



**MANAGEMENT BOARD'S REPORT ON
OPERATIONS
OF DEVELIA S.A.
AND DEVELIA
GROUP
FOR 2020**

Wrocław, 08 April 2021

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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 on Develia S.A.'s ("Develia", "the Company" or "the Issuer") operations and on the Develia Group's ("the Group") operations covers a period from 1 January 2020 to 31 December 2020.

1. GENERAL INFORMATION ON COMPANY AND GROUP

Develia S.A. (formerly trading under a business name 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 31/12/2020, the Develia Group was comprised of Develia S.A. and the following subsidiaries:

Company name	Registered office	Effective share of Develia S.A.	
		31 December 2020 Share in Capital	31 December 2019 Share in Capital
Arkady Wrocławskie S.A.	Wrocław	100%	100%
Sky Tower S.A.	Wrocław	100%	100%
Warszawa Przyokopowa Sp. z o.o.	Wrocław	100%	100%
Kraków Zielony Złocię Sp. z o.o.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest I Sp. z o.o.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest II Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest III Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest VII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest VIII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest IX Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest X Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XI Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XV Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XVI Sp. z o.o.	Wrocław	100%	100%

LC Corp Invest XVII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XIX Sp. z o.o. w likwidacji	Wrocław	-	100%
LC Corp Invest XXI Sp. z o.o.	Wrocław	-	100%
LC Corp Invest XXII Sp. z o.o. w likwidacji	Wrocław	-	100%
LC Corp Invest XXIII Sp. z o.o. w likwidacji	Wrocław	-	100%
LC Corp Invest XXIV Sp. z o.o.	Wrocław	-	100%
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k.	Wrocław	-	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Investments S.K.A.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
Develia Invest Sp. z o.o.	Wrocław	100%	100%
LC Corp Service S.A.	Wrocław	100% (directly and indirectly)	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

1.2. Major Changes in Group in Period From 1 January to 31 December 2020

1. On 11 May 2020, a resolution on initiating the liquidation of LC Corp Invest XXII Sp. z o.o. was carried, and on 18 December 2020, a resolution on the completion of liquidation was adopted.
2. On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XXIII Sp. z o.o. was carried, and on 31 March 2020, a resolution on the completion of liquidation was adopted. Consequently, the company was removed from the National Court Register (KRS) on 13 May 2020.
3. On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XIX Sp. z o.o. was carried, and on 31 March 2020, a resolution on the completion of liquidation was adopted. Consequently, the company was removed from the National Court Register (KRS) on 14 July 2020.
4. On 30 June 2020, LC Corp Service S.A. acquired from Kraków Zielony Złocień Sp. z o.o. all the rights and obligations of the limited partner in LC Corp Invest XV Sp. z o.o. Projekt 9 Sp.k.
5. On 31 August 2020, the Ordinary General Meeting of Develia S.A. adopted a resolution on the merger pursuant to Article 492(1)(1) of the Commercial Partnerships and Companies Code between Develia S.A. and LC Corp Invest XXI Sp. z o.o., based in Wrocław ("the Acquired Company 1") and LC Corp Invest XXIV Sp. z o.o., based in Wrocław, ("the Acquired Company 2") through the transfer to the Acquiring Company – as the sole shareholder in the Acquired Company 1 and 2 – of the entire assets of both Acquired Companies (merger through take-over). Relevant resolutions were carried on the same day by the Acquired Company 1 and the Acquired Company 2. The merger was registered on 1 October 2020 by the District Court for Wrocław-Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register.
6. On 28 October 2020, the General Meeting of LC Corp Service S.A. and shareholders of LC Corp Invest XV Sp. z o.o. Projekt 9 Sp.k. passed resolutions on the merger pursuant to Article 492(1) of the Commercial Partnerships and Companies Code between LC Corp Service S.A., the acquiring company, and LC Corp Invest XV Sp. z o.o. Projekt 9 Sp.k., the acquired company, through the transfer of the entire assets of the acquired

company to the acquiring company. As a result of the merger, the share capital of the acquiring company was increased from PLN 630,000.00 to PLN 631,053.00 solely in order to provide shares to the limited partner of the acquired company (LC Corp Invest XV Sp. z o.o.). The merger was registered on 01 December 2020 by the District Court for Wrocław-Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register.

Apart from the aforementioned events, no other significant changes in the composition of the Group took place in the period from 01 January 2020 to 31 December 2020.

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 2020, 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 2020

In 2020, 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 regards operations performed on the property 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, as well as office and services buildings – Wola Center, Wola Retro, with the latter (Wola Center) being sold in January 2020 by a subsidiary.

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 2020 and the year ended 31 December 2019.

Holding activity	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Revenues		
Revenue from sale of services, products and goods	45,362	53,616
Revenue from interest and discounts	4,365	10,491
Revenue from dividend	235,559	234,596
Other financial income	7	4,499
Other operating income	530	209
Total operating income	285,823	303,411
Expenses		
Operating expenses, cost of sold products and goods	(60,781)	(78,442)
Costs of interest and discounts	(9,457)	(17,659)
Other financial expenses	(106,285)	(2,841)
Other operating expenses	(103)	(886)
Total operating expenses	(176,626)	(99,828)
Pre-tax profit(loss)	109,197	203,583

Assets and liabilities

Total assets	1,935,886	1,728,312
Total liabilities	892,348	780,276

2.2. Basic Products, Goods and Services Offered by Group

The Group's revenues in 2020 came mainly from the sales of residential and retail premises, which accounted for 83.2% of all revenues earned. The Group's revenues derived from the lease of commercial real property totalled 16.8%

The below table shows figures and data for the year ended 31 December 2020, pertaining to revenues and profits earned by the Group on respective segments (PLN'000):

Year ended 31 December 2020	Rental services	Property development activity	Holding (other) activity	TOTAL
Operating activity				
Sales revenue	86,902	430,139	73	517,114
Revenue from sales of services	86,899	-	73	86,972
Revenue from sales of goods and products	3	430,139	-	430,142
Cost of sales	(38,114)	(295,382)	-	(333,496)
Pre-tax profit/(loss) on sales	48,788	134,757	73	183,618
Gain/(loss) on disposal of non-financial fixed assets	-	-	-	-
Profit /(loss) on investment property	(213,478)	-	-	(213,478)
Write-downs of Inventories	-	-	-	-
Selling and distribution cost	(1,019)	(13,256)	-	(14,275)
General administrative expenses	(10,603)	(18,205)	(188)	(28,996)
Other operating income	1,574	3,534	66	5,174
Other Operating Expenses	(3,017)	(1,355)	(93)	(4,465)
Operating profit/(loss)	(177,755)	105,475	(142)	(72,422)
Financial income	839	832	649	2,320
Financial expenses	(62,486)	(162)	(1,723)	(64,371)
Pre-tax profit/(loss)	(239,402)	106,145	(1,216)	(134,473)
Income tax (tax expense)	15,727	(20,788)	734	(4,327)
Net profit/(loss)	(223,675)	85,357	(482)	(138,800)
Other comprehensive income subject to reclassification to financial result in subsequent reporting periods				
Cash flow hedges	11,399	-	-	11,399
Income tax relating to other components of comprehensive income	(2,166)	-	-	(2,166)
Other comprehensive income (net)	9,233	-	-	9,233

Total comprehensive income	(214,442)	85,357	(482)	(129,567)
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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 2020 came from the property development activities performed by the Group companies on the domestic market – mainly in Wrocław, Warsaw, Cracow, Gdańsk and Łódź.

In total, 1,361 residential and retail premises were sold in 2020 (preliminary sales agreements: considering withdrawals, without reservation agreements) – which meant a decline by 10% compared to 2019, whereas 1,153 residential and retail premises were delivered under notarial deeds – a decline by 41% compared to 2019.

The Group is consistent in pursuing its strategy for the diversification of property development project locations and the expansion of business on the Warsaw, Wrocław, Cracow and Gdańsk residential markets, which is reflected in the 2020 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 2019	Q4 2020	01/01-31/12/ 2019	01/01-31/12/ 2020	01/01-28/02/ 2020	01/01-28/02/ 2021
Warsaw	183	126	542	348	94	89
Wrocław	131	81	313	280	93	68
Cracow	84	198	259	322	32	71
Gdańsk	154	98	345	308	35	87
Łódź	0	0	4	0	0	0
Katowice	30	77	47	103	10	36
TOTAL	582	580	1,510	1,361	264	351
		-0%		-10%		+33%

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

<i>delivery</i>						
City	Q4 2019	Q4 2020	01/01-31/12/ 2019	01/01-31/12/ 2020	01/01-28/02/ 2020	01/01-28/02/ 2021
Warsaw	124	165	1,086	391	193	69
Wrocław	0	2	164	62	0	0
Cracow	0	6	357	362	150	93
Gdańsk	62	178	353	282	2	48
Łódź	0	0	4	0	0	0
Katowice	0	56	0	56	0	14
TOTAL	186	407	1,964	1,153	345	224
		+119%		-41%		-35%

Moreover, as at 31 December 2020, there were 1,468 residential and retail premises on the offer:

<i>offer</i>						
City	Sold before 31/12/2020	On offer 31/12/2020	To be made available after 31/12/2020	for sale after 31/12/2020	On offer 28/02/2021	To be made available after 28/02/2021
Warsaw	5,662	289	1,571	1,860	200	1,571
Wrocław	3,442	202	961	1,163	180	1,079 (*)
Cracow	3,235	438	1,854	2,292	461	1,760 (*)
Gdańsk	1,797	425	1,520	1,945	338	1,986 (**)
Łódź	60	0	275	275	0	275
Katowice	150	114	956	1,070	78	956
TOTAL	14,346	1,468	7,137	8,605	1,257	7,627

(*) as at 28/02/2021, the offer included Mist House (46) and Grzegórska - Stage 5 (94), construction commencement after 28/02/2021

(**) the land bank as at 28/02/2021 included land purchased after 31/12/2020: Chorwacka (132), Krzemieniecka (32), Zamojska (86) and Przemyska (380)

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. Property Development Projects – Implemented

Commercial Projects

Name of Project	City	District	Segment	Construction Completion Date	Area (sq m)
Wola Retro	Warsaw	Wola	Office and services	Q3 2019	25,598
Arkady Wrocławskie	Wrocław	Krzyki	Office, retail and services	Q2 2007	38,833
Sky Tower	Wrocław	Krzyki	Office, retail and services	Q1 2013	53,923
Wola Center *	Warsaw	Wola	Office and services	Q3 2013	33,283
Retro Office House *	Wrocław	Stare Miasto	Office and services	Q1 2018	21,914
Silesia Star * (Building A)	Katowice	Bogucice Zawodzie	Office and services	Q4 2014	14,969
Silesia Star * (Building B)	Katowice	Bogucice Zawodzie	Office and services	Q3 2016	14,210

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

The following table shows NOI for commercial real property of the Company in 4Q 2019 and 4Q 2020 and WALT

