019 [PLN]	Effective Share of Issuer	
		31 December 2019 Share in Capital	31 December 2018 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%
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 XVIII Sp. z o.o. w likwidacji ²⁾	-	-	100%
LC Corp Invest XIX Sp. z o.o. w likwidacji ⁴⁾	60,000	100%	100%

LC Corp Invest XX Sp. z o.o. ³⁾	2,000,000	-	100%
LC Corp Invest XXI Sp. z o.o.	10,000	100%	100%
LC Corp Invest XXII Sp. z o.o.	60,000	100%	100%
LC Corp Invest XXIII Sp. z o.o. w likwidacji ⁵⁾	60,000	100%	100%
LC Corp Invest XXIV Sp. z o.o.	2,050,000	100%	100%
LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. ^{1) 6)}	-	-	100% (directly and indirectly)
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 3 Sp. k. ^{1) 7)}	-	-	100% (directly and 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 5 Sp. k. ^{1) 8)}	-	-	100% (directly and 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.	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 XV Sp. z o.o. Projekt 12 Sp. k. ^{1) 9)}	-	-	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k. ^{1) 10)}	-	-	100% (directly and 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. Finance S.K.A. ^{1) 11)}	-	-	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. ¹²⁾	1,339,000	100%	-
LC Corp Service S.A. ¹⁾	630,000	100% (directly and indirectly)	-

* Due to the fact that a limited partnership (spółka komandytowa) is a partnership (spółka osobowa), figures presented in the above table for share capital refer to the amount of contributions

- 1) On 13 December 2018, resolutions were adopted, under which the following companies were merged: LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k., based in Wrocław, and LC Corp Invest XV Sp. z o.o. Finance Spółka komandytowo-akcyjna, based in Wrocław, pursuant to Article 492(1)(2) of the Code of Commercial Partnerships and Companies by setting up a new joint-stock company operating under a business name of LC Corp Service S.A., based in Wrocław, having the share capital of PLN 630,000.00, divided into 630,000 ordinary registered A series shares of a par value PLN 1.00 each. The assets of all the merging companies have been transferred to the said new joint-stock company for this new company's shares. On the completion of the merger, the joint-stock company operating under the business name of LC Corp Service S.A., based in Wrocław, also gained all rights and assumed all obligations (liabilities) of all the merging companies. The merger was registered by the Court on 9 April 2019, which was the date of the registration by the Court of the new company called LC Corp Service S.A.
- 2) LC Corp Invest XVIII Sp. z o.o. w likwidacji completed the liquidation process on 7 February 2019. The company was removed from the National Court Register on 23 May 2019.
- 3) On 15 July 2019, the District Court for Wrocław-Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register, registered a merger between Develia S.A., with the registered office in Wrocław – currently Develia S.A. (“the Acquiring Company”), and LC Corp Invest XX Sp. z o.o., with the registered office in Wrocław (“the Acquired Company”).
- 4) On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XIX Sp. z o.o. was carried.
- 5) On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XXIII Sp. z o.o. was carried.
- 6) LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. was removed from the National Court Register on 26 April 2019. The court order became final and binding on 21 May 2019.

- 7) LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. was removed from the National Court Register on 16 May 2019. The court order became final and binding on 01 June 2019.
- 8) LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. was removed from the National Court Register on 16 April 2019. The court order became final and binding on 02 May 2019.
- 9) LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k. was removed from the National Court Register on 10 May 2019. The court order became final and binding on 25 May 2019.
- 10) LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k. was removed from the National Court Register on 30 April 2019. The court order became final and binding on 24 May 2019.
- 11) LC Corp Invest XV Sp. z o.o. Finance S.K.A. was removed from the National Court Register on 19 April 2019. The court order became final and binding on 3 May 2019.
- 12) On 26 April 2019, a company called Develia sp. z o.o., having the share capital of PLN 5,000 and set up on 18 April 2019, was registered in the National Court Register (KRS). The sole shareholder of the company is Develia S.A. (formerly acting under a business name LC Corp S.A.). On 2 September, the company's name was changed to Develia Invest sp. z o.o. On 22 October 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of Develia Invest Sp. z o.o. by PLN 1,334,000, i.e. up to the amount of PLN 1,339,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 15 November 2019.

1.2. Major Changes in Group in Period From 1 January to 31 December 2019

- 1) LC Corp Invest XVIII Sp. z o.o. w likwidacji completed the liquidation process on 7 February 2019. The company was removed from the National Court Register on 23 May 2019.
- 2) On 11 March 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of LC Corp Invest XIX sp. z o.o. by PLN 10,000, i.e. up to the amount of PLN 60,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 28 March 2019.
- 3) On 11 March 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of LC Corp Invest XXI sp. z o.o. by PLN 5,000, i.e. up to the amount of PLN 10,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 22 March 2019.
- 4) On 11 March 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of LC Corp Invest XXII sp. z o.o. by PLN 10,000, i.e. up to the amount of PLN 60,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 09 April 2019.
- 5) On 11 March 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of LC Corp Invest XXIII sp. z o.o. by PLN 10,000, i.e. up to the amount of PLN 60,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 10 April 2019.
- 6) LC Corp Invest XVIII Sp. z o.o. w likwidacji completed the liquidation process on 7 February 2019. The company was removed from the National Court Register on 23 May 2019.
- 7) On 9 April 2019, LC Corp Service S.A., having the share capital of PLN 630,000.00, was entered into the National Court Register. The Company was set up as a result of the merger of the following companies: LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k., based in Wrocław, and LC Corp Invest XV Sp. z o.o. Finance Spółka komandytowo-akcyjna, based in Wrocław, pursuant to Article 492(1)(2) of the Code of Commercial Partnerships and Companies. The Company's shareholders are LC Corp Invest XV Sp. z o.o. and Develia S.A.
- 8) On 26 April 2019, a company called Develia sp. z o.o., having the share capital of PLN 5,000 and set up on 18 April 2019, was entered into the National Court Register. The sole shareholder of the company is Develia S.A. On 2 September, the company's name was changed to Develia Invest sp. z o.o.
- 9) On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XIX Sp. z o.o. was carried.
- 10) On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XXIII Sp. z o.o. was carried.
- 11) On 15 July 2019, the District Court for Wrocław-Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register, registered a merger between Develia S.A., with the registered office in Wrocław ("the Acquiring Company"), and LC Corp Invest XX Sp. z o.o., with the registered office in Wrocław ("the Acquired Company"). On the merger, the Issuer assumed all the rights and obligations (liabilities) of LC Corp Invest XX Sp. z o.o., with the registered office in Wrocław.

- 12) On 22 October 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of Develia Invest Sp. z o.o. by PLN 1,334,000, i.e. up to the amount of PLN 1,339,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 15 November 2019.

Apart from the aforementioned events, no other significant changes in the composition of the Group took place in the period from 01 January 2019 to 31 December 2019.

1.3. 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 31 December 2019, the strategy of both the Issuer and the Group was pursued in line with the primary objects thereof, i.e. the investment activity.

2. DESCRIPTION OF BUSINESS ACTIVITY CONDUCTED BY COMPANY AND GROUP IN 2019

In 2019, the Company carried out tasks relating to the administration, management and corporate governance of subsidiaries, as well as arranged for financing necessary for their investment activities. Further, the Issuer was deeply engaged in the acquisition of land for new projects in Warsaw, Cracow, Gdańsk and Wrocław. As part of 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 and retail centres – Wola Center, Silesia Star and Retro Office House, of which two buildings (Silesia Star and Retro Office House) were sold in 2019 by subsidiaries, and the third building (Wola Center), owned by another subsidiary, was designated, under a preliminary sales and purchase agreement, for sale in 2019, and eventually sold in 2020.

2.1. Basic Products, Goods and Services Offered by Company

The Company's principal activity includes holding activities consisting in providing holding (management, financial, administrative) services to subsidiary undertakings as well as property development activities.

The Company's activity is limited to the territory of Poland.

The following tables demonstrate figures and data relating to revenue and profits earned in the year ended 31 December 2019 and the year ended 31 December 2018.

Holding activity	Year ended 31 December 2019	Year ended 31 December 2018
Revenues		
Revenue from sale of services, products and goods	53,646	64,630
Revenue from interest and discounts	10,931	18,143
Revenue from dividend	234,596	136,899
Other financial income	4,499	2,634
Other operating income	208	579
Total operating income	303,880	222,885
Expenses		
Operating expenses, cost of sold products and goods	(78,442)	(72,623)
Costs of interest and discounts	(18,136)	(25,076)
Other financial expenses	(2,841)	(4,139)
Other operating expenses	(886)	(1,870)
Total operating expenses	(100,305)	(103,708)
Pre-tax profit(loss)	203,575	119,177

Assets and liabilities		
Total assets	1,728,538	1,513,921
Total liabilities	780,259	621,033

2.2. Basic Products, Goods and Services Offered by Group

The Group's revenues in 2019 came mainly from the sales of residential and retail premises, which accounted for 82.7% of all revenues earned. The Group's revenues derived from the lease of commercial real property totalled 17.2%

The below table shows figures and data for the year ended 31 December 2019, pertaining to revenues and profits earned by the Group on respective segments (PLN'000):

Year ended	Rental activities	Property development activity	Holding (other) activity	Total activity
31 December 2019				
Total sales revenue	140,614	678,336	314	819,264
Pre-tax profit/(loss) on sales	94,468	225,330	314	320,112
Result for segment				

2.3. Information on Trade Area

The Company conducts operations for its subsidiaries and is engaged in development activities on its own account. The company's activity is limited to the territory of Poland.

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

Revenues earned in 2019 came from the development activities performed by the Group companies on the domestic market – mainly in Wrocław, Warsaw, Cracow, Gdańsk and Łódź.

In total, 1,510 residential and retail premises were sold in 2019 (preliminary sales agreements: considering withdrawals, without reservation agreements) – which meant a decline by 12% compared to 2018, whereas 1,964 residential and retail premises were delivered under notarial deeds – a decline by 4% compared to 2018.

The Group is consistent in pursuing its strategy for the diversification of development project locations and the expansion of business on the Warsaw, Wrocław, Cracow and Gdańsk residential markets, which is reflected in the 2019 sales structure.

The below table shows the number of residential/retail premises pre-sold, broken down into individual cities (preliminary sales agreements, considering withdrawals, without reservation agreements):

<i>pre-sales</i>				
City	Q4 2018	Q4 2019	January-December 2018	January-December 2019
Warsaw	125	183	734	542
Wrocław	40	131	289	313
Cracow	91	84	414	259
Gdańsk	57	154	272	345
Łódź	0	0	1	4
Katowice	0	30	0	47
TOTAL	313	582	1,710	1,510
		+86%		-12%

and the table presenting the number of residential/retail premises delivered under notarial deeds:

<i>delivery</i>				
City	Q4 2018	Q4 2019	January-December 2018	January-December 2019
Warsaw	184	124	1,017	1,086
Wrocław	2	0	396	164

Cracow	127	0	256	357
Gdańsk	70	62	365	353
Łódź	0	0	2	4
Katowice	0	0	0	0
TOTAL	383	186	2,036	1,964

-51% -4%

Moreover, as at 31 December 2019, there were 1,554 residential and retail premises on the offer:

City	On offer as at 31/12/2019	to be made available in 2020	to be made available after 2020	total for sale
Warsaw	427	361	1,478	2,266
Wrocław	396	195	329	920
Cracow	417	857	1,352	2,626
Gdańsk	275	712	1,051	2,038
Łódź	0	0	275	275
Katowice	39	179	956	1,174
TOTAL	1,554	2,304	5,441	9,299

Consecutive stages are introduced proportionately to the rate of sale for a given project so as to ensure an optimal offer.

The following information pertains to the Group's ongoing projects and projects currently in the preparation stage.

2.4. Development Projects – Implemented

Commercial Projects

Name of Project	City	District	Segment	Construction Completion Date	Area (sq m)
Wola Center	Warsaw	Wola	Office and services	Q3 2013	33,283
Wola Retro	Warsaw	Wola	Office and services	Q3 2019	25,954
Arkady Wrocławskie	Wrocław	Krzyki	Office, retail and services	Q2 2007	38,640
Sky Tower	Wrocław	Krzyki	Office, retail and services	Q1 2013	53,685

The following table shows NOI for commercial real property of the Company in 4Q 2018 and 4Q 2019 and WALT

NOI for commercial real property (EUR million)	4Q 2018	4Q 2019	WALT
Arkady Wrocławskie	4.56	4.20	Office area – 3.6 Retail area – 3.3
Sky Tower	6.55	6.25	Office area – 4.3 Retail area – 5.0
Wola Center	7.27	7.53	Office area- 1.5 Retail area – 3.5
Wola Retro	n/a	n/a	Office area – 8.6 Retail area – 10.8

Relevant agreements concluded after 31/12/2019 – not included in NOI

The below table shows fair values of commercial real property as at 31 December 2019 which correspond to the values determined during valuations made by valuers or accordingly to values arising from concluded preliminary sales and purchase agreements for real property (Wola Center):

Real property		31/12/2019	
		Yield	Valuation in EUR
Wola Center	offices	approx. 5.90%	101,900,000
Arkady Wrocławskie	services	7.80%	54,000,000
	offices	7.80%	
Sky Tower	services	6.75%	120,970,000
	B1 & B3 offices	6.50%	
	B2 offices	6.50%	
Wola Retro	offices	5.70%	71,020,000

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	Q4 2019	301	15,610
				Q2 2016	91	4,189
Mała Praga (stage 1-4)	Warsaw	Praga Południe	Apartments, services	Q2 2016	140	7,409
				Q3 2017	217	11,359
				Q1 2018	158	8,124

				Q1 2019	235	12,058
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
				Q3 2017	168	9,119
Nowalia	Wrocław	Klecina	Terraced houses	Q1 2014	44	4,634
Brzeska 5	Wrocław	Krzyki	Apartments, services	Q4 2014	167	7,889
Stąblowicka 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
Słoneczne Miasteczko (stage 1-6)	Cracow	Bieżanów- Prokocim	Apartments	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
				Q1 2019	108	5,878
Okulickiego 59	Cracow	Mistrzejowice	Apartments, services	Q4 2012	146	6,701
Grzegórzecka (stage 1-4)	Cracow	Śródmieście	Apartments, services	Q2 2015	164	8,011
				Q4 2015	149	7,042

				Q1 2016	85	4,562
				Q1 2017	242	11,928
				Q2 2017	150	7,055
Centralna Park (stage 1-4)	Cracow	Czyżyny	Apartments	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 2017	190	10,018
				Q3 2017	113	5,678
				Q4 2012	72	3,795
Przy Srebrnej (stage 1-4)	Gdańsk	Łostowice	Apartments, services	Q3 2014	28	1,734
				Q4 2014	46	2,104
				Q3 2016	32	1,687
				Q1 2018	65	2,940
Świętokrzyska Park (stage 1-4)	Gdańsk	Łostowice	Apartments	Q4 2018	65	2,949
				Q2 2019	65	2,936
				Q4 2019	65	2,939
Przy Alejach (stage 1-2)	Gdańsk	Zaspa	Apartments	Q2 2016	110	5,521
				Q2 2017	97	5,087
Bastion Wałowa (stage 1-2)	Gdańsk	Śródmieście	Apartments	Q4 2017	230	12,336
				Q4 2018	230	12,339
Dębowa Ostoja (1 stage)	Łódź	Bałuty	Terraced houses	Q3 2011	22	4,548
Pustynna 43 (1 stage)	Łódź	Górna	Apartments	Q4 2012	38	2,884
Total					11,416	614,490

As at 31 December 2019, the Group failed to deliver 410 premises.