NOI for commercial real property (EUR million)	Q4 2019	Q4 2020	WALT
Arkady Wrocławskie	4.20	3.37	Office area – 2.6 Retail area – 2.6
Sky Tower	6.25	5.38	Office area – 3.8 Retail area – 4.8
Wola Retro	n/a	2.35	Office area – 7.4 Retail area – 9.2

The below table shows fair values of commercial real property as at 31 December 2020 which correspond to the values determined during valuations made by valuers:

Real property	31/12/2020	
	Yield	Valuation in EUR
Arkady Wrocławskie	8.50%	38,300,000
Sky Tower	7.75%	83,000,000
Wola Retro	6.00%	72,200,000

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
Powstańców 33 (stage 1-5)	Żabki near Warsaw		Apartments, services	Q4 2012	114	6,918
				Q3 2014	229	13,141
				Q3 2016	230	13,635
				Q3 2018	165	10,045
				Q2 2019	123	6,958
Na Woli (stage 1-8)	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
				Q4 2019	301	15,616
				Q3 2020	177	9,547
Poborzańska	Warsaw	Targówek	Apartments, services	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
	Warsaw	Mokotów	Flats	Q2 2017	159	8,604

Krzemowe (stage 1-3)				Q4 2017	244	11,917
				Q4 2018	130	6,622
Maestro (stage 1-3)	Wrocław	Krzyki- Jagodno	Flats	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	Flats	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
Stabłowicka 77 (stage 1-2)	Wrocław	Fabryczna	Flats	Q3 2014	73	4,259
				Q1 2015	60	3,159
Dolina Piastów	Wrocław	Fabryczna	Flats	Q2 2016	176	9,278
Nowa Tęczowa	Wrocław	Stare Miasto	Apartments, services	Q1 2018	212	10,025
Sołtysowicka	Wrocław	Sołtysowice	Flats	Q1 2018	165	9,486
Między Parkami (stage 1)	Wrocław	Klecina	Flats	Q1 2019	164	8,607
Małe Wojszyce	Wrocław	Wojszyce	Flats	Q2 2020	63	3,636
Słoneczne Miasteczko (stage 1-8)	Cracow	Bieżanów- Prokocim	Flats	Q4 2011	120	6,624
				Q4 2012	164	8,960
				Q3 2014	42	2,162
				Q4 2015	120	6,498
				Q2 2017	108	5,894
				Q4 2018	108	5,903
				Q1 2019	108	5,878
				Q3 2020	108	5,806
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

Centralna Park (stage 1-5)	Cracow	Czyżyny	Flats	Q2 2017	150	7,055
				Q1 2018	130	6,190
				Q4 2018	264	12,941
				Q4 2019	151	7,451
				Q1 2020	103	5,183
5 Dzielnica (stage 1-2)	Cracow	Krowodrza	Apartments, services	Q1 2017	190	10,018
				Q3 2017	113	5,678
Przy Srebrnej (stage 1-4)	Gdańsk	Łostowice	Apartments, services	Q4 2012	72	3,795
				Q3 2014	28	1,734
				Q4 2014	46	2,104
				Q3 2016	32	1,687
Świętokrzyska Park (stage 1-6)	Gdańsk	Łostowice	Flats	Q1 2018	65	2,940
				Q4 2018	65	2,949
				Q2 2019	65	2,936
				Q4 2019	65	2,939
				Q3 2020	108	5,306
				Q4 2020	54	2,654
Przy Alejach (stage 1-2)	Gdańsk	Zaspa	Flats	Q2 2016	110	5,521
				Q2 2017	97	5,087
Bastion Wałowa (stage 1-4)	Gdańsk	Śródmieście	Flats	Q4 2017	230	12,336
				Q4 2018	230	12,339
				Q4 2020	140	7,192
				Q4 2020	115	4,065
Dębowa Ostoja (1 stage)	Łódź	Bałuty	Terraced houses	Q3 2011	22	4,548
Pustynna 43 (1 stage)	Łódź	Górną	Flats	Q4 2012	38	2,884
Centralna Park 2 (stage 1)	Katowice	Brynów	Apartments, services	Q4 2020	86	5,306
Total					12,370	663,182

As at 31 December 2020, the Group failed to deliver 211 premises located in the aforesaid completed projects.

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)	
Mały Grochów (stage 1-2)	Warsaw	Grochów	Apartments, services	Q1 2021	105	5,318	(*)
				Q1 2021	137	7,010	
Rokokowa Residence	Warsaw	Bielany	Apartments, houses	Q1 2021	29	3,548	
Mała Praga (stage 5)	Warsaw	Praga Południe	Apartments, services	Q4 2021	48	2,940	

Na Woli (stage 9)	Warsaw	Wola	Apartments, services	Q4 2021	305	15,873	
Prestovia House	Warsaw	Praga Północ	Flats	Q4 2022	162	8,363	(**)
Kamienna (stage 1-2)	Wrocław	Huby	Apartments, services	Q2 2021	253	13,082	
				Q2 2021	186	9,761	
Nowa Raclawicka	Wrocław	Krzyki	Flats	Q2 2021	231	13,319	
Między Parkami (stage 2)	Wrocław	Klecina	Flats	Q4 2021	202	12,972	
Słoneczne Miasteczko (stage 9 - 12)	Cracow	Bieżanów- Prokocim	Flats	Q1 2021	102	5,865	(*)
				Q3 2021	124	8,647	
				Q1 2022	102	5,776	
				Q4 2022	108	5,790	(**)
Przy Mogiłskiej (stage 1-2)	Cracow	Prądnik Czerwony	Flats	Q2 2021	65	3,031	
				Q4 2023	137	6,505	
Centralna Park (stage 6)	Cracow	Czyżyny	Apartments, services	Q4 2022	270	14,421	
Świętokrzyska Park (stage 7)	Gdańsk	Łostowice	Flats	Q2 2021	108	5,146	
Osiedle Łatarników (stage 1 - 2)	Gdańsk	Letnica	Apartments, services	Q4 2021	135	7,677	
				Q4 2022	218	12,101	
Baltea	Gdańsk	Przymorze	Apartments, services	Q4 2022	239	15,221	
Ceglana Park (stage 2)	Katowice	Brynów	Apartments, services	Q3 2022	178	10,395	
Total					3,444	192,761	

As at 31 December 2020, the Group had sold 2,067 premises which were under construction at that time.

(*) For the Mały Gróchów Project (stages 1-2) and the Słoneczne Miasteczko Project (stage 9), construction works were finished after the balance-sheet date.

(**) Prestovia House (162 premises), Słoneczne Miasteczko - stage 12 (108 premises), added to the offer and preparation works commenced in 2020, construction commencement in 2021

2.6. Property Development Projects in Preparation (Currently Land Banked)

Commercial Projects

Name of Project	City	GLA (sq m)	Planned Construction Commencement Date
Kolejowa	Wrocław	33,000	Q4 2021

The commencement of the Kolejowa Project will be depend exclusively on the situation on the commercial market, including on the effects of the COVID epidemic on demand for new leasable area in Wrocław. The Company also considers the alternative use of the land, e.g. residential units constructed as part of the project could be dedicated for institutional lease.

Housing Projects

Name of Project	City	Number of Apartments and Commercial Premises	Area (sq m)
Trzcínowa	Warsaw	167	8,833
Toruńska	Warsaw	196	10,219
Podskarbińska	Warsaw	1,208	66,980
Reszelska	Wrocław	84	5,337
Reja	Wrocław	61	2,954
Mist House	Wrocław	46	2,973
Orawska	Wrocław	644	34,526
Cynamonowa	Wrocław	126	6,516
Vratislavia Reidence (Malin)	Wrocław	-	- (*)
Słoneczne Miasteczko	Cracow	304	17,494
Przy Mogińskiej (stage 3)	Cracow	136	6,180
Grzegórzecka	Cracow	461	25,742
Centralna Park	Cracow	864	46,627
Braci Czechów	Cracow	89	5,000
Świętokrzyska Park	Gdańsk	259	13,626
Przy Alejach (stage 3)	Gdańsk	48	2,891
Ptasia	Gdańsk	158	8,681
Osiedle Latarników	Gdańsk	159	9,122
Marinus	Gdańsk	87	5,049
Bajkowy Park	Gdańsk	809	40,590

Ceglana Park	Katowice	956	51,926
Pustynna 43	Łódź	114	8,286
Dębowa Ostoja	Łódź	161	24,479
Total (31/12/2020)		7,137	404,031

Land purchased after the balance-sheet date

Przemyska	Gdańsk	380	20,000
Zamojska	Gdańsk	86	4,700
Krzemieniecka	Wrocław	32	4,040
Chorwacka	Wrocław	132	8,154
Total (28/02/2021)		7,767	440,924

Premises added to the offer after the balance-sheet date

Mist House	Wrocław	46	2,973
Grzegórzecka (stage 5)	Cracow	94	5,505
Total to be made available after 28/02/2021		7,627	432,446

(*) The Malin Project was not taken into consideration for the calculation of land bank as at 31/12/2020

2.7. Group's Reliance on Suppliers and Consumers

- Service Recipients

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

- Service Providers

The Group companies were not dependent on specific service providers in 2020 – construction works are provided by a large variety of different businesses that compete with each other on the developed construction market in Poland, therefore the Group companies use the services of various construction companies in order to eliminate the risk of being dependent on one particular entity. Contracts for construction works are put up by the Group to tender, to make sure that only general contractors and service providers that made the most favourable proposals have been selected. The Group's property development projects are carried out mainly on a general contracting basis and only a few smaller projects are implemented without a general contractor, in which case the Group contracts contractors for individual works on its own.

2.8. Significant Contracts, Insurance Agreements

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

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

3. GROUP'S OPERATIONS IN FINANCIAL PERIOD

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

Revolving Loan Agreement Made between Company and mBank S.A.

On 03 December 2020, a revolving loan agreement of up to PLN 35,000,000 was made between the Company and mBank S.A., which was designated for financing of day-to-day activities. The loan repayment period is 24 months as from the date the loan agreement was executed. Security provided for the loan includes:

- Contractual mortgage of up to PLN 52,500,000 on the real property which Develia S.A. and subsidiaries LC Corp Invest XV Sp. z o.o. Investments S.K.A. and LC Corp Invest XV Sp. z o.o. Projekt 7 sp. k. own or to which they hold the right of perpetual usufruct;
- The Company's declaration on voluntary submission to enforcement of up to PLN 52,500,000 pursuant to Article 777(1)(5) of the Code of Civil Procedure;
- Declarations of LC Corp Invest XV Sp. z o.o. Investments S.K.A. and LC Corp Invest XV Sp. z o.o. Projekt 7 sp. k. on voluntary submission to enforcement in relation to the mortgaged real properties pursuant to Article 777(1)(6) of the Code of Civil Procedure;
- Blank promissory note along with promissory declaration in the amount of PLN 28,000,000.

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 the 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.

Amendments to Agreement Concerning Bank Loan Taken Out by Arkady Wrocławskie S.A. with Santander Bank Polska S.A. Pursuant to Loan Agreement Concluded on 28 February 2008.

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

On 29 July 2020, Arkady Wrocławskie S.A. and Santander Bank Polska S.A. executed an amendment to the loan agreement, under which the payment of principal instalments originally due for payment on 30 September 2020 and 31 December 2020 was rescheduled on 31 July 2020. Further, under the aforesaid amendment, the Bank decided to refrain from the verification of debt service ratios for Q3 and Q4 2020.

On 27 August 2020, Arkady Wrocławskie S.A. and Santander Bank Polska S.A. executed an amendment to the loan agreement of 28 February 2008, including further modifications thereto, under which the payment of certain principal instalments originally due for payment on 31 March 2021 and 30 June 2021 was rescheduled on or before 31 August 2020.

On 28 September 2020, the Company and Santander Bank Polska S.A. executed an amendment to the loan agreement of 28 February 2008, including further modifications thereto, under which the payment of a portion of a

principal instalment originally due for payment on 30 September 2021 was rescheduled on or before 30 September 2020. The principal amount of EUR 218,750 was repaid on 30 September 2020.

On 27 October 2020, Arkady Wroclawskie S.A. and Santander Bank Polska S.A. executed an amendment to the loan agreement of 28 February 2008, including further modifications thereto, under which the payment of a portion of a principal instalment originally due for payment on 31 December 2021 was rescheduled on or before 30 October 2020. The principal amount of EUR 218,750 was repaid on 30 October 2020.

On 30 November 2020, the Company and Santander Bank Polska S.A. executed an amendment to the loan agreement of 28 February 2008, including further modifications thereto, under which the payment of a portion of a principal instalment originally due for payment on 31 March 2021 was rescheduled on or before 30 November 2020. The principal amount of EUR 109,375 was repaid on 30 November 2020.

On 28 December 2020, the Company and Santander Bank Polska S.A. executed an amendment to the loan agreement of 28 February 2008, including further modifications thereto, under which the payment of a portion of principal instalments originally due for payment on 30 September 2021, 31 December 2021 and 31 March 2022 were rescheduled on or before 31 December 2020. The principal amount of EUR 328,125 was repaid on 29 December 2020.

Amendments to Agreement Concerning Bank Loan Taken Out by Sky Tower S.A. with Getin Noble Bank S.A. and Alior Bank S.A., Pursuant to Loan Agreement Concluded on 29 December 2012.

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

On 29 October 2020, Sky Tower S.A. concluded an amendment to the loan agreement of 29 December 2012, with a syndicate of banks comprised of Getin Noble Bank S.A. and Alior Bank S.A., including further modifications thereto, under which the payment of a principal instalment originally due for payment on 31 December 2020 was rescheduled on or before 30 October 2020. The principal amount of EUR 599,700 was repaid on 30 October 2020.

Loan Agreement Made Between LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. and mBank S.A. and Partial Repayment of Loan Obtained Earlier

On 28 October 2020, an Issuer's subsidiary, namely, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., entered into a loan agreement with mBank S.A. covering the amount of up to EUR 34,187,000.00, designated, among other things, for the repayment of existing debt owed to mBank S.A. and mBank Hipoteczny S.A. and arising from a loan agreement of 20/12/2017 and for the financing and refinancing of costs relating to the construction of an office building called "Wola Retro", which was erected by the Borrower on a plot of land located in Warsaw at 16-20 Skierniewicka street and 11/13 Siedmiogrodzka street. The aforesaid Agreement was concluded as a result of a construction loan being converted to an investment loan and previous lenders being replaced by others (mBank Hipoteczny SA and mBank SA have been replaced with one lender – mBank SA). The principal terms and conditions of the loan agreement, specifically, the amount of lending, have not changed. The Agreement was concluded under arm's length conditions. A floating rate of interest will be charged on the loan per annum and calculated as the aggregate of EURIBOR 3M reference rate plus margins fixed on arm's length conditions. Commissions on the loan granted to the Borrower have been set under arm's length conditions. Pursuant to the Agreement concluded, the Loan debt will be paid off no later than seven years after the first drawdown of the Loan, which took place on 20/11/2020. Principal security for the Agreement includes:

- Mortgage on real property of up to EUR 51,280,500.00;
- A subordination agreement concluded by the borrower, the Issuer and Issuer's other subsidiaries (LC Corp Invest I Sp. z o.o. and LC Corp Invest XVII Sp. z o.o.) as subordinate creditors along with the borrower – as the senior creditor, providing for an assignment as security for all subordinated debts;
- Agreements to assign rights and debts arising from lease and other contracts associated with the project.
- First-ranking registered pledges on the rights and debts owed to the limited partner and the general partner of the borrower's company (with pledges created in relation to the refinanced debt being senior to all other pledges), each up to EUR 51,280,500 along with a declaration on submission to enforcement pursuant to Article 777(1)(6) of the Code of Civil Procedure;

- First-ranking registered and financial pledge on all bank accounts of the borrower (with pledges created in relation to the refinanced debt being senior to all other pledges), each up to EUR 51,280,500 along with powers of attorney for the lender;
- Borrower's declarations on submission to enforcement towards the lender pursuant to Article 777(1) of the Code of Civil Procedure up to EUR 51,280,500.00;
- Debt service reserve in the amount of three principal and interest instalments,
- A support agreement concluded with the Issuer, under which the Issuer undertook, among other things, to provide financial support to the borrower, including to provide Debt Service Reserve and replenish it if it has been drawn on, along with the Issuer's declaration on free submission to enforcement towards the lender in relation to the Support Agreement up to EUR 560,000.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure;
- FX risk and interest rate risk hedging agreement, secured by a mortgage up to PLN 32,235,000 (which is junior directly to mortgage used as security for the agreement) on the real property and a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure.

Repayment of Bank Loan by Arkady Wrocławskie S.A.

In the year ended 31 December 2020, Arkady Wrocławskie S.A. repaid the instalments of the loan in EUR taken out with Santander Bank Polska S.A. in the amount of PLN 7,852,000. As at 31 December 2020, the total outstanding amount after conversion into Polish Zlotys was PLN 62,357,000.

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

In the year ended 31 December 2020, Sky Tower S.A. repaid, in accordance with the repayment schedule, the instalments of the loan in EUR taken out with the syndicate of banks: Getin Noble Bank S.A. and Alior Bank S.A. in the amount PLN 4,951,000. As at 31 December 2020, the total outstanding amount after conversion into Polish Zlotys was PLN 200,430,000.

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

In the year ended 31 December 2020, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k., according to the loan agreement with mBank Hipoteczny S.A. concluded on 20 December 2017 in EUR aimed at the partial financing of Wola Retro in Warsaw, drew down funds in the total amount of PLN 5,454,000. On 20 November 2020, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k. completely repaid in accordance with the loan agreement of 28 October 2020 the loan of 20 December 2017 in the total amount of PLN 110,992,000. As at 31 December 2020, the total outstanding amount in respect of the loan of 28 October 2020 after conversion into Polish Zlotys was PLN 118,848,000.

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

On 26 March 2020, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. entered into, pursuant to a framework agreement of 8 February 2018, a foreign exchange forward transaction which included forward and derivative operations relating to the performance of a loan agreement and extended the settlement period of the unsettled transaction to its maturity, i.e. 31 March 2020. A new settlement date was set for the unsettled amount of PLN 11,478,000 – 30 September 2020. The nominal value of the aforesaid transaction at a base rate amounted to EUR 2,626,000.

On 29 September 2020, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. entered into, pursuant to a framework agreement of 8 February 2018, a foreign exchange forward transaction which included forward and derivative operations relating to the performance of a loan agreement and extended the settlement period of the unsettled transaction to its maturity, i.e. 30 September 2020. A new settlement date was set for the unsettled amount of PLN 11,518,000 – 31 March 2021. The nominal value of the aforesaid transaction at a base rate amounted to EUR 2,626,000.

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

1. 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.

2. On 20 March 2020, 65,000 five-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 65,000,000 were redeemed.
3. On 20 July 2020, 46,000 four-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 46,000,000 were redeemed.
4. On 29 September 2020, the Company acquired 7,000 its own bonds of PLN 1,000 each for the purpose of redemption.
5. On 7 October 2020, 70,000 three-year unsecured coupon bonds having a par value of PLN 1,000 each and a total nominal value of PLN 70,000,000 were issued under a Bond Issue Agreement with the redemption date set at 6 October 2023, concluded with mBank S.A., having its registered office in Warsaw.
6. On 19 October 2020, 27,000 two-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 27,000,000 were redeemed.

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

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

Pursuant to the said resolution, Develia S.A. paid the dividend on 02 October 2020.

3.4. Payment of Dividends by Subsidiary Undertakings

- 1) Under the Resolution of the Ordinary General Meeting of Warszawa Przyokopowa Sp. z o.o. carried on 25 March 2020, dividend for 2019 in the amount of PLN 131,300,000 was paid to Develia S.A. on 31 March 2020.
- 2) Under the Resolution of the Ordinary General Meeting of LC Corp Invest III Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 6,000,000 was paid to Develia S.A. on 8 April 2020.
- 3) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XV Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 1,232,000 was paid to Develia S.A. 8 April 2020.
- 4) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocię Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 58,100,000 was paid to Develia S.A. on 8 April 2020.
- 5) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XII Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 14,853,000 was paid to Develia S.A. on 8 April 2020.
- 6) Under the Resolution of the Ordinary General Meeting of LC Corp Invest X Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 8,000,000 was paid to Develia S.A. on 8 April 2020.
- 7) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XVII Sp. z o.o. carried on 6 April 2020, dividend for 2019 in the amount of PLN 500,000 was paid to Develia S.A. on 16 April 2020.
- 8) Under the Resolution of the Ordinary General Meeting of LC Corp Invest VII Sp. z o.o. carried on 16 June 2020, dividend for 2019 in the amount of PLN 5,573,000 was paid to Develia S.A. on 02 July 2020.
- 9) Under the Resolution of the Ordinary General Meeting of LC Corp Invest VIII Sp. z o.o. carried on 16 June 2020, dividend for 2019 in the amount of PLN 10,300,000 was paid to Develia S.A. on 09 July 2020.