2.5. Investment projects under Construction

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
Kamienna (stage 1-2)	Wrocław	Huby	Apartments, services	Q1 2021	253	13,082
				Q1 2021	186	9,761
Małe Wojszyce	Wrocław	Wojszyce	Apartments	Q2 2020	63	3,644
Nowa Raclawicka	Wrocław	Krzyki	Apartments	Q1 2021	231	13,297

Między Parkami (stage 2)	Wrocław	Klecina	Apartments	Q4 2021	202	12,972
Słoneczne Miasteczko (stage 8-10)	Cracow	Bieżanów-Prokocim	Apartments	Q3 2018	108	5,797
				Q1 2021	102	5,865
				Q3 2021	128	8,650
Przy Mogiłskiej (stage 1)	Cracow	Prądnik Czerwony	Apartments	Q2 2021	65	3,031
Centralna Park (stage 5)	Cracow	Czyżyny	Apartments	Q1 2020	103	5,170
Świętokrzyska Park (stage 5-7)	Gdańsk	Łostowice	Apartments	Q2 2020	108	5,258
				Q3 2020	54	2,629
				Q2 2021	108	5,146
Wałowa (stage 3-4)	Gdańsk	Śródmieście	Apartments	Q1 2021	139	7,183
				Q1 2021	115	4,068
Osiedle Latarników (stage 1)	Gdańsk	Letnica	Apartments, services	Q4 2021	135	7,677
Centralna Park 2 (stage 1)	Katowice	Brynów	Apartments, services	Q4 2020	86	5,305
Total					2,939	159,880*

(*) including 86 premises located in the "Między Parkami II" project currently under construction, but not available on the offer as 31 Dec 2019

As at 31 December 2019, the Group had sold 1,596 premises which were under construction at that time.

2.6. Development Projects in Preparation (To Be Launched in 2020)

Commercial Projects

Name of Project	City	GLA (sq m)	Planned Construction Commencement Date
Kolejowa	Wrocław	33,000	Q4 2020

Housing Projects

Name of Project	City	District	Segment	Planned Construction Commencement Date	Planned Construction Completion Date	Number of Apartments and Commercial Premises	Area (sq m)
Mała Praga (stage 5)	Warsaw	Praga Południe	Apartments, services	Q2 2020	Q3 2021	48	2,942
Trzciniowa	Warsaw	Włochy	Apartments	Q4 2020	Q3 2022	117	6,081

(stage 1)							
Toruńska	Warsaw	Targówek	Apartments, services	Q4 2020	Q2 2022	196	10,219
Mgiłsta	Wrocław	Krzyki	Apartments	Q2 2020	Q3 2021	48	2,660
Reja	Wrocław	Śródmieście	Apartments, services	Q4 2020	Q2 2022	61	3,098
Słoneczne Miasteczko (stage 11)	Cracow	Bieżanów-Prokocim	Apartments	Q1 2020	Q4 2021	108	5,944
Grzegórzecka (stage 5 and 6)	Cracow	Śródmieście	Apartments, services	Q2 2020	Q1 2022	104	5,463
				Q3 2020	Q2 2022	148	7,501
Centralna Park (stage 7)	Cracow	Czyżyny	Apartments, services	Q3 2020	Q2 2022	224	12,497
Przy Mogiłskiej (stage 2)	Cracow	Prądnik Czerwony	Apartments	Q1 2020	Q1 2023	273	12,312
Świętokrzyska Park (stage 8)	Gdańsk	Łostowice	Apartments	Q4 2020	Q2 2022	111	5,391
Przy Alejach (stage 3)	Gdańsk	Zaspa	Apartments	Q3 2020	Q1 2022	48	2,870
Baltea	Gdańsk	Przymorze	Apartments, services	Q2 2020	Q3 2022	239	15,212
Marinus	Gdańsk	Brzeźno	Apartments, services	Q3 2020	Q3 2022	87	5,049
Osiedle Latarników (stage 2)	Gdańsk	Letnica	Apartments, services	Q2 2020	Q3 2022	227	11,902
Ceglana Park (stage 2)	Katowice	Brynów	Apartments	Q2 2020	Q4 2021	179	10,342
Total						2,218	119,483 (*)

(*) – it does not include 270 premises located in the “Centralna Park VI” project introduced to the offer, the commencement of construction is scheduled for Q2 od 2020

- 86 premises located in the “Między Parkami II” project, currently under construction, are to be included on the offer.

Due to potential risks associated with delays in the project preparation process, which are beyond the Company’s and Group’s control, the Management Board have assumed that it might not be possible to deliver all the projects in question as scheduled. Hence, the Management Board’s objective is to include 1,900-2,200 premises on the offer. This level should be sufficient to reach the sales targets set by the Management Board for 2020, i.e. 2,000-2,200 premises to be sold (under development and preliminary sales agreements).

2.7. Development Projects in Preparation (Currently Land Banked)

Name of Project	City	Number of Apartments and Commercial Premises	Area (sq m)	Planned Date of Completion
Trzciniowa	Warsaw	50	2,752	after 2020

Jagiellońska	Warsaw	162	8,279	after 2020
Podskarbińska	Warsaw	1,266	67,030	after 2020
Orawska	Wrocław	203	10,884	after 2020
Cynamonowa	Wrocław	126	6,516	after 2020
Vratislavia Reidence (Malin)	Wrocław	-	-	- (*)
Słoneczne Miasteczko	Cracow	406	23,391	after 2020
Grzegórzecka	Cracow	217	20,226	after 2020
Centralna Park	Cracow	640	34,132	after 2020
Braci Czechów	Cracow	89	5,000	after 2020
Świętokrzyska Park	Gdańsk	148	8,235	after 2020
Osiedle Latarników (stage 3)	Gdańsk	169	9,050	after 2020
Bajkowy Park	Gdańsk	734	45,152	after 2020
Ceglana Park	Katowice	956	51,916	after 2020
Pustynna 43	Łódź	114	8,286	after 2020
Dębowa Ostoja	Łódź	161	24,479	after 2020
Total		5,441	325,328	

(*) The Malin Project was not taken into consideration for the calculation of land bank as at 31/12/2019

The commencement of further stages of respective projects is conditional on the rate of sales of the premises in such projects.

2.8. Group's Reliance on Suppliers and Consumers

- Service Recipients

As regards the sale of residential and retail units in 2019, 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 2019 – 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 on a general contracting basis.

2.9. Significant Contracts, Insurance Agreements

Neither the Company nor the Group companies entered 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.

2.9.1. On 19 July 2019, entities controlled by the Issuer: i.e. LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. ("P20") and LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. ("P21"), acting as sellers (collectively called "the Sellers"), and entities controlled by Globalworth Poland Real Estate N.V., i.e. Ingadi spółka z ograniczoną odpowiedzialnością ("Ingadi") and Artigo spółka z ograniczoną odpowiedzialnością ("Artigo") respectively, acting as purchasers (collectively called "the Purchasers", with the Sellers and the Purchasers being hereinafter jointly referred to as "the Parties"), entered into final sales and purchase agreements ("the FSPAs") as part of a single portfolio transaction between the groups of companies ("the Transaction"), under which:

- a) Right of perpetual usufruct to the parcels of land located in Katowice, at Roździeński Avenue and Uniwersytecka Street including the right of ownership to two office buildings erected on the said land together with building structures known as the "Silesia Star" buildings, and tangible and intangible assets associated with the real property in question, was disposed of by P20 to Artigo ("the Transaction 1", and
- b) Right of ownership to the parcels of land located in Wrocław, at Piłsudski and Komandorska Streets including the office building situated on the said land together with building structures known as the "Retro Office House" building, and tangible and intangible assets associated with the real property in question, disposed of by P21 to Ingadi ("the Transaction 2").

The total Transaction price amounted to EUR 113,175,000 (plus an appropriate amount of VAT and transaction costs), with the Transaction 1 price being set at EUR 54,375,000 (plus an appropriate amount of VAT and transaction costs) and the Transaction 2 price at EUR 58,800,000 (plus an appropriate amount of VAT and transaction costs).

Under the FSPAs, the Parties have made and given representations and warranties to each other under rules which are commonly applied to this type of transactions.

Further, according to arrangements made between the Parties, the Sellers furnished the Purchasers with rent guarantees issued for a five-year period (covering, *inter alia*, not leased floor areas), secured by surety granted by the Company (as the surety of P20 and P21 acting as the Sellers and debtors). In relation to the aforesaid surety, the Company guaranteed that:

- (i) obligations and liabilities arising from the FSPAs will be discharged by P20 and P21, and
- (ii) obligations and liabilities of P20 and P21 relating to finish works to be done by tenants designated in the FSPAs will be discharged by P20 and P21, and
- (iii) obligations and liabilities of P20 and P21 arising from the rent guarantee agreements contemplated in the FSPAs will be discharged by P20 and P21, and
- (iv) the Company will incur debts of P20 and P21 arising from obligations and liabilities of P20 and P21 under the FSPAs and rent guarantee agreements if the Sellers have ceased their operations, have gone into liquidation or have been dissolved, which circumstances were described in the surety arrangements.

2.9.2. On 24 September 2019, a subsidiary wholly owned by the Company: Warszawa Przyokopowa Spółka z ograniczoną odpowiedzialnością ("WP"), acting as the seller, and a company controlled by Hines European Value Fund SCSp, based in Luxembourg, i.e. Gisla Spółka z ograniczoną odpowiedzialnością,

acting as the purchaser (currently: Wola Center sp. z o.o.), entered into a preliminary sales and purchase agreement (PSPA) under a transaction concluded between companies and 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, which are owned by WP and covered by the PSPA.

Entering into a final sales and purchase agreement was conditional upon the satisfaction of, among other things, the following conditions precedent:

- (i) Concurrent tax interpretations supporting a position adopted by the Parties being issued, and
- (ii) All necessary approvals for the Transaction being obtained by the Parties, and
- (iii) A letter – issued by the lending bank – relating to the repayment of loans taken out by WP for the construction of the building in question, and
- (iv) The purchaser being given a loan decision for the partial financing of the transaction, and
- (v) The seller’s title to the real property designated for disposal could not be changed adversely, and
- (vi) Surety being granted by the Company to the purchaser.

The total price of the transaction was agreed by the Parties at EUR 101,900,000 (plus an applicable amount of VAT and transaction costs).

Furthermore, in accordance with the arrangements between the Parties, the Company represented to the purchaser that it stood surety for the seller and debtor, giving a guarantee that:

- (i) The seller would perform the obligations and discharge the liabilities of Warszawa Przyokopowa, acting as the seller, arising from agreements covering the subject-matter of the transaction, and
- (ii) The Company would incur debts of WP arising from obligations and liabilities of WP under the FSPA, if the seller has ceased its operations, has gone into liquidation or has been dissolved, which circumstances were described in the surety arrangements,
- (iii) The contractual penalty would be paid, should the purchaser withdraw from the agreement due to reasons attributable to the seller

- 2.9.3. On 23 December 2019, the Company, acting as the Purchaser, entered into a sales agreement in the form of a notarial deed, under which the right of perpetual usufruct to real estate located in Warsaw at Podskarbińska street, together with the right of ownership to the building erected thereon (“the Real Estate”), was purchased from an entity which was not related to the Issuer. The area of the land property disposed of as part of the transaction is 7.6467 ha. The price for the Real Estate amounted to PLN 133,000,000.00 net, plus VAT at a rate of 23 per cent, i.e. an amount of PLN 163,590,000.00 gross.

Apart from the aforesaid agreements, 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.

3. GROUP’S OPERATIONS IN FINANCIAL PERIOD

3.1. Information on Loans Obtained/Repaid by Issuer and Group Companies

An amendment to the agreement concerning a bank loan taken out by LC Corp S.A. (currently Develia S.A.) with Getin Noble Bank S.A., pursuant to the loan agreement concluded on 18 June 2014.

On 19 March 2019, the loan agreement of 18 June 2014 concluded between LC Corp S.A. (currently Develia S.A.) and Getin Noble Bank S.A. was amended to release a portion of mortgaged real property previously used as security for the loan – to give, for projects carried out by the Group Companies, promise that unencumbered separate ownership of respective premises would pass to purchasers. On 1 July 2019, another amendment to the loan agreement was executed to change a portion of security for the repayment of loan. On 20 December 2019, the loan was paid off in full.

An amendment 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 21 March 2019, Arkady Wrocławskie S.A. paid off a portion of a bank loan in an amount of EUR 5,000,000 to Santander Bank Polska S.A. (formerly BZ WBK S.A.), which was granted under the consortium loan agreement

of 28/02/2008, with further amendments. On account of the overpayment of a portion of loan principal by Arkady Wrocławskie S.A. on 21 March 2019, Arkady Wrocławskie S.A. and Santander Bank Polska S.A. amended on 28 March 2019 the consortium loan agreement of 28 February 2008 to revise the committed amount and alter the repayment schedule.

Repayment of Bank Loan by Arkady Wrocławskie S.A.

In the year ended 31 December 2019, Arkady Wrocławskie S.A. repaid, in accordance with the repayment schedule, the instalments of loan in EUR taken out with Santander Bank Polska S.A. and overpaid the principal in an amount of PLN 24,231,000. As at 31 December 2019, the total outstanding amount after conversion into Polish Zlotys was PLN 66,748,000.

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

In the year ended 31 December 2019, 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 an amount of PLN 9,506,000. As at 31 December 2019, the total outstanding amount after conversion into Polish Zlotys was PLN 189,991,000.

Repayment by Warszawa Przyokopowa Sp. z o.o. of Loan Instalments

In the year ended 31 December 2019, Warszawa Przyokopowa Sp. z o.o. repaid, in accordance with the repayment schedule, the instalments of the loan in EUR taken out with BNP Paribas Polska S.A. in the amount of PLN 10,031,000. As at 31 December 2019, the total outstanding amount after conversion into Polish Zlotys was PLN 191,388,000.

Repayment by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. of Loan Instalments.

In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 20 Sp. k. repaid loan instalments and paid off in full the loan aimed at the financing of the construction of the office development – Silesia Star (1st stage), in a total amount of PLN 41,443,000.

In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 20 Sp. k. repaid loan instalments and paid off in full the loan aimed at the partial financing of the 2nd stage of the Silesia Star project in a total amount of PLN 53,600,000.

On 19 July 2019, both loans were paid off in full.

Repayment of Loan Instalments and Complete Repayment of Loan by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.

In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 21 Sp. k., according to the loan agreement with mBank Hipoteczny S.A. aimed at the partial financing of Retro Office House in Wrocław, drew down funds in the total amount of PLN 15,096,000. On 30 May 2019, according to a loan agreement, the loan was converted and the repayment period commenced. In the year ended 31 December 2019, the Company repaid the loan instalments and paid off in full the loan in a total amount of PLN 100,959,000

On 19 July 2019, the loan was paid off in full.

In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 21 Sp. k. paid off in full the revolving loan taken out with mBank S.A. and designated for financing and refinancing the payment of VAT in respect of costs arising from the Retro Office House project in the total amount of PLN 168,000,000.

On 10 July 2019, an arrangement was reached to terminate the agreement.

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

In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k., according to the loan agreement with mBank Hipoteczny S.A. in EUR aimed at the partial financing of Wola Retro in Warsaw, drew down funds in the total amount of PLN 69,808,000. As at 31 December 2019, the total outstanding amount after conversion into Polish Zlotys was PLN 104,191,000.

In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k., according to the revolving loan agreement with mBank S.A. designated for financing and refinancing the payment of VAT in respect of costs arising from the Wola Retro project in Warsaw, repaid the net loan amount in PLN (disbursements less repayments) totalling PLN 138,000. As at 31 December 2019, there was no debt in respect of the aforesaid agreement.

Change in COLLAR transaction by Arkady Wrocławskie S.A.

On 1 April 2019, Arkady Wrocławskie, in relation to the performance of provisions contained in an Amendment to the Loan Agreement of 29 December 2017, made on 28 March 2019, reduced the amount of a Collar transaction carried out on 18 January 2018 to approx. EUR 17,100,000. The transaction term did not change.

Entering into IRS Transaction by Sky Tower S.A.

On 28 June 2019, the Company entered into an IRS transaction hedging against an increase in interest rate with regard to forward and derivative transactions arising from the performance of a loan agreement, amounting to EUR 16,013,000 for a period from 1 July 2019 to 20 December 2022.

Forward Transaction Conducted by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.

Pursuant to a framework agreement of 8 February 2018, the Company made foreign exchange forward transactions in the period from 1 January 2019 to 31 December 2019, which included forward and derivative operations relating to the performance of a loan agreement, totalling PLN 36,000,000, with the time of settlement being scheduled for a period between 30 September 2019 and 31 October 2019. The aggregate nominal value of the aforesaid transactions at a base rate amounted to EUR 8,336,000. On 17 October 2019, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. carried out a transaction to extend the settlement period of the unsettled transaction to its maturity, i.e. 31 October 2019. A new settlement date was set for the unsettled amount of PLN 16,366,000, specifically 31 March 2020. The nominal value of the aforesaid transaction at a base rate amounted to EUR 3,762,000.

3.2. Issue, Redemption of Securities by Develia S.A.

1. On 22 May 2019, 60,000 four-year unsecured coupon bonds having a par value of PLN 1,000 each and a total nominal value of PLN 60,000,000 were issued under a Bond Issue Agreement with the redemption date set at 22 May 2023, concluded with mBank S.A. having its registered office in Warsaw.
2. On 6 June 2019, 50,000 five-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of 50,000,000 were redeemed.
3. On 27 November 2019, an amendment was concluded to reschedule an investment note redemption date for 30 November 2021, which concerned the investment notes issued by Develia S.A. and having a par value of PLN 2,000,000 each, which were taken up by a subsidiary – Arkady Wrocławskie S.A.
4. On 27 November 2019, an amendment was concluded to reschedule an investment note redemption date for 9 December 2022, which concerned the investment notes issued by Develia S.A. and having a par value of PLN 1,000,000 each, which were taken up by a subsidiary – Warszawa Przyokopowa Sp. z o.o.

All proceeds from bonds issued within the reporting period were used for the corporate purposes associated with the Issuer's principal activity.

3.3. Payment of Dividend by Develia S.A.

On 13 June 2019, 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 120,840,743.97
- b) Amount of dividend per share: PLN 0.27
- c) Number of shares subject to dividend: 447,558,311 shares
- d) Record date: 19 August 2019
- e) Dividend payment date: 30 August 2019

Pursuant to the said resolution, Develia S.A. paid the dividend on 30 August 2019.

3.4. Payment of Dividends by Subsidiary Undertakings

- 1) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XII Sp. z o.o. carried on 20 May 2019, dividend in the amount of 15,437,000 was paid to Develia S.A. on 28 May 2019.
- 2) Under the Resolution of the Ordinary General Meeting of LC Corp Invest VII Sp. z o.o. carried on 20 May 2019, dividend in the amount of PLN 4,134,000 was paid to Develia S.A. on 29 May 2019.
- 3) Under the Resolution of the Ordinary General Meeting of LC Corp Invest X Sp. z o.o. carried on 20 May 2019, dividend in the amount of PLN 37,237,000 was paid to Develia S.A. on 29 May 2019.

- 4) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 20 May 2019, dividend in the amount of PLN 39,612,000 was paid to Develia S.A. on 30 May 2019.
- 5) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XV Sp. z o.o. carried on 3 June 2019, dividend in the amount of PLN 453,000 was paid to Develia S.A. on 11 June 2019.
- 6) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XII Sp. z o.o. carried on 25 June 2019, an advance on dividend for 2019 in the amount of 11,000,000 was paid to Develia S.A. on 27 June 2019.
- 7) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 25 June 2019, an advance on dividend for 2019 in the amount of PLN 11,205,000 was paid to Develia S.A. on 28 June 2019.
- 8) Under the Resolution of the Extraordinary General Meeting of LC Corp Invest X Sp. z o.o. carried on 1 August 2019, an advance on dividend for 2019 in an amount of PLN 6,000,000 was paid to Develia S.A. on 5 August 2019.
- 9) Under the Resolution of the Shareholders of LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k. carried on 30 September 2019, retained profit carried forward in the amount of PLN 55,000,000 was paid to Develia S.A. on 18 October 2019..
- 10) Under the Resolution of the Extraordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 29 October 2019, an advance on dividend for 2019 in the amount of PLN 37,018,000 was paid to Develia S.A. on 6 November 2019.
- 11) Under the Resolution of the Extraordinary General Meeting of LC Corp Invest VII Sp. z o.o. carried on 13 December 2019, an advance on dividend for 2019 in an amount of PLN 5,300,000 was paid to Develia S.A. on 18 December 2019.
- 12) Under the Resolution of the Ordinary General Meeting of LC Corp Invest X Sp. z o.o. carried on 13 December 2019, an advance on dividend for 2019 in an amount of PLN 12,200,000 was paid to Develia S.A. on 18 December 2019.

3.5. Information on Organisational or Equity Relationships Between Issuer and Other Entities and Specification of Its Major Domestic and Foreign Investments, Specifically Securities, Financial Instruments, Intangible Assets and Real Estate, Including Equity Investments Made Outside of Its Group of Related Parties, and Description of Method of Their Financing

There are no organisational and equity relationships between the Company and other entities which do not belong to the Issuer's Group of Companies, and the Company does not have any domestic and foreign investments, including, but not limited to securities, financial instruments, intangible assets and real estate, including equity investments made outside of the Group of Companies.

3.6. Information on Transactions Concluded by Issuer or Group Companies with Related Parties Under Conditions Other Than Arm's Length Conditions

Neither the Company nor the Group's companies entered into transactions on conditions other than arm's length conditions.

3.7. Borrowing Agreements Concluded by Group Companies in 2019 with Related Parties

Lender	Borrower	Agreement Conclusion Date	Interest rate*	Contractual Amount of Borrowing in PLN'000	Repayment date
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. kom.	21/01/2019	5.49%	200	Indefinite
Develia S.A.	LC Corp Invest XX Sp. z o.o.	21/01/2019	5.49%	5,000	Indefinite
Develia S.A.	LC Corp Invest VIII Sp. z o.o.	01/02/2019	5.49%	800	Indefinite
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. kom.	07/02/2019	5.49%	500	Indefinite
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. kom.	04/03/2019	5.19%	600	Indefinite

Develia S.A.	LC Corp Invest XX Sp. z o.o.	03/04/2019	5.49%	6,500	Indefinite
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. kom.	20/05/2019	5.49%	500	Indefinite
Develia S.A.	LC Corp Invest II Sp. z o.o.	20/05/2019	5.49%	100	Indefinite
Develia S.A.	LC Corp Invest XX Sp. z o.o.	29/05/2019	5.49%	6,000	Indefinite
Develia S.A.	LC Corp Invest XVII Sp. z o.o.	18/06/2019	5.49%	100	Indefinite
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. kom.	01/07/2019	5.19%	3,000	Indefinite
Develia S.A.	LC Corp Invest III Sp. z o.o.	01/07/2019	5.49%	500	Indefinite
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. kom.	22/07/2019	5.19%	5,000	Indefinite
Develia S.A.	LC Corp Invest XVII Sp. z o.o.	13/08/2019	5.49%	200	Indefinite
Develia S.A.	Develia Invest Sp. z o.o.	20/08/2019	5.19%	50	Indefinite
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. kom.	29/08/2019	5.49%	500	Indefinite
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. kom.	19/09/2019	5.19%	6,000	Indefinite
Develia S.A.	Kraków Zielony Złocień Sp. z o.o.	19/09/2019	5.49%	2,500	Indefinite
Develia S.A.	LC Corp Invest XVII Sp. z o.o.	26/09/2019	5.49%	250	Indefinite
Develia S.A.	Kraków Zielony Złocień Sp. z o.o.	26/09/2019	5.19%	5,000	Indefinite
Develia S.A.	LC Corp Invest XXI Sp. z o.o.	09/10/2019	5.49%	200	Indefinite
Develia S.A.	LC Corp Invest II Sp. z o.o.	15/10/2019	5.49%	100	Indefinite
Develia S.A.	LC Corp Invest III Sp. z o.o.	17/10/2019	5.49%	200	Indefinite
Develia S.A.	Develia Invest Sp. z o.o.	04/11/2019	5.71%	20,500	Indefinite
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. kom.	25/11/2019	5.49%	5,000	Indefinite
LC Corp Invest XI Sp. z o.o.	LC Corp Invest I Sp. z o.o.	13/12/2019	5.49%	18,000	Indefinite
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. kom.	LC Corp Invest I Sp. z o.o.	17/12/2019	5.49%	400	Indefinite
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. kom.	Develia S.A.	18/12/2019	5.49%	82,500	Indefinite
Develia S.A.	LC Corp Invest II Sp. z o.o.	30/12/2019	5.49%	200	Indefinite
Warszawa Przyokopowa Sp. z o.o.	Develia S.A.	27/02/2019	2.40%**	5,000	Indefinite
Develia S.A.	Arkady Wrocławskie S.A.	27/02/2019	2.50%**	5,000	Indefinite

* average value for 2019

** interest rate of borrowings based on EURIBOR

3.8. Information on Suretyship and Guarantee Granted and Received by Company and Group Companies in a Given Financial Year

In 2019, the Group companies granted suretyship and guarantees as follows:

- In pursuance of the Sales and Purchase Agreements covering the real properties: Silesia Star in Katowice and Retro Office House in Wrocław, described in section 2.9.1 hereof, the Company furnished the Purchasers, Ingadi sp. z o.o. and Artigo sp. z o.o., with rent guarantees issued for a five-year period (covering, *inter alia*, not leased floor areas), secured by suretyship provided by the Company (as the surety of LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. ("P20") and LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. ("P21"), acting as the Sellers and debtors). In relation to the aforesaid suretyship, the Company will guarantee that:
 - obligations and liabilities arising from the Final Sales and Purchase Agreements will be discharged by P20 and P21, and

- (ii) obligations and liabilities of P20 and P21 relating to finish works to be done by tenants designated in the Final Sales and Purchase Agreements will be discharged by P20 and P21, and
 - (iii) obligations and liabilities of P20 and P21 arising from the rent guarantee agreements contemplated in the Preliminary Sales and Purchase Agreements will be discharged by P20 and P21, and
 - (iv) The Company will incur debts of P20 and P21 arising from obligations and liabilities of P20 and P21 under the Final Sales and Purchase Agreements and rent guarantee agreements if the Sellers have ceased their operations, have gone into liquidation or have been dissolved, which circumstances will be described in the surety arrangements
2. In pursuance of the Preliminary Sales and Purchase Agreement covering the real property called Wola Center in Warsaw, described in section 2.2.2 hereof, the Company has undertaken to the Purchaser, Gisla Sp. z o.o. (currently Wola Center sp. z o.o.), to stand surety for the Seller, Warszawa Przyokopowa Sp. z o.o. Under the said commitment the Company guaranteed, among other things, that:
- (i) 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
 - (ii) The Company would incur debts of Warszawa Przyokopowa Sp. z o.o. arising from obligations and liabilities of that company under the Final Sales and Purchase Agreement, if the seller has ceased its operations, has gone into liquidation or has been dissolved, which circumstances were described in the surety arrangements,
 - (iii) The contractual penalty would be paid, should the purchaser withdraw from the agreement due to reasons attributable to the seller.