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 2020 with Related Parties

Lender	Borrower	Agreement Conclusion Date	Interest rate*	Contractual Amount of Borrowing in PLN '000	Repayment date
LC Corp Invest XXIV	Develia S.A.	24/01/2020	4.84%	11,000	Indefinite
Develia S.A.	LCC Invest IX	24/01/2020	4.77%	5,000	Indefinite
Develia S.A.	Develia Invest Sp. z o.o.	30/01/2020	4.81%	2,000	Indefinite
LCC Invest I	LCC Invest XV Projekt 8	24/02/2020	4.75%	5,000	Indefinite
Warszawa Przyokopowa	Develia S.A.	24/02/2020	4.75%	25,000	Indefinite
Warszawa Przyokopowa	Develia S.A.	19/03/2020	5.39%	100,000	Indefinite
Develia S.A.	Sky Tower S.A.	20/03/2020	4.54%	10,000	Indefinite
Develia S.A.	LCC Invest IX	20/03/2020	4.52%	5,000	Indefinite
Develia S.A.	LCC Invest XXI	25/03/2020	5.03%	200	Indefinite
Develia S.A.	Develia Invest Sp. z o.o.	27/03/2020	4.72%	350	Indefinite
LCC Invest I	LCC Invest XV Projekt 7	27/03/2020	4.59%	320	Indefinite
Warszawa Przyokopowa	Develia S.A.	27/03/2020	2.34% **	587 ***	Indefinite
Develia S.A.	Sky Tower S.A.	30/03/2020	2.44% **	587 ***	Indefinite
Develia S.A.	Arkady Wrocławskie S.A.	06/04/2020	4.59%	585	Indefinite
Develia S.A.	Develia Invest Sp. z o.o.	14/04/2020	4.71%	2,000	Indefinite
LC Corp Invest XI Sp. z o.o.	LCC Invest I	22/04/2020	4.43%	5,000	Indefinite
LCC Invest I	LCC Invest XV Projekt 8	22/04/2020	4.55%	5,000	Indefinite
Develia S.A.	Kraków Zielony Złocień	29/04/2020	4.53%	6,000	Indefinite
Develia S.A.	LCC Invest IX	22/05/2020	4.45%	2,000	Indefinite
LCC Invest I	LCC Invest XV Projekt 8	25/05/2020	4.47%	5,000	Indefinite
Develia S.A.	LCC Invest VII	28/05/2020	4.65%	500	Indefinite
Develia S.A.	Sky Tower S.A.	10/06/2020	4.33%	10,000	Indefinite
Develia S.A.	LCC Invest II	10/06/2020	4.32%	100	Indefinite
LCC Invest I	LCC Invest XV Projekt 7	01/07/2020	4.31%	500	Indefinite
Develia S.A.	LCC Invest X	01/07/2020	4.36%	5,000	Indefinite
Develia S.A.	LCC Invest II	13/08/2020	4.25%	200	Indefinite
Develia S.A.	LCC Invest X	25/08/2020	4.26%	4,500	Indefinite
LCC Invest I	LCC Invest XV Projekt 4	25/09/2020	4.39%	1,000	Indefinite
LC Corp Invest XI Sp. z o.o.	LCC Invest I	26/10/2020	4.14%	5,000	Indefinite

LCC Invest I	LCC Invest XV Projekt 4	27/10/2020	4.39%	5,000	Indefinite
Develia S.A.	LCC Invest II	14/12/2020	3.76%	1,000	Indefinite
LCC Invest I	LCC Invest XV Projekt 6	30/12/2020	3.95%	2,000	Indefinite

* average value for 2020

** interest rate of borrowings based on EURIBOR

*** the currency of borrowings EUR

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

In 2020, the Group companies granted suretyship and guarantees as follows:

In pursuance of the Preliminary Sales and Purchase Agreement covering the real property called Wola Center in Warsaw, described in section 2.2.9 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:

- 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
- 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,
- 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 2020 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 X Sp. z o. o.	Przedsiębiorstwo Budowlane Arkop Sp. z o. o. sp. k.	Insurance company guarantee No. 3PM/UL2017/14	PLN 2,885,000.00	20/12/2019
DEVELIA S. A.	TK – BUD Sp. z o. o. Sp. k.	Bank guarantee No. BOFH19013275GP/K	655,829.30	03/01/2020
LC CORP Invest VIII Sp. Z o. o.	Las Janusz Usługi Transportowe i Budowlane	Insurance company guarantee No. 912700365348	PLN 65,000.05	09/03/2020
DEVELIA S. A.	NOLAN INWESTYCJE SP. Z O. O.	Amendment No. 1 to Performance and warranty bond No. 280000165034	596,130.00 – for performance 149,229.00 – for warranty	20/03/2020
LC Corp Invest XII Sp. z o. o.	SWIETELSKY Sp. z o. o.	Bank guarantee No. GW/004595/20	PLN 700,000	03/08/2020
DEVELIA S. A.	TK – BUD Sp. z o. o.	Bank guarantee No. BOFH20021653GP/K	PLN 479,006.07	27/08/2020
LC Corp Invest XVII sp. z o.o. Projekt 22 sp.k.	Budimex S.A.	Warranty bond No. 353-05806595	PLN 7,511,475.20	17/09/2020
DEVELIA S.A.	KONE Sp. z o. o.	Advance payment bank guarantee No. GW/005905/20	PLN 103,194.00	12/10/2020
DEVELIA S.A.	KONE Sp. z o. o.	Advance payment bank guarantee No. GW/006725/20	PLN 13,650.00	20/11/2020
DEVELIA S.A.	A-Tynk Sp. z o.o.	Performance and warranty bond No. GKDo/503/2020-051 issued by an insurance company	PLN 13,250.00	17/02/2020
LC Corp Invest VIII Sp. zo.o.	Bertrand Sp. z o.o. Sp.k.	Bank guarantee no. DOK0575GWB20KR	PLN 11,370.00	06/03/2020
Develia S.A.	P&P Sp. z o.o.	Performance and warranty bond No. 351-05806445 issued by an insurance company	PLN 111,250.00	29/05/2020

Apart from the aforesaid guarantees, the Group companies, namely, Arkady Wrocławskie S.A., Sky Tower S.A., Warszawa Przyokopowa Sp. z o.o. and LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. have (or had – in relation to the “Wola Center” office and retail building, sold by Warszawa Przyokopowa Sp. z o.o. on 29 January 2020)

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, Wola Center and Wola Retro in Warsaw.

4. COMPANY'S INCOME, ECONOMIC AND FINANCIAL STANDING

General Economic and Financial Figures	As at	As at
	31 December 2020	31 December 2019
	PLN'000	(restated) PLN'000
Non-current assets	942,134	1,003,527
Current assets	993,752	724,785
Equity	1,043,538	948,036
Liabilities and provisions for liabilities	892,348	780,276
Balance-sheet total	1,935,886	1,728,312
Revenue from sale of services, products, goods	45,362	53,616
Revenue from interest and discounts	4,365	10,491
Revenue from dividend	235,559	234,596
Other financial income	7	4,499
Other operating income	530	209
Total operating expenses	(176,626)	(99,828)
Net profit/(loss)	140,257	176,252

In 2020, Develia S.A. earned revenues from the sale of goods and services of PLN 45,362,000, from interest and discounts of PLN 4,365,000 and from dividends of PLN 235,559,000.

The Company disclosed a net profit of PLN 140,257,000.

Apart from standard operating revenues and expenses, factors and events that had a significant impact on the performance of Develia S.A. in 2020 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 2020.

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 28.2 and 28.4 of the Accounting Principles (Policies) and Additional Explanatory Notes to the 2020 financial statements of Develia S.A.

4.3. Structure of Assets and Liabilities in Separate Balance Sheet

	31 December 2020		31 December 2019	
Assets				
A. Fixed assets	942,134	49%	1,003,527	58%
1. Intangible assets	305	0%	282	0%
2 Property, plant and equipment	7,153	0%	6,145	0%
2.1. Tangible assets	6,920	0%	6,099	0%
2.2. Tangible assets under construction	233	0%	46	0%
3. Non-current loans and receivables	93,125	5%	63,940	4%
4. Non-current investments	827,535	43%	932,744	54%
5. Non-current prepayments and accrued income	410	0%	416	0%
6. Deferred tax assets	13,606	1%	0	0%
B. Current assets	993,752	51%	724,785	42%

1. Inventory	790,063	41%	556,959	32%
2. Trade and other receivables	14,498	1%	98,955	6%
3. Income tax receivable	455	0%	3,719	0%
4. Short-Term Securities	20,013	1%	0	0%
5. Other financial assets	95,070	5%	24,157	1%
6. Cash and cash equivalents	71,808	4%	40,081	2%
7. Current prepayments and accrued income	1,845	0%	914	0%
C. Non-current assets classified as held for sale	0	0%	0	0%
Total assets	1,935,886	100%	1,728,312	100%
Equity and liabilities				
A. Equity	1,043,538	54%	948,036	55%
1. Share capital	447,558	23%	447,558	26%
2. Called-up share capital not paid	0	0%	0	0%
3. Supplementary capital	353,524	18%	322,216	19%
4. Other reserve funds	100,205	5%	0	0%
5. Other capital	1,994	0%	1,994	0%
6. Retained profit/(Loss carried forward)	140,257	7%	176,268*)	10%
B. Non-current liabilities	432,945	22%	534,367	31%
1. Non-current financial liabilities	428,663	22%	514,150	30%
2. Non-current lease liabilities	3,837	0%	2,744	0%
3. Provisions	445	0%	19	0%
4. Deferred tax liability	0	0%	17,454	1%
C. Current liabilities	459,403	24%	245,909	14%
1. Current financial liabilities	148,207	8%	103,221	6%
2. Current lease liabilities	17,236	1%	11,061	1%
3. Trade and other payables	17,444	1%	35,007	2%
4. Income tax payables	0	0%	0	0%
5. Provisions	0	0%	0	0%
6. Accruals and deferred income	276,516	14%	96,620	6%
Total equity and liabilities	1,935,886	100%	1,728,312	100%

*) The 2019 restated financial result totalling PLN 176,268,000 was recognised in the statement of financial position. The aforesaid sum results from the Company's financial statements for 31 December 2019, which was approved and published, which was in partly paid out to the Company's Shareholders. The difference arising from the settlement of the merger was recognised in Other capital.

Most crucial factors that had a bearing on changes of certain in balance-sheet items in the year ended 31 December 2020:

- Change in long-term investments arising mainly from revaluation write-downs of shares;
- Increase in the value of inventory resulting from the implementation of property development projects by the Company;
- Decline in trade and other receivables resulting mainly from VAT refund obtained by the Company;
- Increase in current financial assets resulting from the Company's acquisition of bonds and investment fund units;
- Increase in the value of reserve funds stemming mainly from the allocation of a portion of 2019 profit;
- Increase in the value of deferred income resulting from payments applied to the purchase of residential and business premises and parking spaces constructed as part of projects carried out by the Company

4.4. Assessment of Finance Management

Selected Financial Ratios:

Profitability Ratios	2020	2019
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1	Return on Assets (ROA) (Net profit / total assets)	7.2%	10.2%
2	Return on Equity (ROE) (Net profit / Equity)	13.4%	18.6%
Liquidity Ratios			
1	Current Ratio Current assets / (current liabilities)	5.4	4.7
2	Quick Ratio Current assets – Inventory / (current liabilities)	1.1	1.0
Debt Ratios			
1	Debt-to-Equity ratio (total liabilities / equity)	58.6%	70.0%
2	Debt-to-Equity ratio (net) (total net liabilities / equity)	39.3%	54.0%
3	Total Debt Ratio (total liabilities / total assets)	31.6%	38.4%

The 2020 financial ratios imply that the Company has maintained financial liquidity at a stable level. The Company reduced the debt level considerably.

Financial risk management, financial instruments and capital management are described in Notes 32, 33 and 34 of the separate financial statements.