Performance bonds and warranty bonds that the Group companies were provided with in 2019 are presented in the following table:

Subsidiary provided with guarantee	Entity obliged to provide guarantee	Type of guarantee	Guarantee amount	Date of guarantee
LC Corp Invest XV sp. z o.o. Projekt 2 sp.k.	FUNDAMENTAL GROUP S.A.	Bank guarantee no. MT43003KPB19	PLN 2,190,000.00	16/01/2019
LC Corp Invest XV sp. z o.o. Projekt 9 sp.k.	Budimex S.A.	Amendment no. 2 to Bank guarantee no. 550011189	PLN 2,504,348.40	20/02/2019
LC Corp Invest X sp. z o.o.	Przedsiębiorstwo Wielobranżowe Magropol sp. z o.o. and Vista Constructions sp. z o.o.	Guarantee no. 205/CWU/72/3/2019	PLN 674,884.00	05/03/2019
LC Corp Invest XII sp. z o.o.	Przedsiębiorstwo Budowlane Arkop sp. z o.o. sp.k.	Amendment no. 2 to performance and warranty bond no. 1PM/UL2017/14 of 1 March 2017.	PLN 4,092,681.50	12/03/2019
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud Rzeszów sp. z o.o.	Amendment no. 9 to Bank guarantee no. 20054KPB17	Until 31/05/2019 for the amount of PLN 2,473,616.40, until 1/06/2019 for the amount of PLN 737,385.40	26/03/2019
Kraków Zielony Złocięń Sp. z o.o.	RE –Bau Sp. z o.o.	Performance and warranty bond no. 3PM/UL2016/72	Performance bond of PLN 543,750.00 Warranty bond of PLN 543,750.00	14/05/2019
LC Corp Invest XV sp. z o.o. Projekt 9 sp.k.	Budimex S.A.	Bank guarantee no. SLG59202IN19	PLN 1,466,277.87	14/05/2019
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud Rzeszów sp. z o.o.	Amendment no. 10 to Bank guarantee no. 20054KPB17	Until 31/07/2019 for the amount of PLN 2,473,616.40, from 1/08/2019 to 12/12/2019 for the amount of PLN 737,385.40	27/05/2019
LC Corp Invest XV sp. z o.o. Projekt 4 sp.k.	NDI sp. z o.o.	Amendment no. 2 to warranty bond no. 60PM/UL2015/13	Until 23/06/2020 for the amount of PLN 2,167,621.25, from 24/06/2020 to 23/11/2024 for the amount of PLN 1,083,810.63	09/07/2019
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud Rzeszów sp. z o.o.	Amendment no. 11 to Bank guarantee no. 20054KPB17	Until 30/09/2019 for the amount of PLN	30/07/2019

			2,473,616.40, from 01/10/2019 to 12/01/2020 for the amount of PLN 737,385.40	
Develia S.A.	Przedsiębiorstwo Budowlane Arkop sp. z o.o. sp.k.	Performance and warranty bond no. 32GG13/0405/19/0002	PLN 5,745,000.00	29/07/2019
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud Rzeszów sp. z o.o.	Amendment no. 12 to Bank guarantee no. 20054KPB17	Until 31/10/2019 for the amount of PLN 2,473,616.40 from 01/11/2019 to 12/01/2020 for the amount of PLN 737,385.40	24/09/2019
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud Rzeszów sp. z o.o.	Bank guarantee no. MT20132KMB19	Until 31/03/2020 for the amount of PLN 1,804,176.70 from 01/04/2020 to 01/10/2024 for the amount of PLN 902,088.35	24/10/2019
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud Rzeszów sp. z o.o.	Bank guarantee no. MT20136KMB19	Until 13/07/2020 for the amount of PLN 740,248.14 from 14/07/2020 to 14/01/2025 for the amount of PLN 370,124.07	05/11/2019
Warszawa Przyokopowa sp. z o.o.	Budimex S.A.	Amendment no. 6 to Security bond no. SLG/4515-INT/11 for the proper and timely contract performance	From 30/04/2019 to 30/03/2024 for the amount of PLN 5,466,934.65	04/04/2019

Apart from the aforesaid guarantees, the Group companies, namely, Arkady Wrocławskie S.A., Sky Tower S.A., Warszawa Przyokopowa Sp. z o.o., LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k., LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. oraz LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. have (or had – in relation to office and retail buildings that were sold by the said companies) bank guarantees securing the payment of rents and other charges due for premises leased by tenants at the following commercial buildings: Arkady Wrocławskie, Sky Tower, Retro Office House in Wrocław, Wola Center and Wola Retro in Warsaw and Silesia Star in Katowice.

4. COMPANY'S INCOME, ECONOMIC AND FINANCIAL STANDING

General Economic and Financial Figures	As at	As at
	31 December 2019 PLN'000	31 December 2018 PLN'000
Non-current assets	1,029,519	1,062,903
Current assets	699,019	451,018
Equity	948,279	892,888
Liabilities and provisions for liabilities	780,259	621,033
Balance-sheet total	1,728,538	1,513,921
Revenue from sale of services, products, goods	53,646	64,630
Revenue from interest and discounts	10,931	18,143
Revenue from dividend	234,596	136,899
Other financial income	4,499	2,634
Other operating income	208	579
Total operating expenses	(100,305)	(103,708)
Net profit/(loss)	176,268	117,890

In 2019, Develia S.A. earned revenues from the sale of goods and services of PLN 53,646,000, from interest and discounts of PLN 10,931,000 and from dividends of PLN 234,596,000.

The Company disclosed a net profit of PLN 176,268,000.

Apart from standard operating revenues and expenses, factors and events that had a significant impact on the performance of Develia S.A. in 2019 include mainly dividends received and the verification of write-downs of shares in subsidiaries.

4.1. Explanation of Differences Between Financial Results Disclosed in Annual Report and Forecasts for a Given Year Published Previously

Develia S.A. did not publish any forecast relating to financial results in 2019.

4.2. Description of Significant Off-Balance Sheet Items Broken Down into Entities, Categories and Values

Detailed information on off-balance sheet items is contained in Note 29.2 and 29.4 of the Accounting Principles (Policies) and Additional Explanatory Notes to the 2019 financial statements of Develia S.A.

4.3. Structure of Assets and Liabilities in Separate Balance Sheet

	31 December 2019		31 December 2018	
Assets				
A. Fixed assets	1,029,519	60%	1,062,903	70%
1. Intangible assets	282	0%	304	0%
2. Property, plant and equipment	6,145	0%	765	0%
2.1. Tangible assets	6,099	0%	728	0%
2.2. Tangible assets under construction	46	0%	37	0%
3. Non-current loans and receivables	75,177	4%	127,902	8%
4. Non-current investments	947,499	55%	929,057	61%
5. Non-current prepayments and accrued income	416	0%	83	0%
6. Deferred tax assets	0	0%	4,792	0%
B. Current assets	699,019	40%	451,018	30%
1. Inventory	542,904	31%	212,400	14%
2. Trade and other receivables	98,504	6%	26,820	2%
3. Income tax receivable	3,719	0%	240	0%
4. Current financial assets	24,157	1%	90,724	6%
5. Cash and cash equivalents	28,821	2%	120,119	8%
6. Current prepayments and accrued income	914	0%	714	0%
C. Non-current assets classified as held for sale	0	0%	0	0%
Total assets	1,728,538	100%	1,513,921	100%
Equity and liabilities				
A. Equity	948,279	55%	892,888	59%
1. Share capital	447,558	26%	447,558	30%
2. Called-up share capital not paid	0	0%	0	0%
3. Supplementary capital	322,216	19%	324,396	21%
4. Other reserve funds	0	0%	0	0%
5. Other capital	2,327	0%	2,273	0%
6. Retained profit/(Loss carried forward)	176,268	10%	118,661	8%
B. Non-current liabilities	534,361	31%	398,114	26%
1. Non-current financial liabilities	514,150	30%	398,095	26%
2. Non-current lease liabilities	2,744	0%	0	0%
3. Provisions	19	0%	19	0%
4. Deferred tax liability	17,448	1%	0	0%
C. Current liabilities	245,898	14%	222,919	15%
1. Current financial liabilities	103,221	6%	136,574	9%
2. Current lease liabilities	11,061	1%	0	0%
3. Current liabilities on account of acquisition of subsidiary	0	0%	38,996	3%
4. Trade and other payables	34,996	2%	28,781	2%
5. Income tax payables	0	0%	0	0%

6. Provisions	0	0%	0	0%
7. Accruals and deferred income	96,620	6%	18,568	1%
Total equity and liabilities	1,728,538	100%	1,513,921	100%

Most crucial factors that had a bearing on changes in balance-sheet items in the year ended 31 December 2019:

- Increase in the value of inventory resulting from Company's commencement of investment project;
- Change in long-term investments arising from contributions made to the capitals of subsidiary undertakings and revaluation write-downs of shares;
- Decline in long-term borrowings and receivables resulting from the partial repayment of accounts receivable in respect of borrowings granted and the transfer thereof to a short-term portion;
- Decline in short-term borrowings and receivables resulting from the partial repayment of accounts receivable in respect of borrowings granted;
- Rise in non-current financial liabilities arising mainly from borrowings obtained from subsidiary undertakings ;
- Decline in liabilities on account of subsidiary acquisition resulting from the payment of the last instalment.

4.4. Assessment of Finance Management

Selected Financial Ratios:

Profitability Ratios		2019	2018
1	Return on Assets (ROA) (Net profit / total assets)	10.2%	7.8%
2	Return on Equity (ROE) (Net profit / Equity)	18.6%	13.2%

Liquidity Ratios			
1	Current Ratio Current assets / (current liabilities)	4.7	2.2
2	Quick Ratio Current assets – Inventory / (current liabilities)	1.0	1.2

Debt Ratios			
1	Debt-to-Equity ratio (total liabilities / equity)	70.0%	67.5%
2	Debt-to-Equity ratio (net) (total net liabilities / equity)	54.0%	40.9%
3	Total Debt Ratio (total liabilities / total assets)	38.4%	39.8%

The 2019 financial ratios imply that the Company has a good financial standing. A rise in profitability ratios has been reported, with the total debt ratio being reduced.

Financial risk management, financial instruments and capital management are described in Notes 33, 34 and 35 of the separate financial statements.

5. GROUP'S INCOME, ECONOMIC AND FINANCIAL STANDING

General Economic and Financial Figures	As at	As at
	31 December 2019	31 December 2018
	PLN'000	PLN'000
Non-current assets	1,234,709	2,046,472
Current assets	1,562,934	1,528,196
Equity	1,492,111	1,497,799

Liabilities and provisions for liabilities	1,735,041	2,076,869
Balance-sheet total	3,243,925	3,574,668
Sales revenue	819,264	796,734
Gross profit on sales	320,112	300,576
Operating profit	172,682	254,347
Gross profit	151,046	201,733
Net profit	117,382	160,380
Adjusted net profit (*)	193,281	165,806

(*) – adjusted net profit, computed using the formula: adjusted net profit = net profit – profit/(loss) on investment property – financial revenues/expenses in respect of the EUR measurement of financial liabilities – deferred tax on adjusted items

Factors and events that had a significant impact on the Develia Group's performance in 2019, include, but are not limited to:

1. In 2019, the Group's sales revenue for the development segment reached a record high (PLN 678.3 million), which resulted from an eight-per-cent increase of an average value of premises delivered (PLN 345,000), with the similar level of delivery being maintained (1,964 premises in 2019);
2. Revenue from the commercial segment (PLN 140.6 million) was affected by a change to the operational strategy employed for the segment in question, i.e. the adoption of a commercial developer model – as an entity engaged in the construction, commercialisation and sale of office buildings, rather than as a long-term investor, which had been the case previously; As a consequence of the disposal of commercial real property in Wrocław ("Retro Office House") and in Katowice (two "Silesia Star" buildings), rental revenue declined;
3. In 2019, the Group reported a record high profitability for the development segment – the gross margin on sales stood at 33.2%;
4. Change in the EUR exchange rate, resulting in a drop in the fair value of investment real property, the measurement of which is made in EUR and translated into PLN, in an amount of PLN 18,056,000 and in a drop the measurement of liabilities in respect of loans taken out in EUR for the construction of investment property in an amount of PLN 12,320,000;
5. Revaluation of commercial real property at the end of 2019 for the following companies: Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., Sky Tower S.A. and LC Corp Invest XVII Sp. Projekt 22 Sp. k., in particular a decrease in the valuation of Arkady Wrocławskie, following a change that took place on the local retail property market in Wrocław and the valuation the "Wola Retro" building, which was under construction, as a consequence of an occupancy permit being obtained for the building;
6. The Management Board are of the opinion that the adjusted net profit provides a more accurate reflection of the economic and financial position of the Group, due to the elimination of changes in the valuation of investment property resulting mainly from an altered EUR to PLN exchange rate and FX differences arising from the measurement of financial liabilities denominated in EUR;
7. The 2019 adjusted net profit amounted to PLN 193.3 million, which was the Group's record high than ever in its history. The high level of profit stems from the aforesaid record margins for the development segment, an increase in the average value of residential units delivered and a high level of deliveries being maintained.

5.1. Explanation of Differences Between Financial Results Disclosed in Annual Report and Forecasts for a Given Year Published Previously

The Develia Group did not publish any forecast relating to financial results in 2019.