5. GROUP'S INCOME, ECONOMIC AND FINANCIAL STANDING

General Economic and Financial Figures	As at 31 December 2020 PLN'000	As at 31 December 2019 PLN'000
Non-current assets	1,053,680	1,234,709
Current assets	1,762,561	1,562,934
Equity	1,317,788	1,492,111
Liabilities and provisions for liabilities	1,498,453	1,735,041
Balance-sheet total	2,816,241	3,243,925
Sales revenue	517,114	819,264
Gross profit on sales	183,618	320,112
Operating profit/(loss)	(72,422)	172,682
Pre-tax profit/(loss)	(134,473)	151,046
Net profit/(loss)	(138,800)	117,382
Adjusted net profit /(loss) (*)	98,006	193,281

(*) – 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 2020, include, but are not limited to:

1. Change in the value of investment property, including of the buildings: Sky Tower, Arkady Wrocławskie and Wola Retro and of land located in Malin. The Group made a loss of PLN 184,400,000 on account of the said revaluation changes. When rent linearisation and capital expenditures were taken into account, the loss on investment property was increased by another PLN 29 million, totalling PLN 213,500,000. The changes in the investment value in 2020 were driven, to a large extent, by an outbreak of the COVID-19 pandemic, which

resulted in a drop in operating income generated by the buildings, in particular, those designated as commercial real property, and contributed to higher capitalisation rates on the commercial market.

2. Revenue from the commercial segment (PLN 86,900,000) was affected by a change to the operational strategy employed for the segment in question, i.e. the adoption of a commercial property 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 Warsaw (Wola Center – Q1 2020), in Wrocław (“Retro Office House” – Q3 2019) and in Katowice (two “Silesia Star” buildings – Q3 2019), rental revenue dropped.
3. There was a 41% decline in the number of premises delivered in 2020, compared to 2019. Consequently, sales revenue fell from the record high of PLN 678,300,000 to PLN 430,100,000.
4. In 2020, the Group reported high profitability for the property development segment – the gross margin on sales stood at 31.3%.
5. As a consequence of high write-downs on the value of the investment property described in section 1, the Group reported a loss of PLN 138,800,000.
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 2020 adjusted net profit amounted to PLN 99,000,000, whereas in 2019 totalled PLN 193,300,000.

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

On 18 February 2021, the Company informed, by the Current Report No. 10/2021, that the Develia Group's projected consolidated net result in 2020 would be minus PLN 133-143m. It finally reached the level of PLN 138,800,000, meaning that the final figures correspond to the projected net profit published in the aforesaid report.

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 29.2 and 2.5 of the Accounting Principles (Policies) and Additional Explanatory Notes to the 2020 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 2020		31 December 2019	
Assets				
A. Fixed assets	1,053,680	37.41%	1,234,709	38.06%
1. Intangible assets	404	0.01%	334	0.01%
2 Property, plant and equipment	4,513	0.16%	5,897	0.18%
3. Non-current receivables	9,013	0.32%	8,699	0.27%
4. Land classified as fixed assets	-	0.00%	86,603	2.67%
5. Investment property	1,016,745	36.10%	1,096,679	33.81%
6. Non-current prepayments and accrued income	1,072	0.04%	1,089	0.03%
7. Deferred tax assets	21,933	0.78%	35,408	1.09%
B. Current assets	1,762,561	62.59%	1,562,934	48.18%
1. Inventory	1,245,976	44.24%	1,062,028	32.74%
2 Trade and other receivables	23,180	0.82%	123,356	3.80%
3. Income tax receivable	5,205	0.18%	8,296	0.26%
4. Derivatives assets	-	0.00%	239	0.01%
5. Short-Term Securities	20,013	0.71%	-	0.00%
6. Other financial assets	88,005	3.12%	25,576	0.79%
7. Cash and other cash assets	377,036	13.39%	340,890	10.51%
8. Current prepayments and accrued income	3,146	0.11%	2,549	0.08%
C. Non-current assets classified as held for sale	-	0.00%	446,282	13.76%
Total assets	2,816,241	100.00%	3,243,925	100.00%

Equity and liabilities				
A. Equity	1,317,788	46.79%	1,492,111	46.00%
I. Equity attributable to shareholders of the parent	1,317,788	46.79%	1,492,111	46.00%
1. Share capital	447,558	15.89%	447,558	13.80%
2 Other capital	1,009,030	35.83%	927,171	28.58%
3. Net profit/(loss)	(138,800)	-4.93%	117,382	3.62%
II. Minority interest	-	0.00%	-	0.00%
B. Non-current liabilities	661,756	23.50%	1,028,223	31.70%
1. Non-current liabilities on account of loans and bonds	599,217	21.28%	886,734	27.34%
2 Non-current liabilities arising from derivatives	1,081	0.04%	11,983	0.37%
3. Non-current lease liabilities	18,898	0.67%	18,769	0.58%
4. Provisions	7,938	0.28%	5,319	0.16%
5. Deferred tax liability	34,622	1.23%	105,418	3.25%
C. Current liabilities	836,697	29.71%	706,818	21.79%
1. Current liabilities on account of loans and bonds	168,072	5.97%	128,299	3.96%
2 Current liabilities arising from derivatives	430	0.02%	428	0.01%
3. Current lease liabilities	50,954	1.81%	41,512	1.28%
4. Current trade and other payables	96,916	3.44%	127,117	3.92%
5. Income tax payables	50,168	1.78%	39,319	1.21%
6. Provisions	6,206	0.22%	8,831	0.27%
7. Accruals and deferred income	463,951	16.47%	361,312	11.14%
D. Liabilities arising from assets held for sale	-	0.00%	16,773	0.52%
Total equity and liabilities	2,816,241	100.00%	3,243,925	100.00%

Most crucial factors that had a bearing on changes in balance-sheet items in the year ended 31 December 2020:

- A decline in *Non-Current Assets Classified as Held for Sale*, resulting from the disposal of the “Wola Center” real property;
- A decline in *Liabilities on Account of Loans and Bonds*, resulting mainly from the repayment of the loan taken for the construction and funding of the Wola Center real property;
- Reclassification of the land located in Malin from *Land Classified As Fixed Assets and Other Assets* to *Investment Property*;
- A decline in *Investment Property* by reason of a write-down on the value of the buildings: Sky Tower, Arkady Wrocławskie and Wola Retro.

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. The non-current portion of liabilities includes mainly loans designated to refinance investment property: Arkady Wrocławskie, Sky Tower 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 and Katowice 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		2020	2019
1	<i>EBITDA (kPLN) (operating profit or loss + depreciation and amortisation)</i>	-70,554	174,117
1'	<i>EBITDA (kPLN) (without revaluation) (adjusted operating profit or loss + depreciation and amortisation)</i>	142,925	265,350

2	Operating profit margin (EBITDA / net sales revenue)	-13.6%	21.3%
2'	Operating profit margin (without valuation adjustments) (adjusted EBITDA / net sales revenue)	27.6%	32.4%
3	Gross margin on sale of services (Gross profit on sale of services / revenue from sale of services)	56.2%	67.3%
4	Gross margin on sale of goods and products (Gross profit on sale of goods and products / revenue from sale of goods and products)	31.3%	33.2%
5	Net profit margin (Net profit / net sales revenue)	-26.8%	14.3%
5'	Adjusted net profit margin (Adjusted net profit / net sales revenue)	19.1%	23.6%
6	Return on Assets (ROA) (Net profit / total assets)	-4.9%	3.6%
6'	Adjusted Return on Assets (ROA) (Adjusted net profit / total assets)	3.5%	6.0%
7	Return on Equity (ROE) (Net profit / Equity)	-10.5%	7.9%
7'	Return on Equity (ROE), adjusted (Adjusted net profit / Equity)	7.5%	13.0%
Liquidity Ratios			
1	Current Ratio Current assets / (current liabilities)	5.6	5.3
2	Quick Ratio Current assets – Inventory / (current liabilities)	1.6	1.7
Debt Ratios			
1	Debt-to-Equity (total liabilities / equity)	71.0%	81.4%
2	Net Debt to Equity (variant 1)* (interest-bearing net debt / equity)	35.0%	51.2%
3	Net Debt to Equity for bonds (variant 2)** (interest-bearing net debt / equity)	27.7%	48.9%
4	Net Debt to Equity for bonds (variant 3)*** (interest-bearing net debt / equity)	22.4%	48.9%
5	Total Debt (total liabilities / total assets)	33.2%	37.4%
(*) Variant 1 – according to the dividend policy (**) Variant 2 – Financial liabilities under bond issue conditions (i.e. along with liabilities defined in IFRS 16 – charges for perpetual usufruct) (***) Variant 3 – Financial liabilities under bond issue conditions (i.e. excluding liabilities defined in IFRS 16 – charges for perpetual usufruct)			

The ratio analysis has revealed that the Develia Group has maintained a stable financial position. The Group is able to meet its liabilities on an ongoing basis, and contemporaneously, reduce its debt gradually. In 2020, the Company was also able to maintain the ratio for gross margin on sales of goods and products at a high level, namely over 30%.

Financial risk management, financial instruments and capital management are described in Notes 35, 36 and 37 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. Approval of Develia Group's Strategy for Years 2021-2025

On 18 February 2021, the Supervisory Board have approved the "Develia Group's Strategy for the years 2021-2025", adopted by the Company's Management Board, which was published in the Current Report No. 12/2021 of 18 February 2021 and described in section 9 hereof.

7.2. Loan Agreement Made Between Company and Santander Bank Polska S.A.

On 04 March 2021, the Company and Santander Bank Polska S.A. made non-revolving construction loan agreement to finance the erection of a multi-family residential building with an underground car park located at 45a Jagiellońska street in Warsaw for the sum of up to PLN 36,270,000.00 and to refinance a portion of net costs incurred by the Company for project financing. The loan repayment period is 33 months as from the date the loan agreement was executed. Security provided for the loan includes:

- Mortgage of up to PLN 54,405,000.00 on the right of perpetual usufruct to real estate located in Warsaw at 45a Jagiellońska street;
- A declaration in the form of a notarial deed on free submission to enforcement in favour of Santander Bank Polska SA pursuant to Article 777(1)(5) of the Code of Civil Procedure, for a sum of up to PLN 54,405,000.00;
- Registered pledges up to the highest sum of security in the amount of PLN 54,405,000.00 and financial pledges on accounts receivable from bank accounts relating to the project in question, however, as regards accounts receivable from the escrow account, only a registered pledge will be established;
- A hold on bank accounts relating to the project in question has been placed (except for the escrow account);
- An assignment agreement signed as security for cash receivables arising from the Project in question;
- A power of attorney granted to the bank in respect of the bank accounts and to place a hold on bank accounts in the cases stipulated in the loan agreement.