5.2. Description of Significant Off-Balance Sheet Items Broken Down into Entities, Categories and Values

Detailed information on off-balance sheet items is contained in Note 29.3 and 2.5 of the Accounting Principles (Policies) and Additional Explanatory Notes to the 2019 consolidated financial statements of the Group.

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

	31 December 2019		31 December 2018	
Assets				
A. Fixed assets	1,234,709	38%	2,046,472	57%
1. Intangible assets	334	0%	382	0%

2. Property, plant and equipment	5,897	0%	5,632	0%
3. Non-current receivables	8,699	0%	12,749	0%
4. Land classified as fixed assets	86,603	3%	86,400	2%
5. Investment property	1,096,679	34%	1,929,475	54%
6. Non-current prepayments and accrued income	1,089	0%	659	0%
7. Deferred tax assets	35,408	1%	11,175	0%
B. Current assets	1,562,934	48%	1,528,196	43%
1. Inventory	1,062,028	33%	979,083	27%
2. Trade and other receivables	123,356	4%	52,767	1%
3. Income tax receivable	8,296	0%	3,030	0%
4. Current financial assets	25,815	1%	20,290	1%
5. Cash and other cash assets	340,890	10%	467,698	13%
6. Current prepayments and accrued income	2,549	0%	5,328	0%
C. Non-current assets classified as held for sale	446,282	14%	-	0%
Total assets	243,925	100%	3,574,668	100%
Equity and liabilities				
A. Equity	1,492,111	46%	1,497,799	42%
I. Equity attributable to shareholders of the parent	1,492,111	46%	1,497,799	42%
1. Share capital	447,558	14%	447,558	13%
2. Other capital	927,171	28%	889,861	25%
3. Net profit/(loss)	117,382	4%	160,380	5%
II. Minority interest	-	0%	-	0%
B. Non-current liabilities	1,028,223	32%	1,207,757	34%
1. Non-current liabilities on account of loans and bonds	898,717	28%	1,092,854	31%
2. Non-current lease liabilities	18,769	1%	-	0%
3. Non-current liabilities on account of acquisition of subsidiary	-	0%	-	0%
4. Provisions	5,319	0%	22	0%
5. Deferred tax liability	105,418	3%	114,881	3%
C. Current liabilities	706,818	22%	869,112	24%
1. Current liabilities on account of loans and bonds	128,727	4%	121,611	3%
2. Current lease liabilities	41,512	1%	-	-
2. Current liabilities on account of acquisition of subsidiary	-	0%	38,996	1%
3. Current trade and other payables	2,127,117	4%	142,049	4%
4. Income tax payables	39,919	1%	13,022	0%
5. Provisions	8,831	0%	3,060	0%
6. Accruals and deferred income	361,312	11%	550,374	15%
D. Liabilities arising from assets held for sale	16,773	0%	-	0%
Total equity and liabilities	3,243,925	100%	3,574,668	100%

Most crucial factors that had a bearing on changes in balance-sheet items in the year ended 31 December 2019:

- Decrease in Investment Property results from the sale of investment property: Silesia Star and Retro Office House and the conclusion of a preliminary Sales and Purchase Agreement for the “Wola Center” investment property (reclassification to *Non-Current Assets Classified as Held for Sale*);
- Decline in liabilities on account of subsidiary acquisition resulting from the payment of the last instalment of PLN 40,400,000 in the year;
- Decrease in *Accruals and Deferred Income* results from the delivery of a large number of residential units in 2019 as part of development sales (concerns payments made by customers);

The Management Board are of the opinion that the Group's liquidity is very good – cash and current financial assets ensure the servicing of current financial liabilities in a timely fashion. Non-current portion of liabilities includes mainly loans designed to refinance investment property: Arkady Wrocławskie, Sky Tower, Wola Center and Wola Retro under construction. The repayment of the said loans is secured by proceeds from the operations carried out by investment property (on account of lease agreements); Revenue from the sale of residential premises of the projects in Warsaw, Wrocław, Cracow, Gdańsk is a source for the repayment of bonds for the financing of the Group's residential segment.

5.4. Assessment of Finance Management

Selected Financial Ratios:

Profitability Ratios		2019	2018
1	EBITDA (<i>kPLN</i>) (operating earnings + depreciation and amortisation)	174,117	255,504
2	<i>EBITDA (kPLN)</i> (without valuation adjustments)	265,350	242,993
3	Operating profit margin (EBITDA / net sales revenue)	21.3%	32.1%
4	<i>Operating profit margin</i> (without valuation adjustments)	32.4%	30.5%
5	Gross margin on sale of services (Gross profit on sale of services / revenue from sale of services)	67.3%	67.3%
6	Gross margin on sale of goods and products (Gross profit on sale of goods and products / revenue from sale of goods and products)	33.2%	31.0%
7	Net profit margin ratio (Net profit / net sales revenue)	14.3%	20.1%
8	Return on Assets (ROA) (Net profit / total assets)	3.6%	4.5%
9	Return on Equity (ROE) (Net profit / Equity)	7.9%	10.7%
Liquidity Ratios			
1	Current Ratio Current assets / (current liabilities)	5.3	5.0
2	Quick Ratio Current assets – Inventory / (current liabilities)	1.7	1.8
Debt Ratios			
1	Debt-to-Equity ratio (total liabilities / equity)	81.4%	93.2%
2	Net Debt to Equity ratio (variant 1)* (interest-bearing net debt / equity)	51.2%	52.5%
3	Net Debt to Equity ratio for bonds (variant 2)** (interest-bearing net debt / equity)	48.9%	50.4%
4	Total Debt Ratio (total liabilities / total assets)	37.4%	39.0%

(*) Variant 1 according to the dividend policy

(**) Variant 2 – financial liabilities under bond issue conditions (i.e. along with liabilities from the acquisition of shares of Sky Tower S.A. and cash including funds in Open Trust Accounts for Residential Purposes and security deposits paid in relation to commercial loans)

The 2019 financial ratios imply that the financial and economic standing of the Group is stable. The foregoing is reflected through a lower level of debt and the financial liquidity being maintained at the same level.

Financial risk management, financial instruments and capital management are described in Notes 34, 35 and 36 of the consolidated financial statements.

6. INFORMATION ABOUT PENDING PROCEEDINGS BEFORE COURTS, COMPETENT ARBITRATION BODIES OR PUBLIC ADMINISTRATION AUTHORITIES

Currently, there are no proceedings before the court or arbitration or public administration authorities with regard to liabilities of or amounts owing to Develia S.A. or its subsidiaries, whose value would be significant for the financial standing of the Group companies. The subsidiary undertakings of Develia S.A. 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 Develia S.A. against their debtors.

7. OTHER EVENTS HAVING SIGNIFICANT EFFECT ON GROUP'S OPERATIONS, WHICH OCCURRED AFTER FINANCIAL PERIOD, UNTIL APPROVAL OF FINANCIAL STATEMENTS OF DEVELIA S.A. AND CONSOLIDATED FINANCIAL STATEMENTS OF DEVELIA GROUP

7.1. Disposal of "Wola Center" Building by Subsidiary

On 29 January 2020, in pursuance of the preliminary sales and purchase 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).

7.2. Repayment of Bank Loan by Warszawa Przyokopowa Sp. z o.o.

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 S.A. Bank Polska. 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.

7.3. Acquisition and Sale of Real Property by Group Companies

- 1) On 10 February 2020, the Company – as the Purchaser – entered into a purchase agreement in the form of a notarial deed, under which the right of ownership to land of an area of 0.0563 ha, located at Letnicka street in Gdańsk, together with other benefits set out in the agreement, was purchased for a price of PLN 953,914.00 net plus VAT.
- 2) On 27 February 2020, the Company, acting as the Purchaser, entered into a sales agreement in the form of a notarial deed, under which the right of ownership to real estate located in Wrocław at Orawska street was purchased from an entity which was not related to the Issuer. The area of the land property disposed of as part of the transaction is 2.4272 ha. The price for the Real estate was set at PLN 29,500,000.00 net, plus VAT.

7.4. Borrowing Agreements Concluded by Group Companies

- 1) On 24 January 2020, an Issuer's subsidiary, LC Corp Invest XXIV sp. z o.o., entered into a borrowing agreement with Develia S.A., under which a sum of PLN 11,000,000 was borrowed on arm's length conditions for an indefinite period of time.
- 2) On 24 January 2020, Develia S.A. entered into a borrowing agreement with LC Corp Invest IX Sp. z o.o. under which a sum of EUR 5,000,000 was borrowed on arm's length conditions for an indefinite period of time.
- 3) On 30 January 2020, Develia S.A. entered into a borrowing agreement with Develia Invest Sp. z o.o. under which a sum of EUR 2,000,000 was borrowed on arm's length conditions for an indefinite period of time.

- 4) On 24 February 2020, an Issuer's subsidiary, Warszawa Przyokopowa sp. z o.o., entered into a borrowing agreement with Develia S.A., under which a sum of PLN 25,000,000 was borrowed on arm's length conditions for an indefinite period of time.
- 5) On 24 February 2020, an Issuer's subsidiary, LC Corp Invest I sp. z o.o. entered into a borrowing agreement with LC Corp Invest XV sp. z o.o. Projekt 8 Sp. k., under which a sum of EUR 5,000,000 was borrowed on arm's length conditions for an indefinite period of time.

7.5. Changes in Company's Governing Bodies

- 1) On 8 January 2020, the Extraordinary General Meeting of the Company decided that the Issuer's Supervisory Board be composed of seven members and appointed Mr Artur Osuchowski as Member of the Supervisory Board as from 8 January 2020.
- 2) On 26 February 2020, the Supervisory Board, acting pursuant to Article 383(1) of the Commercial Partnerships and Companies Code, adopted a resolution under which Mr Michał Hulbój was delegated to act as the President of the Management Board for a period from 29 February 2020 to 29 May 2020.

7.6. Changes to Documentation of Bond Issue Programme

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 foregoing, no other event that could significantly influence the financial results of the Develia Group occurred after 31 December 2019.

8. DESCRIPTION OF FACTORS SIGNIFICANT FOR THE COMPANY'S AND GROUP'S GROWTH AND GROWTH PERSPECTIVES FOR COMPANY AND GROUP

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.

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.

	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 2018	+ 0.20	41,160	41,160
(audited)	- 0.20	(41,160)	(41,160)
31 December 2019	+ 0.20	35,262	35,262
(audited)	- 0.20	(35,262)	(35,262)

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 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.

Additionally, the statutory prohibition on Sunday trading, which initially concerned two Sundays in a month, carries yet another risk which companies managing shopping centres have to face. In 2019, the said prohibition had to be complied with on three Sundays in a month, and in 2020 – it must be obeyed on all Sundays. This will create a risk of a lower turnout, pressure created by tenants to lower rent rates and reduce rent for new lease agreements, 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.

9. INFORMATION ON GROWTH STRATEGY ADOPTED FOR ISSUER AND GROUP AND PERSPECTIVES FOR GROWTH OF BUSINESS

The Group continues its strategy in line with targets set, which are as follows:

- Product and geographical diversification

One of the major components of the Group's strategy is the implementation of housing development projects in large Polish cities. The following locations are considered by the Group to be the key cities: Warsaw, Wrocław,

Cracow and Gdańsk. There are plans to launch several projects in different standards and in various locations of each of the aforesaid cities, so as to ensure products for various target groups. Land acquisitions made in the previous period enabled the Group to include more residential premises on offer in the cities in question. Consequently, this made it possible to attain objectives relating to a greater pace of sales by means of the market situation and the diversification of selling portfolio. The Group also intends to utilise sites which have been land banked so far. Due to a better market situation in Katowice, a decision has been made to launch a new project at Ceglana street (this plot has a potential of above 1,100 premises). This constitutes entering a market that is new for the Group. Sales results demonstrate that this was a good decision.

- The optimisation of commercial areas available at running facilities, including also through the conversion of an area used previously for retail purposes into offices

In response to changing market conditions, the Group intends to continue its operations aimed at optimising areas at running commercial facilities, specifically in Wrocław, by converting retail areas into office and business premises (which concerns the “Sky Tower” building).

- Maintaining proper level of project profitability

The Company monitors, on an ongoing basis, and accordingly commences development projects included in its portfolio, as well as monitors the real estate market with a view to looking for projects that might ensure sufficient profitability in a given location and in a specific market situation.

- Land bank expansion

While monitoring the land property market, in particular in large agglomerations, the Group gradually expands its land bank. To this end, the Group purchases and desires to purchase plots of land which are located in attractive areas and allow for the implementation of development projects. At the moment, the Group holds plots in Warsaw, Wrocław and areas in the vicinity thereof, in Cracow, Gdańsk, Łódź and Katowice. Additionally, the Group plans to acquire land designated for the construction of office buildings.

- Disposal of commercial real property already erected

As for 2019, the Group envisaged the sale of two/three commercial office buildings. In 2019, it was possible to dispose of two buildings – Retro Office House in Wrocław and Silesia Star 1 and 2 in Katowice, and a preliminary sales and purchase agreement was secured for another building – Wola Center in Warsaw, the sale of which was closed in early 2020. The Issuer also assumed that in 2019 it would purchase one plot of land to be used for the construction of a commercial (office) building and commence a designing process along with obtaining requisite permits, and this objective has been also accomplished.

2020 Targets

- Commercialisation sector:

The Group has assumed that in 2020 the commercialised “Wola Retro” office building will be sold and the construction of another commercial building in Wrocław (the Kolejowa Project) will be commenced.

In addition to that, the Management Board plan to purchase at least one parcel for commercial (office) development and initiate a designing process and carry out procedures to obtain requisite permits. The Group aims to launch at least one commercial project per year.

Furthermore, it has been assumed that until the end of 2020 the business model for the “Sky Tower” building will be altered, which now will be used for office, services and entertainment purposes, and its investment potential will be assessed.

- Housing segment:

As far as the housing segment is concerned, the Group has assumed that the sales levels to be achieved in 2020 (development agreements or preliminary sales agreements) will be in the range from 2,000 to 2,200 flats, and further, 1,900-2,200 new premises will be added to the 2020 offer. The Management Board aim to deliver 2,900-3,300 premises between 2020 and 2021, of which 1,000-1,100 premises are to be delivered in 2020.

- Debt position

The Management Board are of the opinion that both the financial and debt position of the Group is positive. The Management Board aim to:

- reduce bond debt by at least PLN 60 million and the designation of instruments other than commercial bonds for the refinancing of debt,
- maintain the net debt to equity ratio at a level lower than or equal to 60 per cent
- maintain equity at a consolidated level of more than PLN 1.25 billion.

- Real estate in Malin

The Management Board aim to alter the business model for real estate in Malin before the end of 2021, which will be used for retail and residential purposes.

Dividend Policy:

Under a dividend policy adopted by the Supervisory Board of Develia S.A., dividend will be paid at a level of 25-75% of Group's adjusted consolidated net profit. Pursuant to the dividend policy, when setting the value of recommended dividend, the Management Board will consider, first and foremost, the level of ND/E ratio, that is to say, the ratio of interest-bearing net debt to equity. Taking into account the said ratio at the end of 2019, the Management Board have assumed that dividend for 2019 will be paid at the upper end of the projected range.

The Management Board's recommendation as to the amount of dividend will be conditional on whether the Company's separate performance allows for such a payment out of profit, whether the Company has an opportunity for raising funds and if its financial plans can be executed and furthermore, whether the said payment out of profit is in line with terms and conditions of bonds issued by the Company or terms and conditions of loans taken out by the Company.

10. STRUCTURE OF EMPLOYMENT AT DEVELIA S.A. AND DEVELIA GROUP

10.1. Structure of Employment at Develia S.A.

In the year ended 31 December 2019, average employment at the Company was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Management Board	4.01	4.60
White-collar / administration workers	149.13	134.63
Blue-collar workers	0.0	0.0
Total	153.14	139.23

10.2. Structure of Employment at Group

In the year ended 31 December 2019, average employment at the Group was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Management Board of Parent Undertaking	4.01	4.60
Management Boards of Group's Entities (*)	0	0.50
Administration	118.80	113.19
Sales Department	37.45	42.08
Others	0	0.00
Total	160.26	160.37

(*) – members of the management boards of the Group's entities are also persons from the Management Board of the Parent Undertaking

10.3. System for Control of Employee Share-Based Incentive Schemes

In 2019, the Company did not carry out any employee share-based incentive scheme.

11. INFORMATION ABOUT PERSONS RESPONSIBLE FOR ISSUER'S MANAGEMENT AND SUPERVISION

11.1. The amount of remuneration, rewards, benefits, including under equity-based incentive and bonus schemes, paid or due to management board and supervisory board members and information about the amount of remuneration of members of the Management Board and the Supervisory Board of Develia S.A. for sitting on subsidiaries' governing bodies and fulfilling related functions.

Consideration to members of Management Board of Develia S.A. from 01/01/2019 to 31/12/2019:

Dariusz Niedośpiał⁽¹⁾ – remuneration along with bonuses totalled PLN 7,560,000; no share-based payment was made

Mirosław Kujawski – remuneration along with bonuses totalled PLN 2,472,000; no share-based payment was made

Tomasz Wróbel – remuneration along with bonuses totalled PLN 2,535,000; no share-based payment was made

Radosław Stefurak⁽²⁾ – remuneration along with bonuses totalled PLN 1,493,000; no share-based payment was made

Paweł Ruszczak⁽³⁾ – remuneration along with bonuses totalled PLN 151,000; no share-based payment was made

Michał Hulbój⁽³⁾ – remuneration along with bonuses totalled PLN 0; no share-based payment was made

⁽¹⁾ On 29 November 2019, Dariusz Niedośpiał handed in his resignation from the Management Board of Develia S.A.

⁽²⁾ On 21 October 2019, Radosław Stefurak handed in his resignation from the Management Board of Develia S.A.

⁽³⁾ On 21 October 2019, Paweł Ruszczak was appointed to the Management Board of Develia S.A.

⁽⁴⁾ 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.

Consideration to members of the Supervisory Board of Develia S.A. from 01/01/2019 to 31/12/2019:

Michał Hulbój⁽¹⁾ – remuneration totalled PLN 128,000 ; no share-based payment was made

Jacek Osowski – remuneration totalled PLN 119,000; no share-based payment was made

Paweł Małyska – remuneration totalled PLN 96,000; no share-based payment was made

Grzegorz Grabowicz – remuneration totalled PLN 91,000 ; no share-based payment was made

Michał Wnorowski – remuneration totalled PLN 99,000; no share-based payment was made

Piotr Kaczmarek – remuneration totalled PLN 93,000; no share-based payment was made

⁽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. During his term of office as acting President of Management Board, he did not receive remuneration for sitting on the Supervisory Board.

11.2. Summary of Issuer's Shares or Rights to Issuer's Shares Held by Persons Responsible for Management of and Supervision over Issuer as at Date of Drawing up This Report

Persons responsible for supervision, who hold Issuer's shares

Full name	Function in the body	Holding of the Issuer's shares as at 31/12/2018		Holding of the Issuer's shares as at 31/12/2019	
		Decrease	Increase	Decrease	Increase
Supervisory staff					
Michał Hulbój ⁽¹⁾	Chairman, Member of Supervisory Board	-	-	-	-
Jacek Osowski	Vice Chairman of Supervisory Board	-	-	-	-
Paweł Małyska	Member of Supervisory Board	-	-	-	-

Grzegorz Grabowicz	Member of Supervisory Board	-	-	-	-
Michał Wnorowski	Member of Supervisory Board	-	-	-	-
Piotr Kaczmarek	Member of Supervisory Board	-	-	-	-
Artur Osuchowski ⁽²⁾	Member of Supervisory Board	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.

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

Management staff

Dariusz Niedośpiel ⁽¹⁾	President of Management Board	158,791	-	-	n/a
Radosław Stefurak ⁽²⁾	Member of Management Board	761,280	-	-	n/a
Tomasz Wróbel	Member of Management Board	-	-	-	-
Mirosław Kujawski	Member of Management Board	-	-	-	-
Paweł Ruszczyk ⁽³⁾	Member of Management Board, CFO	n/a	-	-	35,200
Michał Hulbój ⁽⁴⁾	Member of Management Board	n/a	-	-	-

(1) Supervisory Board Member until 28 November 2019.

(2) Supervisory Board Member until 21 October 2019.

(3) Supervisory Board Member from 21 October 2019.

(4) 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.

11.3. All Agreements Between Issuer and Persons Responsible for Management, Under Which Compensation Is to Be Paid In the Event of Their Resignation or Dismissal Without Any Good Cause or Where Their Removal or Dismissal Results From Issuer's Merger Through Take-Over

Some agreements between the Issuer and Management Board Members provide for the payment to a Management Board Member compensation in the event that a contract is terminated by the Company within 18 months from the conclusion thereof (or from the conclusion of a relevant amendment, as the case may be). The amount of such compensation depends on when the termination takes place throughout the aforesaid period of time.

12. CORPORATE GOVERNANCE STATEMENT

The Management Board of Develia S.A. (the "Issuer" or the "Company"), fulfilling the obligation set out in Article 91(5)(4) of the Regulation on Current and Periodic Information Published by Issuers of Securities and on Conditions for Regarding Information Required by Law of Non-Member State as Equivalent, publicly informs about the Company's observance of corporate governance principles in 2019.

12.1. Set of Corporate Governance Principles

This information has been made in accordance with the Resolution No. 26/11413/2015 adopted by the Board of the Warsaw Stock Exchange as of 13 October 2015 – “Best practices for WSE Listed Companies 2016”, which has been effective since 1 January 2016. The text of the corporate governance principles entitled “Best practices for WSE Listed Companies 2016” is available on the WSE website at: <http://corp-gov.gpw.pl/publications.asp>.

12.2. Reasons for Deviation from Corporate Governance Principles

Information and communication policy with investors

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting.

The Company does not apply the above principle. The principle is not applied because the IV.Z.2. Principle is not applied either.

I.Z.1.20. an audio or video recording of a general meeting.

The Company does not apply this principle. The principle is not applied because the IV.Z.2. Principle is not applied either.

General Meeting and Shareholder Relations

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The Company does not apply the above principle. This principle is not applied because it is not justified by the structure of shareholders. Immediately after a general meeting, the Company publishes – by means of a current report – resolutions adopted, allowing thus all shareholders to become familiar with all matters discussed during the general meeting.

Conflict of Interest and Related Party Transactions

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company’s internal regulations should, among others, provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The Company does not apply the above principle. This principle does not apply to the determination of detailed criteria and circumstances in which a conflict of interest may arise in the Company. According to the Company, the provisions of the Company’s Management Board Regulations and Supervisory Board Regulations pertaining to the possibility of a conflict of interest are sufficient.

Remuneration

VI.Z.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company’s management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company’s stability.

Due to the fact that the Company does not have any incentive schemes, the principles related thereto are not applicable.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company’s long-term business and financial goals, the period between the allocation of options or other instruments linked to the company’s shares under the incentive scheme and their exercisability should be no less than two years.

Due to the fact that the Company does not have any incentive schemes, the principles related thereto are not applicable.

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;**
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship – separately for the company and each member of its group;**
- 3) information about non-financial remuneration components due to each management board member and key manager;**
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;**
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.**

The Company does not apply the above principle but will consider its application in the future. The above principle is not applied because the Company did not adopt regulations on a remuneration policy. The remuneration of Management Board Members is determined by the Company's Supervisory Board, whereas Supervisory Board Members receive lump-sum remuneration on a monthly basis, the amount of which is set by the Company's General Meeting by way of its resolution. The amount of remuneration received by Management Board Members is shown in a report on the Company's operations.

12.3. Description of Internal Audit and Risk Management Systems Applied at Issuer With Regard to Process of Drawing Up Financial Statements and Consolidated Financial Statements.

The Company keeps its account books in accordance with the principles and practice of accounting adopted by enterprises in Poland, as required by the provisions of the Accounting Act of 29 September 1994, as amended.

Account books are kept by the Company by means of the Navision IT system. Access to the information resources of the IT system is limited by appropriate powers of the authorised employees exclusively with respect to the performance of their duties.

With regard to the process of drawing up financial statements, a proper and efficient internal audit system is the key element of risk management. It is the Company's Management Board that is responsible for creating an efficient internal audit system that allows for drawing up fair financial statements, ensures effective and smooth Company's operations and compliance with relevant legal regulations, whereas the responsibility for the oversight of the functioning of such a system through assessing its adequacy and efficiency rests with the Company's Supervisory Board.

Implementing the internal audit system in the process of drawing up financial statements aims to ensure that all business transactions in a given period are recognised fairly, thoroughly and correctly.

In the process of drawing up Company's financial statements, one of the fundamental elements of the audit is verification of a financial statement by an independent auditor. An auditor is indicated by the Supervisory Board. Before it is published, every financial statement is made available exclusively to persons involved in the process of drawing up, checking and approving such a statement.

In addition, as part of audit mechanisms, the Company analyses accounting principles applied by subsidiaries and changes to such principles relating to recognising and calculating revenues and expenses, as well as, if necessary, passes its comments and gives its recommendations.

Functional audit is carried out by every employee and his or her immediate superior. It is based on a proper division of responsibilities, which reduces a risk that one employee may influence the data presented.

In 2019, the Company had a separate internal audit department which was run by an internal auditor. The Audit Committee, in collaboration with the internal auditor, drew up an internal audit sheet and devised an internal audit operations plan for 2019, recommending the adoption thereof to the Supervisory Board of the Company. The main goals of the internal audit include a review and assessment of the adequacy, efficiency and effectiveness of a business risk management system and an internal control system, and in particular:

- A review and assessment of the existing internal control mechanisms and the reliability and accuracy of managerial, operational and financial information;
- A review and assessment of conformity with legal regulations, policies, plans and procedures, the determination of shortcomings and weaknesses of existing controls to ensure proactive problem-solving and minimise the effect on Companies' operating activity;
- An assessment of protection measures employed to secure Companies' assets;
- An evaluation of whether actions are in line with audit recommendations or controls put forward earlier.

12.4. Share Capital and Shareholding of Develia S.A. as at 31 December 2019

As at 31 December 2019 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.

Shareholders having directly or indirectly at least 5% of overall number of votes at general meeting of shareholders as at the publication hereof pursuant to information obtained by the Issuer

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
Nationale-Nederlanden Otwarty 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 Otwarty Fundusz Emerytalny AVIVA Santander	54,707,246	54,707,246	12.22%	12.22%
MetLife Otwarty Fundusz Emerytalny	34,528,295	34,528,295	7.71%	7.71%
Aegon Otwarty Fundusz Emerytalny	30,546,601	30,546,601	6.83 %	6.83 %

Shareholders having directly or indirectly at least 5% of overall number of votes at general meeting of shareholders as at day 31 December 2018 pursuant 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 Otwarty Fundusz Emerytalny	81,530,228	81,530,228	18.22 %	18.22 %
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	77,195,648	77,195,648	17.25 %	17.25 %
AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	52,121,000	52,121,000	11.65%	11.65%
MetLife Otwarty Fundusz Emerytalny	34,528,295	34,528,295	7.71%	7.71%
Aegon Otwarty Fundusz Emerytalny	28,546,601	28,546,601	6.38 %	6.38 %

12.5. Changes in Ownership Structure of Issuer's Qualifying Holding in 2019

On 7 March 2019, MetLife Otwarty Fundusz Emerytalny informed that as at 27 February 2019 the number of Issuer's shares it held was above the 5%-threshold of the total vote at the Issuer's General Meeting. Before the change in its shareholding, MetLife Otwarty Fundusz Emerytalny held 19,528,295 shares, which accounted for 4.36% of vote at the Issuer's General Meeting and 4.36% of share in the Issuer's share capital, whereas following the acquisition of shares, as at 27 February 2019, it held 34,528,295 shares, which represented 7.71% of vote at the Issuer's General Meeting and 7.71% share in the Issuer's share capital.

12.6. Indication of Holders of Any Securities Which Confer Special Control Rights With Respect to Issuer, Along With Description of Such Rights

The Company does not have any information about holders of securities giving special control rights in relation to the Company.