7.3. Acquisition and Sale of Real Property by Group Companies

- 1) On 18 January 2021, the Company acquired the right of perpetual usufruct to real estate located in Gdańsk at Przemyska street of 3.5336 ha, for a net price of PLN 24,800,000.00, plus VAT at a rate of 23 per cent, i.e. an amount of PLN 30,504,000.00 gross.
- 2) On 18 January 2021, the Company acquired the right of perpetual usufruct to real estate located in Gdańsk at Zamojska street of 0.7093 ha, for a net price of PLN 5,500,000.00, plus VAT at a rate of 23 per cent, i.e. an amount of PLN 6,765,000.00 gross.
- 3) On 27 January 2021, the Company acquired the ownership right to real estate located in Wrocław at Chorwacka street of 0.5021 ha, for a net price of PLN 14,964,634.15, plus VAT at a rate of 23 per cent, i.e. an amount of PLN 18,406,500.00 gross.
- 4) On 05 February 2021, the Company purchased the ownership right to real estate located in Wrocław at Krzemieniecka street of 0.7075 ha, for a price of PLN 3,000,000.00.
- 5) On 17 March 2021, the Company acquired the ownership right to two real estates located in Wrocław at Buforowa street of 1.6319 ha, for a net price of PLN 7,842,727.84, plus VAT at a rate of 23 per cent, i.e. a total amount of PLN 646,555,24 gross, and of 0.6412 ha, for a net price of PLN 2,957,272.16, plus VAT at a rate of 23 per cent, i.e. a total amount of PLN 3,637,444.76 gross.

7.4. Borrowing Agreements Concluded by Group Companies

- 1) On 11 February 2021, an Issuer's subsidiary, LC Corp Invest IX sp. z o.o., entered into a borrowing agreement with Develia S.A., under which a sum of PLN 5,000,000 was borrowed on arm's length conditions for an indefinite period of time.

- 2) On 04 March 2021, an Issuer's subsidiary, LC Corp Invest I sp. z o.o. entered into a borrowing agreement with LC Corp Invest XVII sp. z o.o. Projekt 22 Sp. k., under which a sum of EUR 10,000,000 was borrowed on arm's length conditions for an indefinite period of time.
- 3) On 22 March 2021, an Issuer's subsidiary, LC Corp Invest IX sp. z o.o., entered into a borrowing agreement with Develia S.A., under which a sum of PLN 6,000,000 was borrowed on arm's length conditions for an indefinite period of time.

7.5. Changes in Company's Governing Bodies

- 1) On 25 January 2021, a resignation from the Company's Management Board was tendered by Mirosław Kujawski.
- 2) On 25 January 2021, the Supervisory Board appointed Mariusz Poławski to the Management Board as the Vice President of the Management Board.
- 3) On 18 February 2021, the Supervisory Board of the Company appointed Mr Paweł Ruszczak, previously serving as Member of Management Board and CFO, as Management Board Vice President.

7.6. Amendment to Loan Agreement Made Between mBank S.A. and LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.

On 29 March 2021, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. and mBank S.A. made an amendment to the loan agreement of 28 October 2020, which changed the loan availability period to 30 September 2021 and modified provisions pertaining to the rules and dates of using hedging transactions as security for FX risk.

7.7. Amendment to Loan Agreement Made Between Sky Tower S.A. and Getin Noble Bank S.A. and Alior Bank S.A.

On 30 March 2021, Sky Tower S.A. concluded an amendment to the loan agreement of 29 December 2012, with a syndicate of banks comprised of Getin Noble Bank S.A. and Alior Bank S.A., including further modifications thereto, under which the payment of a principal instalment amounting to EUR 616,177.60, originally due for payment on 31 March 2021, was rescheduled on or before 20 December 2022. The said amended was also signed to increase an LTV ratio to no more than 55%.

7.8. Analysis of COVID-19 Impact

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

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

In H2 2020, the Group reported a marked improvement as regards the sales of flats. In this regard, the best period was recorded in Q4 2020, when the Group entered into 580 development and preliminary agreements, which accounted for 43% of total 2020 sales. Sales figures for the entire 2020 were approx. 10% lower than for 2019.

The COVID-19 epidemic led to a delay in the process of issuing administrative decisions, e.g. decisions on building permit, which stemmed from the fact that time limits for administrative authorities to give such decisions were suspended and the working behaviour of offices changed on account of the epidemic. A slowdown in administrative procedures had a bearing on the Develia Group's offer of flats available for sale, which remained at a relatively low level, particularly in Q3.

The Management Board monitored, on a daily basis, works progress on construction sites, and no major effects of the epidemic on project schedules were observed.

The COVID-19 pandemic had also a considerable impact on the Group's operations in the commercial segment, it was reflected in revenues and cash flows generated by commercial buildings, specifically those with a significant share in commercial floor space – these changes resulted in a lower value of investment real property – Arkady Wrocławskie, Sky Tower and Wola Retro, which declined by a total of EUR 52,490,000.

Apart from the aforesaid impact, the fact of announcing the COVID-19 pandemic has not affected the liquidity of the Group companies dramatically and it has had no significant bearing on the valuation of major financial items (such as inventory, receivables and provisions).

The COVID-19 pandemic is still considered an important risk factor. A sharp rise in the number of infections and potential restrictions imposed as a consequence of that may affects the Group's operations. The Management Board are of the opinion that it is not possible to assess the effects of the epidemic on the Group in subsequent months.

The Group considers bringing a court action against the State Treasury to seek damages claims for injuries inflicted on the Group companies and resulting from illegal actions or omissions while exercising official authority in connection with restrictions on trade, services and entertainment activity introduced by the Government on account of the spread of the SARS-CoV-2 virus, which are limiting the the Group's possibility to conduct operations and consequently have resulted in losses suffered by the Group – as an entity administering and leasing out areas in the following buildings: Arkady Wrocławskie, Sky Tower and Wola Retro.

Apart from the foregoing, no other event that could significantly influence the financial results of the Develia Group occurred after 31 December 2020.

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.

COVID-19 Risk

A risk factor affecting the Company's and the Group's operations is the epidemic of COVID-19, which started in March 2020. A possible rise in the number of people being sick with COVID-19 in Poland and possible restrictions introduced to limit the social and economic life can change the lifestyle of many people, affect rent revenue generated by the Group companies owning retail and services real property and lead to pressure created by tenants to lower rent rates and even terminate lease contracts.

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

Risks Associated With Situation on Financial and Real Property Markets

Factors that might affect the Group's operations negatively include a policy pursued by the banking sector in relation to development companies, as the developers' lending level will have an important bearing on the number of new projects launched. Also, a policy on mortgage loans adopted by the banking sector towards individuals is a major risk factor, because limiting the supply of mortgage loans has a direct bearing on demand for flats, which are financed, to a large extent, by mortgage loans.

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).

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 2019	+ 0.20	35,262	35,262
(audited)	- 0.20	(35,262)	(35,262)
31 December 2020	+ 0.20	17,944	17,944
(audited)	- 0.20	(17,944)	(17,944)

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 property 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.

Property Development Project Risk

Property 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 property 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 a possible increase in costs of project implementation, resulting from higher prices for construction materials, as well as a shortage of personnel working on construction sites, whose salaries also rise. An increase in the contractors' costs and material prices will significantly influence the profitability of property 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 prolongs the very development process, but also the preparation of property 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 Property Development Law, which is to introduce mandatory contributions to the guaranteed property development fund and bring about changes to the construction law understood in a general sense. 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 property 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. In this regard, a risk is faced particularly by companies which run retail and services facilities in Wrocław. 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 property 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, property 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.

The value of real property designated for lease depends essentially on the remaining term of lease agreements relating to such real property and on tenants' financial standing. If the Group companies are not able to extend the term of lease agreements which are about to expire soon on favourable terms and conditions and fail to find new and keep the existing appropriate tenants having good financial standing and wishing to make long-term lease agreements, this will have an adverse impact on the market value of its portfolio. Moreover, this risk is also conditional on the state of COVID-19 epidemic announced before and financial troubles of tenants, which create extra pressure by strongly urging to reduce rent and terminate lease agreements. The financial capability of a given tenant may exacerbate in the short to medium run, causing thus an additional risk of that tenant being insolvent, and consequently leading also to the termination of lease agreements and impossibility of finding a new tenant. All these factors may have negative effects on the Group companies' operations, financial standing or performance.

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

On 18 February 2021, the Supervisory Board have approved the "Develia Group's Strategy for the years 2021-2025", adopted by the Company's Management Board, which was published in the Current Report No. 12/2021 of 18 February 2021. The Develia Group plans, as part of the above strategy, among other things, to:

- Substantially expand the scale of operations in the housing segment to the sales level of 3,100 flats in 2025 (CAGR 18%);
- Carry out disinvestment of the office and retail portfolio and contemporaneous development of the residential units segment for institutional customers (PRS), and consequently, increase capital committed to the housing segment of 85% of equity;
- Considerably improve return on equity (ROE), achieving the yearly level of 15%;
- Actively create and participate in significant, new market trends, also through entering into partnerships, alliances and M&A;
- Actively build the brand of a solid employer and a business partner and a modern developer, while taking care of positive relations with and loyalty from employees and clients;
- Direct its operations to a positive impact on the environment and adapt selected projects to the city context. Another objective is to strengthen the position of a reliable local community partner, which assumes responsibility for natural environment. As for the housing products, the Group plan also to extend the scope of such products and distinguish them to a greater extent in terms of ecology, functionality, modernity and friendly environment;
- Commence co-operation with a selected partner on a JV basis in the warehousing sector, using land owned in Malin and partial disinvestment.

The Strategy performance indicators developed for evaluation purposes cover such areas as:

- Payment of 75% of adjusted net profit and additionally PLN 100,000,000 in the period from 2021 to 2025, despite foreseeable growth;
- Reaching dividend potential greater than PLN 650,000,000 (2021-2025);
- Allocation of an average annual budget of PLN 350,000,000 to be spent by the Group for land acquisition and M&A and development of land bank for over 10,000 premises in 2025, ensuring further profitable growth of the Company for years to come;
- Implementation of repeatable PRS projects – 300-400 premises per year, providing support by the development of an operating platform for rental management, if necessary;
- Maintaining debt at a level corresponding to industry benchmarks (net debt/equity 0.30-0.49);
- The Malin Project – making first profits in the years 2024-2025.

The Strategy also sets the Company's Management Board goals for 2021:

- Selling 1,750 – 1,850 premises under development and preliminary sales agreements;
- Delivery of 1,800 – 1,900 premises;

- Another 1,500 – 1,700 premises added to the offer;
- Disposal of the “Wola Retro” building (2021/2022);
- Preparation of the “Sky Tower” building for disposal;
- Commencement of the first housing project in the institutional rental segment (PRS).

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 2020, the Management Board have assumed that dividend for 2020 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 2020, average employment at the Company was as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Management Board	4.32	4.01
White-collar / administration workers	155.38	149.13
Blue-collar workers	0.0	0.0
Total	159.70	153.14

10.2. Structure of Employment at Group

In the year ended 31 December 2020, average employment in the Group was as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Management Board of Parent Undertaking	4.32	4.01
Management Boards of Group’s Entities (*)	0	0
Administration	116.47	118.80
Sales Department	43.16	37.45
Others	0	0
Total	163.95	160.26

(*) members of the management boards of the Group’s undertakings are also persons sitting on the Management Board of the Parent Undertaking

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

In 2020, 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. 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 Amount of Remuneration of Members of Management Board and Supervisory Board of Develia S.A. for Sitting On Subsidiaries' Governing Bodies and Fulfilling Related Functions.