12.7. Indication of Any Restrictions on Transferability of Securities of Company and Any Restrictions With Respect to Exercise of Voting Rights Resulting From Company Shares.

The Company's shares are not subject to any restrictions on their transferability or the voting right resulting from the Company's shares, except for restrictions imposed by mandatory provisions of law.

12.8. Supervisory Board of Develia S.A.

As at 01 January 2019, the Supervisory Board was comprised of the following persons:

Michał Hulbój – Chairman of the Supervisory Board
Jacek Osowski – Vice Chairman of the Supervisory Board
Grzegorz Grabowicz – Member of the Supervisory Board
Michał Wnorowski – Member of the Supervisory Board
Paweł Małyska – Member of the Supervisory Board
Piotr Kaczmarek – Member of the Supervisory Board

On 28 February 2020, due to the fact that the previous President of Management Board, Dariusz Niedośpał, handed in a resignation from his office, the Chairman of the Supervisory Board, Michał Hulbój was delegated to act as President of Management Board for a fixed term from 28 November 2019 to 28 February 2020. On 26 February 2020, the Supervisory Board extended Michał Hulbój's term of delegation from 29 February to 29 May 2020:

As at 31 December 2019, the composition of the Supervisory Board of Develia S.A. did not change.

On 8 January 2020, the Extraordinary General Meeting of the Company decided that the Issuer's Supervisory Board be composed of seven members and appointed Mr Artur Osuchowski as Member of the Supervisory Board as from 8 January 2020.

Furthermore, two committees were set up under the Supervisory Board: The Audit Committee and the Appointment and Remuneration Committee described in section 12.11 below.

Description of Supervisory Board's Operations

The Supervisory Board is comprised of five to seven members, who are appointed by the General Meeting for a three-year, joint term of office. A resolution on appointing a member of the Supervisory Board may determine his or her function within the Board.

The Supervisory Board elects the Chairperson and his or her Deputy (the Vice Chairperson) from among the Board's members. The Supervisory Board acts on the basis of the Regulations adopted by the General Meeting.

Meetings of the Supervisory Board are held in the Company's seat or another location within the territory of Poland, as indicated in an invitation. Meetings of the Supervisory Board – except for the issues directly concerning the Management Board or its Members, and specifically those concerning dismissal, scope of responsibility and remuneration – should be open and accessible to Members of the Management Board. The Supervisory Board adopts resolutions if at least a half of its members are present at the meeting and all members have been invited. Members of the Supervisory Board can take part in adopting resolutions by casting their votes in writing through the agency of another Member of the Supervisory Board. The vote in writing cannot be cast on the issues put on the agenda during a meeting of the Supervisory Board. The Supervisory Board may adopt

resolutions in writing or using means of direct distance communication. A resolution is binding when all Members of the Board have been provided with the contents of a draft resolution. No resolution can be adopted through the agency of another Member of the Supervisory Board, or in writing using means of direct distance communication, if the resolution concerns appointment, dismissal or suspension of a Member of the Management Board.

A Supervisory Board Member should inform the other Members of the Board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on any Resolution on the issue in respect of which the conflict of interest has arisen.

Resolutions of the Supervisory Board are passed by a majority vote. In the case of a deadlock, the Chair of the Supervisory Board has the casting vote. Voting at meetings of the Board is open. Voting on personal issues is secret. Secret vote is also ordered by the Chairperson if requested by at least one Member of the Supervisory Board.

A meeting of the Supervisory Board is convened by the Chairperson of the Board, and in his absence, by the Vice Chairperson of the Board. Meetings of the Supervisory Board are convened when necessary, at least once every three months. A meeting of the Supervisory Board can be convened at the request (with proposed agenda) of the Management Board or a Member of the Supervisory Board. Resolutions of the Supervisory Board and Supervisory Board meetings are recorded in minutes taken by a minutes secretary from outside of the Board or by a person designated by the Chairperson from among the members of the Supervisory Board. The minutes should include the agenda, names and surnames of the Members of the Supervisory Board present at the meeting, number of votes cast on individual resolutions and dissenting opinions, as well as the procedures for adopting resolutions. The minutes are signed by all Members of the Supervisory Board present at the meeting.

The Supervisory Board performs its duties collectively, although it can delegate its members to perform specific supervisory tasks independently. The Supervisory Board is represented by its Chairperson, and in his absence, by the Vice Chairperson of the Board.

The work of the Supervisory Board is controlled by the Chairperson and in his absence, by the Vice Chairperson of the Board. A Member of the Supervisory Board, delegated by the Supervisory Board or by the Group to provide permanent supervision, should submit to the Supervisory Board written detailed reports on performing such a function. The Company provides administrative support for the Supervisory Board.

In accordance with Article 86(3) of the Act on Auditors, in public interest entities where the Supervisory Board is composed of no more than 5 members, the tasks of the audit committee can be entrusted to the Supervisory Board. After the above-mentioned Act had become effective, the Issuer adjusted the corporate documents so that the Supervisory Board could carry out the tasks of the audit committee. If the Supervisory Board does not appoint the Audit Committee and is composed of fewer than 5 members, the tasks of the Audit Committee will be carried out by the Supervisory Board. As a result of the amendment to the aforementioned Act and the entry into force of the Act of 11 May 2017 on Auditors, Audit Companies and Public Oversight in Public Companies, it was absolutely mandatory to create the audit committee, which took place on 17 July 2017.

12.9. Develia S.A.'s Management Board

As at 1 January 2019, the Management Board of Develia S.A. was composed of the following persons:

Dariusz Niedośpiał – President of the Management Board
Miroslaw Kujawski – Member of Management Board
Tomasz Wróbel – Member of Management Board
Radosław Stefurak – Member of Management Board

On 21 October 2019, Radosław Stefurak handed in his resignation from the Management Board, where he served as the Board Member. On 21 October 2019, the Supervisory Board of Develia S.A. have appointed, as of 21 October 2019, Paweł Ruszczak to the Management Board, who assumed the position of Management Board Member responsible for financial matters.

On 28 November 2019, Dariusz Niedośpiał handed in his resignation from the Management Board, where he served as the Board Member and the Management Board President. He was replaced by the Chairman of the Supervisory Board, Michał Hulbój on 28 November 2019, who was delegated to act as President of Management Board for a fixed term from 28 November 2019 to 28 February 2020. On 26 February 2020, the Supervisory Board extended Michał Hulbój's term of delegation from 29 February to 29 May 2020.

As at 31 December 2019 and the date of the publication hereof, the Management Board of Develia S.A. was composed of the following persons:

Michał Hulbój – Supervisory Board Member delegated to act as President of Management for a fixed term
Miroslaw Kujawski – Member of Management Board
Tomasz Wróbel – Member of Management Board
Paweł Ruszczak – Member of Management Board, CFO

Description of Management Board's Operations

The Management Board is composed of one to seven members. Members of the Management Board, including the President, are appointed and dismissed by the Supervisory Board. Management Board Members are elected for a three-year term of office. The same person can be appointed as Member of the Management Board for another term of office lasting for not more than three years each.

Meetings of the Management Board are convened and presided over by the President of the Management Board or a member of the Management Board authorised by the President. Resolutions of the Management Board can be passed only after all members of the Management Board have been properly notified of the Board's meeting. Resolutions of the Management Board are adopted by an absolute majority vote. Members of the Management Board may adopt a resolution through signing the draft resolution consecutively by individual members of the Management Board (by circulation). Meetings of the Management Board and their resolutions are recorded in minutes if the meeting concerns crucial issues of the Company, and the Board considers it reasonable. With the consent of all members, the Management Board may decide not to take minutes of the meeting, provided that resolutions adopted at that meeting are recorded in separate minutes.

Each member of the Management Board must obtain the Supervisory Board's approval for being involved in activities which compete with the Company's business.

12.10. Rules Governing Appointment and Removal of Managers and Their Powers

Pursuant to Article 16(2) of the Articles of Association, members of the Management Board are appointed and dismissed by the Supervisory Board.

12.11. Committees

There are two committees which operate within the Company as part of the Supervisory Board – the Audit Committee and the Appointment and Remuneration Committee.

Audit Committee

As at 1 January 2019, the Supervisory Board's Audit Committee was comprised of the following persons:

Michał Wnorowski – Chairman
Grzegorz Grabowicz
Piotr Kaczmarek

The composition of the Audit Committee did not change in 2019 and as at the date hereof.

The Audit Committee's operations were in line with the Act on Auditors and Their Self-Government, Entities Authorised to Audit Financial Statements and on Public Oversight of 11 May 2017.

All members of the Supervisory Board, including all Audit Committee members sitting on the said Committee in 2019, did and still do meet independence criteria.

All Audit Committee members sitting thereon, both in 2019 and now have knowledge of accountancy and audit of financial statements (Grzegorz Grabowicz graduated from the University of Łódź, Faculty of Management and Marketing, area of specialisation: Accountancy, he holds an auditor's licence and has experience in auditing financial statements gained in an audit firm – Deloitte. Moreover, for many years, he was a member of the Management Board and CFO at Magellan S.A., a company listed on a stock exchange, he was the President of Management Board at MedFinance S.A. and a member of supervisory boards of companies in the Czech Republic and Slovakia; he completed an MBA programme, currently he is a member of the Management Board at Mabion S.A. and sits on supervisory boards of Medicalgorithmics S.A. and X-Trade Brokers Dom Maklerski S.A.; Michał Wnorowski has more than ten years' experience as a supervisory board member, including as a member

of audit committees at listed companies (Elektrobudowa S.A., EMC Instytut Medyczny S.A., TravelPlanet S.A., Armatura Kraków S.A., Robyg S.A., Voxel S.A., Braster S.A., Medicalgorithmics S.A., Enter Air S.A. Alumetal S.A., Arteria S.A.), more than twenty years' experience of working as a financial analyst and investment project manager, including a portfolio manager of funds investing in shares of both listed companies and private companies, he received higher education by graduating from the Warsaw School of Economics (SGH) and completed a postgraduate programme at the Cracow Academy of Economics; Piotr Kaczmarek has experience of several years as a member of audit committees at listed companies (Robyg S.A., Grupa Kęty S.A., Ferro S.A., Harper Hygienics S.A, Erbud S.A.), more than ten years' experience as a financial analyst and holds a CFA title and a licence of securities broker; Jacek Osowski holds an auditor's licence and has experience in auditing financial statements, as well as holds a CFA licence, has experience of more than ten years as a financial analyst, served in the past and currently serves as a supervisory board member, *inter alia*, at ATM SA, Farmur SA, Getback SA, Herkules SA, TC Dębica SA, Polcolorit SA, Browary Polskie Brok Strzelec SA, Zamet Industry SA, ZBM SA, Farmak SA, PGO SA, Pemug SA, Fazos SA, Synektik SA).

Two of all the Audit Committee members – Michał Wnorowski and Piotr Kaczmarek have knowledge of and competence in the field of the Company's operations (Michał Wnorowski gained such knowledge in the years 2015-2018 while acting in his capacity as Deputy Chairman of the Supervisory Board and Chairman of the Appointment and Remuneration Committee and a Member of the Audit Committee of Robyg S.A. – a listed development company, Piotr Kaczmarek gained such knowledge in the years 2016-2018 while acting in his capacity as a member of the Supervisory Board and Chairman of the Audit Committee of Robyg S.A. – a listed development company).

An audit firm engaged to audit the Issuer's financial statements did not provide to the Issuer any permitted non-audit services. The Supervisory Board, acting through the Audit Committee, when choosing an audit firm in 2018 to audit the 2018-2020 statements, assessed the independence of the audit firm. No consent was granted to render permitted non-audit services.

An audit firm to be engaged to audit or review financial statements of the Company or the Develia Group is chosen through a bidding process allowing for further negotiations, where necessary. A firm is chosen by the Supervisory Board of the Company upon being given a recommendation by the Supervisory Board's Audit Committee. When developing a recommendation as to the selection of an audit firm to be engaged to audit the Company's financial statements, the Audit Committee and the Supervisory Board are guided by criteria set out in a policy adopted, giving attention to an audit firm's experience of auditing financial statements of public interest entities and auditing financial statements of companies whose business profile is similar to the Company's profile. When choosing an audit firm, the principles of impartiality and independence of such a firm are taken into consideration and works falling outside the scope of auditing the financial statements of the Company or the Develia Group, carried out by such a firm for the Company or the Develia Group, are analysed, in order to avoid a conflict of interest (ensuring impartiality and independence). The Audit Committee and the Supervisory Board are guided by the principle of audit firm rotation, pursuant to applicable regulations. Criteria taken into account by the Audit Committee in the process of selecting an audit firm include, but are not limited to: an audit firm's approach to a business activity, an approach to audit and a communication strategy, reputation, an audit quality assurance (control) system implemented by an audit firm, the possibility of meeting a key auditor responsible for the Company's audit, qualifications, trainings, experience, availability of personnel to be engaged to conduct the audit, the availability of key members of audit team and the resources which an audit firm has, expertise and qualifications of personnel, a risk approach and audit methodology: both aspects may have a significant impact on the price for both parties (e.g. greater effectiveness, the involvement of experts, visiting the entity's premises, etc.). Only an audit firm which employs auditors to carry out auditing activities and is included in the list maintained by the National Council of Statutory Auditors (KRBR) can be selected to audit of financial statements. At least two candidates should be chosen for direct negotiations.

A policy adopted for the provision of extra services by an audit firm requires that neither the audit firm or any of members of the chain render, directly or indirectly, to the Company, its parent undertaking and entities controlled by the Company any forbidden non-audit services throughout a period commencing on a date on which an audited period begins to a date when an audit report is issued, and as regards legal services (including general legal advice, negotiations on behalf of an audited entity and acting as an agent in dispute resolution proceedings) – also in a financial year directly preceding such a period. Before an audit firm is entrusted with the provision of services other than statutory audit, the Audit Committee assesses independence risk and security. The provision

of services other than statutory audit is possible only to the extent which is not related to the Company's tax policy.