Remuneration for members of Management Board of Develia S.A. from 01/01/2020 to 31/12/2020:

Mirosław Kujawski⁽¹⁾ – remuneration along with bonuses totalled PLN 2,721,000; no share-based payment was made

Tomasz Wróbel – remuneration along with bonuses totalled PLN 1,890,000; no share-based payment was made

Paweł Ruszczak – remuneration along with bonuses totalled PLN 712,000; no share-based payment was made

Michał Hulbój⁽²⁾ – remuneration along with bonuses totalled PLN 244,000; no share-based payment was made

Andrzej Oślizło⁽³⁾ – remuneration along with bonuses totalled PLN 73,000; no share-based payment was made

Mariusz Poławski⁽⁴⁾ – remuneration along with bonuses totalled PLN 0; no share-based payment was made

Dariusz Niedośpiał⁽⁵⁾ – remuneration along with bonuses totalled PLN 1,393,000; no share-based payment was made

Radosław Stefurak⁽⁶⁾ – remuneration along with bonuses totalled PLN 1,084,000; no share-based payment was made

(1) On 25 January 2021, Mirosław Kujawski handed in his resignation from the Company's Management Board.

(2) 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.

(3) On 04 December 2020, Andrzej Oślizło was appointed to the Management Board of Develia S.A.

(4) On 25 January 2021, Mariusz Poławski was appointed to the Management Board of Develia S.A.

(5) On 29 November 2019, Dariusz Niedośpiał handed in his resignation from the Management Board of Develia S.A. – remuneration paid in 2020 pursuant to a non-competition agreement and on account of 2019 bonus.

(6) On 21 October 2019, Radosław Stefurak handed in his resignation from the Management Board of Develia S.A. – remuneration paid in 2020 by reason of the termination of employment contract and on account of 2019 bonus.

Remuneration for members of the Supervisory Board of Develia S.A. from 01/01/2020 to 31/12/2020:

Michał Hulbój⁽¹⁾ – remuneration totalled PLN 33,000 ; no share-based payment was made

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

Artur Osuchowski⁽²⁾ – remuneration totalled PLN 84,000 ; no share-based payment was made

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

Grzegorz Grabowicz⁽³⁾ – remuneration totalled PLN 60,000 ; no share-based payment was made

Michał Wnorowski⁽⁴⁾ – remuneration totalled PLN 64,000; no share-based payment was made

Piotr Kaczmarek – remuneration totalled PLN 109,000; no share-based payment was made

Robert Pietryszyn⁽⁵⁾ – remuneration totalled PLN 32,000 ; no share-based payment was made

Piotr Pinior⁽⁵⁾ – remuneration totalled PLN 24,000 ; no share-based payment was made

Marek Szydło⁽⁶⁾ – remuneration totalled PLN 2,000 ; no share-based payment was made

Marcin Eckert⁽⁷⁾ – remuneration totalled PLN 17,000 ; 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. Michał Hulbój tendered his resignation from the Supervisory Board, effective as of 31 August 2020.

(2) A Supervisory Board Member as of 8 January 2020.

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

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

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

(6) A Supervisory Board Member appointed on 31/08/2020. Marek Szydło tendered his resignation from the Supervisory Board, effective as of 8 September 2020.

(7) A Supervisory Board Member appointed on 06/10/2020.

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 31/12/2019		Holding of the Issuer's shares as at 31/12/2020	
		Decrease	Increase	Decrease	Increase

Michał Hulbój ⁽¹⁾	Chairman of Supervisory Board	-	n/a	n/a	n/a
Jacek Osowski	Chairman of Supervisory Board	-	-	-	-
Artur Osuchowski ⁽²⁾	Vice Chairman of Supervisory Board	n/a	n/a	n/a	-
Paweł Małyska	Member of Supervisory Board	-	-	-	-
Grzegorz Grabowicz ⁽³⁾	Member of Supervisory Board	-	n/a	n/a	n/a
Michał Wnorowski ⁽⁴⁾	Member of Supervisory Board	-	n/a	n/a	n/a
Piotr Kaczmarek	Member of Supervisory Board	-	-	-	-
Robert Pietryszyn ⁽⁵⁾	Member of Supervisory Board	n/a	n/a	n/a	-
Piotr Pinior ⁽⁵⁾	Member of Supervisory Board	n/a	n/a	n/a	-
Marek Szydło ⁽⁶⁾	Member of Supervisory Board	n/a	n/a	n/a	-
Marcin Eckert ⁽⁷⁾	Member of Supervisory Board	n/a	n/a	n/a	-

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. Michał Hulbój tendered his resignation from the Supervisory Board, effective as of 31 August 2020.

⁽²⁾ A Supervisory Board Member as of 8 January 2020.

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

⁽⁴⁾ Michał Wnorowski tendered his resignation from the Supervisory Board, effective as of 31 August 2020.

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

⁽⁶⁾ A Supervisory Board Member appointed on 31/08/2020. Marek Szydło tendered his resignation from the Supervisory Board, effective as of 8 September 2020.

⁽⁷⁾ A Supervisory Board Member appointed on 06/10/2020.

Persons responsible for management who hold Issuer's shares

Full name	Function in the body	Holding of the Issuer's shares as at 31/12/2019	Decrease	Increase	Holding of the Issuer's shares as at 31/12/2020
Andrzej Oślizło ⁽¹⁾	President of Management Board	n/a	n/a	n/a	-
Paweł Ruszczak	Vice President of Management Board	35,200	-	11,600	46,800
Mariusz Polawski ⁽²⁾	Vice President of Management Board	n/a	n/a	n/a	n/a
Tomasz Wróbel	Member of Management Board	-	-	-	-
Mirosław Kujawski ⁽³⁾	Member of Management Board	-	-	-	-
Michał Hulbój ⁽⁴⁾	Acting President of the Management Board	-	n/a	n/a	n/a

- (1) On 04 December 2020, Andrzej Oślizło was appointed to the Management Board of Develia S.A.
- (2) On 25 January 2021, Mariusz Polawski was appointed to the Management Board of Develia S.A.
- (3) On 25 January 2021, Mirosław Kujawski handed in his resignation from the Company's Management Board.
- (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 70(6)(5) 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 2020.

12.1. Set of Corporate Governance Principles

This information has been made in accordance with the Resolution No. 26/1413/2015 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 did not apply the above principle throughout the entire year, but started to employ it as of the Ordinary General Meeting held on 31 August 2020, ensuring an online (video) broadcast of the General Meeting. The broadcast date was communicated in an announcement about convening the general meeting. The principle was not applied throughout the entire year because the IV.Z.2. Principle was not applied either.

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

The Company did not apply that principle throughout the entire year, but started to employ it as of the Ordinary General Meeting held on 31 August 2020, providing a video recording of the General Meeting. The principle was not applied throughout the entire year because the IV.Z.2. Principle was 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 did not apply the above principle throughout the entire year, but started to employ it as of the Ordinary General Meeting held on 31 August 2020, providing a coverage and a (video) recording of the General Meeting. This principle was not applied because the Company was of the opinion that there were no grounds.

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 above principle does not apply only insofar as the report on remuneration is not included in the report on operations. Pursuant to the Act on Trading in Financial Instruments, effective from 2020, and in accordance with the Policy for Management Board and Supervisory Board Members' Remuneration, adopted by the General Meeting of the Company on the basis of that act and in line with statutory requirements, the Supervisory Board are required to draw up a separate report on remuneration, which is to be assessed by an auditor and published on the Company's website. Additionally, the General Meeting must pass a resolution giving an opinion about the remuneration report.

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 2020, 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 2020, 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 2020

As at 31 December 2020 the share capital of Develia S.A. amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares carrying one vote at the General Meeting, with a par value of PLN 1.00 each.

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	83,470,921	83,470,921	18.65 %	18.65 %
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	77,195,648	77,195,648	17.25 %	17.25 %
AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	59,612,000	59,612,000	13.32%	13.32%

MetLife Otworthy Fundusz Emerytalny	34,528,295	34,528,295	7.71%	7.71%
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Shareholders having directly or indirectly at least 5% of overall number of votes at general meeting of shareholders as at day 31 December 2019 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 Otworthy Fundusz Emerytalny	81,545,000	81,545,000	18.22 %	18.22 %
Otworthy Fundusz Emerytalny PZU "Złota Jesień"	77,195,000	77,195,000	17.25 %	17.25 %
AVIVA Otworthy Fundusz Emerytalny AVIVA Santander	54,707,246	54,707,246	12.22%	12.22%
MetLife Otworthy Fundusz Emerytalny	34,528,295	34,528,295	7.71%	7.71%
Aegon Otworthy Fundusz Emerytalny	30,546,601	30,546,601	6.83 %	6.83 %

12.5. Changes in Ownership Structure of Issuer's Qualifying Holding in 2020

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

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 2020, 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 Małycka – 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 Niedośpiał, 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:

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.

On 28 August 2020, a resignation from the Supervisory Board, effective as at 31 August 2020, was tendered by the Supervisory Board Chairman – Michał Hulbój.

On 30 August 2020, a resignation from the Supervisory Board, effective as at 31 August 2020, was tendered by the Supervisory Board Member – Grzegorz Grabowicz.

On 31 August 2020, a resignation from the Supervisory Board, effective as at 31 August 2020, was tendered by the Supervisory Board Member – Michał Wnorowski.

On 31 August 2020, the Ordinary General Meeting of Develia S.A. appointed Mr Robert Pietryszyn, Mr Piotr Pinior and Mr Marek Szydło to the Supervisory Board.

On 7 September 2020, Marek Szydło tendered his resignation from the Supervisory Board, which was effective as from 8 September 2020.

On 06 October 2020, the Extraordinary General Meeting of the Company appointed Mr Marcin Eckert to the Supervisory Board.

On 20 October 2020, the Company's Supervisory Board elected the Chair and Deputy Chair of the Supervisory Board from among its members. The duties of the Supervisory Board Chairman were assigned to Mr Jacek Osowski, previously acting as Deputy Chair of the Board, whereas the duties of Board Deputy Chair were assigned to Mr Artur Osuchowski.

As at 31 December 2020, the Supervisory Board was comprised of the following persons:

- Jacek Osowski – Chairman of the Supervisory Board
- Artur Osuchowski – Vice Chairman of the Supervisory Board
- Paweł Małyśka – Member of the Supervisory Board
- Piotr Kaczmarek – Member of the Supervisory Board
- Robert Pietryszyn – Member of the Supervisory Board
- Piotr Pinior – Member of the Supervisory Board
- Marcin Eckert – Member of the Supervisory Board

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. No decrease in the number of Supervisory Board members, resulting from the removal, resignation or death of a member shall affect the Supervisory Board's capacity to adopt valid resolutions, provided that the number of Supervisory Board members is not lower than the minimum number prescribed by the provisions of the Commercial Partnerships and Companies Code. 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.