A recommendation on the selection of audit firm was free from influence by a third party and was formulated by the Committee in 2018 in accordance with the policy and procedure for selecting an audit firm with a view to auditing and reviewing annual and interim separate and consolidated financial statements of Develia S.A. The said recommendation was made as a result of a bidding process run by the Issuer in line with applicable criteria. Requests for quotation were submitted to five audit firms. All audit firms which were invited to submit tenders for the audit made such proposals in a period preceding the Audit Committee's meeting. The meeting of the Audit Committee was held on 16 May 2018 with a view to evaluate the tenders, after relevant clarifications were given by duly authorised representatives of audit firms, who responded to the Company's call for tenders. Tenders were evaluated on the basis of an audit firm assessment questionnaire attached to a procedure in force. Audit firms which expressed their intention to participate in the bidding process assured of their independence, an objective approach and ethical conduct. It was assumed for the bidding process that all audit firms participating therein had been furnished with the same information, without compromising the principles of ethics and confidentiality. The Audit Committee verified auditing services and non-audit services rendered by the candidates before and analysed the conduct of their business relations with the Company and/or its Management Board.

While performing their duties in the financial year 2019, the Audit Committee had seven (7) meetings and two (2) meetings in 2020. The day-to-day activities of the Audit Committee entailed ongoing monitoring of works associated with the process of drawing up and reviewing the Company's financial statements, therefore the Committee collaborated with an auditor in this regard on a daily basis. The representatives of the auditor, Deloitte Audyt Sp. z o.o. Sp. k., engaged to audit the 2018 financial statements, attended two (2) meetings of the Audit Committee in 2019 (on 10 January and 12 March 2019), and while auditing the 2019 financial statements – they participated in one (1) meeting of the Audit Committee in 2019 (on 5 September) and one (1) meeting in 2020 (on 3 March).

Appointment and Remuneration Committee

As at 1 January 2019, the Supervisory Board's Appointment and Remuneration Committee was comprised of the following persons:

Michał Hulbój – Chairman
Jacek Osowski
Paweł Małyska

Due to the fact that Michał Hulbój was delegated to as President of Management for a fixed term, the Supervisory Board, pursuant to Resolution of 3 December 2019, appointed Piotr Kaczmarek to the Appointment and Remuneration Committee, who replaced Michał Hulbój. Furthermore, the Supervisory Board decided, under Resolution of 3 December 2019, to nominate Mr Jacek Osowski as the Chairman of the Appointment and Remuneration Committee.

The Appointment and Remuneration Committee as at 31 December 2019 and the date hereof was composed of the following persons:

Jacek Osowski – The Chairman
Paweł Małyska
Piotr Kaczmarek

12.12. General Meeting's Operations and Fundamental Powers and Description of Shareholders' Rights and Manner of Exercising Them

A General Meeting is held on the basis of provisions of law and the Regulations of the General Meeting. A General Meeting is held in the registered office of the Company, or in Warsaw, or in Katowice, on a day specified in an announcement on the Company's website and in a current report submitted pursuant to the regulations on public offering and conditions governing the introduction of financial instruments to the organised system of trading, and on public companies.

A General Meeting is convened by the Management Board. A General Meeting convened at the shareholders' request should be held on a date given in the request, however, if this date cannot be kept due to important reasons precluding the meeting or if the meeting date is contrary to the regulations governing the rules for

convening General Meetings – on the earliest date allowing the General Meeting to settle the issues on its agenda.

A General Meeting whose agenda includes certain issues at the request of authorised entities or which has been convened at such a request can only be cancelled with the consent of the requesting parties. In other cases, a General Meeting may be cancelled if the organisation of such a meeting is hindered by exceptional circumstances or is obviously groundless. A meeting is called off in the same way as it is convened, limiting negative consequences for the company and its shareholders as far as possible and no later than three weeks before the original meeting date. A change in the date of a General Meeting is made in accordance with the same procedure as for meeting cancellation, even if the proposed agenda does not change.

Any person who is a Company's shareholder 16 days before the date of a General Meeting (a day of registration of participation in the General Meeting) is eligible to take part in the General Meeting, provided that such a person has applied to an entity which maintains a securities account for the issue of a personal certificate of entitlement to attend the Meeting. A list of persons entitled under bearer shares who are eligible to attend the General Meeting is drawn up by the Company on the basis of a specification prepared by an entity which maintains a securities depository in accordance with the provisions on trading in financial instruments.

A list of shareholders eligible to participate in a General Meeting, signed by the Management Board – and including names and surnames or names of eligible companies, their places of residence (seats), number and type of shares, as well as the number of votes – is available at the registered office of the Company's Management Board for 3 weekdays preceding the General Meeting date.

Before a shareholder's representative is allowed to participate in a General Meeting, his right to act on the shareholder's behalf must be duly documented. Representatives of the media may participate in a General Meeting, provided that matters to be resolved at the meeting are not of a limited nature and such participation could be detrimental to the Company. A motion to admit representatives of the media is put to the vote by the Chairman promptly after an attendance list has been signed in accordance with Section 8 of the Regulations of the General Meeting.

The Chairman of the Supervisory Board opens a General Meeting, and in his absence, another member of the Supervisory Board. The Chairperson is elected by secret vote. A person who has received the largest number of votes becomes the Chair of a General Meeting. The Chairperson chairs the meeting according to an agenda adopted. The Chairperson of the General Meeting ensures that the meeting is conducted smoothly and that the rights and interests of all the shareholders are not infringed or threatened. The Chairperson should, in particular, counteract any abuse of rights by participants of the meeting and should guarantee that the rights of minority shareholders are respected. Without any good reason whatsoever, the Chairperson should neither resign from his function or delay signing the minutes of the General Meeting.

Promptly after the selection of the Chairperson, he or she makes sure whether shareholders have signed the attendance list and submitted required powers of attorney or documents authorising them to represent shareholders at the General Meeting. After the attendance list has been signed and following consultation with a notary taking the minutes, the Chairperson declares that the General Meeting is convened in a proper manner and has the capacity to adopt resolutions, and subsequently, announces this fact to the participants and presents the agenda of the General Meeting. A General Meeting should be attended by the Members of both the Supervisory Board and the Management Board. An auditor should also be present at a General Meeting if the Company's financial matters are to be discussed. The above persons should, within their competence and to an extent needed to settle issues discussed at the General Meeting, provide meeting participants with explanations and information about the Company. Every issue on the agenda is discussed by the Chairperson or a person he or she designates.

A resolution on skipping an item on the agenda and removing it therefrom may be adopted only if it is supported by important and sound reasons. Any motion in that respect should be provided along with accompanying detailed justification by a person who tabled such a motion. Skipping an item on the agenda of the General Meeting or removing it therefrom upon a shareholder's motion requires the adoption of a resolution by the General Meeting, after prior consent of all the shareholders who submitted such a motion. A resolution of the General Meeting on such a matter requires the affirmative vote of at least 75% of the votes represented at the General Meeting.

A resolution to be put to the vote should be formed in a way that enables every entitled participant who objects to what has been resolved in respect of the resolution to appeal against it.

The General Meeting elects Members of the Supervisory Board from among persons having proper education and professional and life experience, who achieved high standards of morality and are able to devote enough time to proper performance of duties as Supervisory Board members.

Upon a motion of a shareholder or shareholders representing at least one fifth of the share capital, the election of Supervisory Board members should be made at the next General Meeting, by way of voting in separate groups, even if the Articles of Association provide for another manner of appointing the Supervisory Board. Persons – representing at the General Meeting the part of shares which results from dividing the total number of represented shares by the number of Supervisory Board members – may form a separate group in order to select one member of the Supervisory Board, however, they do not participate in electing the remaining members. The seats in the Supervisory Board unfilled by sufficient number of shareholders, are filled through voting in which all those shareholders whose votes were not cast during the election of the Supervisory Board members chosen by way of voting in separate groups must participate. In case that no group eligible to elect a member of the Supervisory Board is formed at the General Meeting referred to in Section 1, then no elections are held, unless the agenda of the General Meeting provided for not only the election by groups, but also changes in the composition of the Supervisory Board. Upon electing at least one Member of the Supervisory Board by group voting, the term of office of all existing members of the Supervisory Board expires, subject to the exception indicated in internal regulations of the Company.

In principle, voting is open. The Chairperson decides on secret voting on matters relating to the composition, liability of members of the Company's governing bodies and on any other issues requested by any single shareholder present or represented at the General Meeting.

Resolutions are passed by an absolute majority vote, unless the Articles of Association or the Code of Commercial Partnerships and Companies provide for otherwise. A resolution is adopted when the number of affirmative votes is higher than the sum of votes against and abstaining votes.

Voting at a General Meeting can be performed using an electronic vote-counting machine. The decision on this issue is made by the Chairperson.

A person voting against a Resolution can demand that his or her objection be recorded in the minutes together with a brief explanation. If requested by a participant of the General Meeting, his or her written statement is recorded in the minutes.

12.13. Rules Governing Amendments to Issuer's Articles of Association

Amendments to the Articles of Association of the Issuer are regulated in Article 430 of the Code of Commercial Partnerships and Companies. Any amendment to the Articles of Association falls within the exclusive competence of the Company's General Meeting. The General Meeting may authorise the Supervisory Board to determine a consolidated text of the Articles of Association or introduce other editorial changes specified in a resolution of the General Meeting. The Supervisory Board's powers also include giving opinions on proposed amendments to the Articles of Association.

In order to amend the Articles of Association, the announcement convening the General Meeting shall refer to the existing provisions as well as the contents of the proposed amendments. If intended changes affect a considerable portion of text, it may be justified to include a draft of the new consolidated text of the Articles of Association together with a list of new or amended provisions of the Articles of Association in the announcement.

Any amendment to the Articles of Association requires a three-quarters majority of the votes. Any amendment to the Articles of Association must be entered in the National Court Register.

13. ADDITIONAL INFORMATION

13.1. Major Achievements in Research & Development

In 2019, neither the Company nor the Group companies had any major achievement in the area of research and development.

13.2. Information on Acquisition of Own Shares by Group Companies

In 2019, neither the Company nor any of the Group Companies acquired own shares.

13.3. Branch Offices of Group Entities

Neither the Company nor the Group Companies have any branch offices.

14. SUMMARY AND CONCLUSION

In 2019, the Group experienced a good period. The new strategy, implemented in 2018 and relating to the commercial segment, which entailed the adoption of a commercial developer model – as an entity engaged in the construction, commercialisation and sale of office buildings, rather than as a long-term investor, which had been the case previously, has proved to be correct. In the last year, the Group closed a transaction under which commercial facilities in Wrocław (“Retro Office House”) and in Katowice (two “Silesia Star” buildings) were disposed of and entered into a preliminary sales and purchase agreement for the “Wola Center” building in Warsaw, which was eventually disposed of in January 2020. Profit earned on the aforesaid deals demonstrate that the Group has both experience and a high level of competence in the commercial segment. Furthermore, the Group completed the construction of the “Wola Retro” building in Warsaw, leasing out nearly the two-thirds of the floor space to tenants. The Group also managed to acquire new real estate for the erection of an office and services building in Wrocław (Kolejowa), the commencement of which is scheduled for 2020.

As regards the housing segment, the Group showed high operating efficiency, achieving a record gross margin on sales and yielding record sales revenue from the housing segment, which had to translate into a high level of profit from the segment in question. Moreover, in 2019, the Group purchased land for new development projects envisaged to be carried out in consecutive years – for almost 2,200 premises. In 2019, 1,941 premises in five Polish cities were included on the offer.

Sales level for 2020 under the Group’s strategy is 2,000-2,200 premises. As for the other operating segment, i.e. commercial real property, it has been assumed under the new strategy that the “Wola Retro” building will be disposed of in 2020, the construction of another commercial building in Wrocław will be commenced (the Kolejowa Project) and at least one new plot of land for an office building will be purchased. The Group aims to launch at least one commercial project per year.

The Management Board are of the opinion that operating profit earned in 2019 and the level of margins achieved are satisfying.

15. INFORMATION ON AGREEMENT BETWEEN COMPANY AND ENTITY QUALIFIED FOR AUDITING FINANCIAL STATEMENTS

2019

On 27 July 2018, a services agreement for auditing and other assurance services was concluded with Deloitte Audyt Sp. z o.o. Sp.k, with its registered office in Warsaw, covering an audit of the separate and consolidated financial statements of Develia S.A. for the years 2018-2020 and a review of interim financial statements covering the six-month periods ended 30 June 2018, 2019 and 2020. Remuneration to be paid in 2019 under the aforesaid agreement amounts to PLN 103,000, which price includes an audit of the separate and consolidated financial statements of Develia S.A., and PLN 60,000 for services relating to a review of financial statements for a six-month period ended 30 June 2019.

Moreover, 22 agreements were concluded in 2019 with Deloitte Audyt Sp. z o.o. Sp.k., with its registered office in Warsaw, for an audit of annual financial statements of subsidiaries of the Develia S.A. Group. The remuneration under the above agreements in 2019 totalled PLN 337,000.

2018

On 27 July 2018, a services agreement for auditing and other assurance services was concluded with Deloitte Audyt Sp. z o.o. Sp.k, with its registered office in Warsaw, covering an audit of the separate and consolidated financial statements of Develia S.A. for the years 2018-2020 and a review of interim financial statements covering the six-month periods ended 30 June 2018, 2019 and 2020. Remuneration to be paid in 2018 under the aforesaid agreement amounts to PLN 103,000, which price includes an audit of the separate and consolidated financial

statements of Develia S.A., and PLN 60,000 for services relating to a review of financial statements for a six-month period ended 30 June 2018.

Moreover, 22 agreements were concluded in 2018 with Deloitte Audyt Sp. z o.o. Sp.k., with its registered office in Warsaw, for an audit of annual financial statements of subsidiaries of the Develia S.A. Group. The remuneration under the above agreements in 2018 totalled PLN 337,000.

16. MANAGEMENT BOARD DECLARATION

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

Made: Wrocław, 12 March 2020

Michał Hulbój – acting President of Management Board

Mirosław Kujawski – Member of Management Board

Tomasz Wróbel – Member of Management Board

Paweł Ruszczak – Member of Management Board, CFO