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 and that committee was indeed set up.

12.9. Develia S.A.'s Management Board

As at 01 January 2020, the Management Board of Develia S.A. was composed of the following persons:

- Acting President of Management Board – Michał Hulbój
- Member of Management Board – Mirosław Kujawski
- Member of Management Board – Tomasz Wróbel
- Member of Management Board, CFO – Paweł Ruszczak

On 26 February 2020, the Company's Supervisory Board, acting pursuant to Article 383(1) of the Commercial Partnerships and Companies Code, adopted a resolution under which the term of Mr Michał Hulbój's delegation to act as the President of the Management Board was extended for a period from 29 February 2020 to 29 May 2020.

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

On 04 December 2020, the Supervisory Board of the Company appointed Andrzej Oślizło to the Management Board as the Management Board President. Upon the appointment of the new Management Board President, Mr Paweł Ruszczak ceased to serve as the President of the Management Board, which role had been assigned to him by the Supervisory Board on a temporary basis until the appointment of the new President, and at that moment, Mr Paweł Ruszczak was restored to his previous role – Member of Management Board and CFO.

As at 31 December 2020, the Management Board of Develia S.A. was composed of the following persons:

- President of Management Board – Andrzej Oślizło
- Member of Management Board, CFO – Paweł Ruszczak

Member of Management Board – Mirosław Kujawski

Member of Management Board – Tomasz Wróbel

On 25 January 2021, a resignation from the Company's Management Board was tendered by Mirosław Kujawski.

On 25 January 2021, the Supervisory Board appointed Mariusz Polawski to the Management Board as the Vice President of the Management Board.

On 18 February 2021, the Supervisory Board of the Company appointed Mr Paweł Ruszczak, previously serving as Member of Management Board and CFO, as Management Board Vice President.

Description of Management Board's Operations

The Management Board is composed of one to five 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 01 January 2020, the Supervisory Board's Audit Committee was comprised of the following persons:

Michał Wnorowski – Committee Chairman,
Grzegorz Grabowicz – Committee Member,
Piotr Kaczmarek – Committee Member,

Following a resignation from the Supervisory Board tendered by Grzegorz Grabowicz and Michał Wnorowski, effective as from 31 August 2020, new Audit Committee members had to be named, therefore on 04 September 2020, the Supervisory Board appointed Artur Osuchowski, Paweł Małyśka and Robert Pietryszyn to the Audit Committee. On 04 September 2020, the Audit Committee elected from all its members Artur Osuchowski as the Committee Chairman.

As at 31 December 2020, the Supervisory Board's Audit Committee was comprised of the following persons:

Artur Osuchowski – Committee Chairman
Paweł Małyśka – Committee Member
Piotr Kaczmarek – Committee Member
Robert Pietryszyn – Committee Member

The Audit Committee's operations were in line with the Act on Auditors, Audit Firms and Public Oversight of 11 May 2017.

All members of the Supervisory Board, including all Audit Committee members sitting on the said Committee in 2020, did and still do meet independence criteria.

Most members of the Audit Committee who sat on the Committee in 2020 have knowledge of accountancy and audit of financial statements:

Artur Osuchowski completed a higher education programme in economics covering such subjects as accounting, financial & managerial accounting; obtained the Master of Economics degree, field of study: finance and accounting, took ACCA and CFA courses; has two-years' professional experience gained while working in the Management Accounting Department at Raiffaisen Bank, Ernst&Young Corporate Finance (1997-2000), the Corporate Finance Department at CapGemini Ernst&Young (2000-2002), KPMG Advisory (2003-2008), extensive experience gained while sitting on Supervisory Board Audit Committees of listed companies (Benefit Systems (since 2013), Mediacap (since 2014) and considerable managerial experience: Vice President of CIECH S.A. (2008-2019), Supervisory Board Chairman at companies in Poland (Polskie Towarzystwo Ubezpieczeń S.A., currently Gothaer S.A., Soda Polska Ciech S.A., Janikosoda S.A., Ciech Nieruchomosci S.A.), in Germany (Soda Deutschland Ciech), in Romania (Ciech Soda Romania), in Singapore (PolSin);

Piotr Kaczmarek has several years' experience gained while sitting on audit committees of listed companies (Robyg S.A., Grupa Kęty S.A., Ferro S.A., Harper Hygienics S.A., Erbud S.A., VRG S.A.), more than ten years' experience as a financial analyst and holds a CFA title and a licence of securities broker;

Paweł Małyśka has several years' experience gained while sitting on audit committees of listed companies (Alumental S.A., Amica S.A., Atende S.A.), many years' professional experience of analysing financial statements and completed a higher education programme in economics covering such subjects as accounting, financial & managerial accounting; obtained the Doctor of Economics degree conferred on him by the Warsaw School of Economics (SGH), holds a Professional Part 1 ACCA certificate and received IFRS training in 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 the Warsaw Stock Exchange (GPW), 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;

The following Audit Committee members declared that they have knowledge and competencies necessary for the industry in which the Company operates – Michał Wnorowski, Piotr Kaczmarek, Artur Osuchowski and Paweł Małyśka 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 property development company; Artur Osuchowski gained such knowledge while acting in his capacity as a member of the Supervisory Board of Ciech Nieruchomości S.A., Develia S.A., since January 2020, and as regards advisory experience – while working in an advisory capacity at Ernst&Young and KPMG, where he participated in projects carried out for companies from the real property industry (such as: take-over of EXBUD S.A. by Skanska, the assessment of real property portfolio held by Ruch S.A., while working for Ciech SA, he participated in several projects relating to the development of real property projects or disposal of real property (office buildings, warehouses, logistics centres, parcels of land); 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 property development company; Paweł Małyśka gained such knowledge while acting in his capacity as a member of the Supervisory Board of Develia S.A. (since 2017) and performing, as a securities analysts, analyses of residential and commercial real property and the valuation of selected property developers listed on European stock exchanges.

The audit firm responsible for auditing the Company's financial statements, apart from audit services, provides also the Issuer with non-audit services, namely an assurance service which entails the assessment of the report on Management Board's and Supervisory Board's remuneration for the years 2019-2020 against a separate fee

pursuant to the Audit Committee's Resolution No. 2/2021 of 04 February 2021, which did not identify any risks that might affect the auditor's independence.

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 nor 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 2020, the Audit Committee had seven (7) meetings and three (3) meetings in 2021. 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 2019 financial statements, attended one (1) meeting of the Audit Committee in

2020 (on 3 March), and while auditing the 2020 financial statements – they participated in two (2) meetings of the Audit Committee in 2020 (on 7 September and 29 October) and one (1) meeting in 2021 (on 18 March). The Audit Committee Members were also in constant contact with the auditor during the period of auditing the 2019 and 2020 statements.

Appointment and Remuneration Committee

As at 01 January 2020, the Supervisory Board's Appointment and Remuneration Committee was comprised of the following persons:

Jacek Osowski – Committee Chairman
Paweł Małycka – Committee Member
Piotr Kaczmarek – Committee Member

On 09 June 2020, due to the fact that the period during which Michał Hulbój was temporarily delegated to act as the Management Board President expired, the Supervisory Board changed the composition of the Appointment and Remuneration Committee. Consequently, it was decided that the Committee would be composed of four members and appointed Michał Hulbój as the Committee Chairman, who replaced the former Chairman – Jacek Osowski by reason of his resignation on that day.

On 28 August 2020, a resignation from the Supervisory Board, effective as at 31 August 2020, was tendered by the Supervisory Board Chairman and the Chairman of the Appointment and Remuneration Committee – Michał Hulbój.

On 20 October 2020, the Appointment and Remuneration Committee designated Jacek Osowski to serve as the Committee Chairman.

The Appointment and Remuneration Committee as at 31 December 2020 and the date hereof was composed of the following persons:

Jacek Osowski – Committee Chairman
Paweł Małycka – Committee Member
Piotr Kaczmarek – Committee Member

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

The General Meeting is held on the basis of provisions of law and the Regulations of the General Meeting. The 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.

The General Meeting is convened by the Management Board. The 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.

The 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, the General Meeting may be cancelled if the organisation of such a meeting is hindered by exceptional circumstances or is obviously groundless. The 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 the 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 the 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 the 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.

Pursuant to Article 406(5)(4) of the Code of Commercial Partnerships and Companies, the Company ensures – as of the Ordinary General Meeting held on 31 August 2020 – publicly available real-time broadcasts of the General Meeting, subject to specific technical conditions. The broadcast of the General Meeting is also made available on the Company's website after the Meeting is closed.

Before a shareholder's representative is allowed to participate in the 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 nor 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, Supervisory Board members should be elected 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 the 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 2020, 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 2020, 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

On account of the COVID-19 pandemic, 2020 was a special year not only for the Group, but also for most markets all around the world. However, the Company managed to begin the year 2020 successfully by disposing of the "Wola Center" building in Warsaw for EUR 101,900,000 in January.

By reason of the COVID-19 epidemic, the Group recorded in H1 2020 a decline in the sale of flats, which stemmed from customers' considerable uncertainty. As for the commercial segment, the Group's performance was affected by restrictions limiting the operations of retail facilities. In H2 2020, the Group saw a gradual rise in the sale of flats and the return of most customers to commercial buildings administered by the Group.

Despite a difficult period and restrictions put in place, the Group was able to demonstrate for the residential segment high operating efficiency, achieving satisfactory sales levels.

As regards the commercial segment, owing to the COVID-19 epidemic, the Group experienced a significant drop in investment property value, which for the entire year totalled PLN 213,500,000. Consequently, the impact of one-off write-downs on the consolidated net result was considerable, leading to a consolidated net loss of PLN 138,800,000 for 2020.

The Management Board are of the opinion that operating profit earned in 2020 and the level of margins achieved are satisfying, despite a very difficult and special period which the Company had to face in 2020. The consolidated adjusted net profit (without changes in investment property value and changes in the value of EUR/PLN liabilities) was PLN 99,000,000 in 2020.

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

2020

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 2020 under the aforesaid agreement amounts to PLN 153,000, which price includes the audit of annual financial statements and consolidated financial statements of Develia S.A., and PLN 105,000 for services relating to a review of consolidated semi-annual financial statements for a six-month period ended 30 June 2020 and the audit of separate financial statements for a six-month period ended 30 June 2020.

Moreover, 20 agreements were concluded in 2020 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 total remuneration under the above agreements in 2020 totalled PLN 287,000.

The audit firm responsible for auditing the Company's financial statements, apart from audit services, provides also the Issuer with non-audit services, namely an assurance service which entails the assessment of the report on Management Board's and Supervisory Board's remuneration for the years 2019-2020 against a fee of PLN 15,000 net, paid separately, and the verification of the 2020 separate and consolidated financial statements in the ESEF (XHTML) format against a fee of PLN 20,000 net, also paid separately.

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.

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, April 8th, 2021

Andrzej Oślizło – President of Management Board Paweł Ruszczak – Vice President of Management Board

Mariusz Poławski – Vice President of Management Board Tomasz Wróbel – Member of Management Board