



**MANAGEMENT BOARD'S REPORT
ON OPERATIONS OF DEVELIA S.A.
AND DEVELIA S.A. GROUP
FOR 2021**

Wrocław, 30 March 2022

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

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

This Report of Develia S.A.'s ("Develia's", "the Company's" or "the Issuer's") operations and of the Develia Group's ("the Group's") operations covers a period from 01 January 2021 to 31 December 2021.

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 on 15 March 2006 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 December 2021, the Develia Group was comprised of Develia S.A. and the following subsidiaries and jointly controlled entities:

Company name	Share capital as at 31/12/2021 in PLN*	Effective Share of Issuer	
		31 December 2021 Share in Capital	31 December 2020 Share in Capital
Subsidiary undertakings			
Arkady Wrocławskie S.A.	113,700,000	100%	100%
Sky Tower S.A.	23,100,000	100%	100%
Warszawa Przyokopowa Sp. z o.o.	33,003,000	100%	100%
Kraków Zielony Złocięń Sp. z o.o.	13,530,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest I Sp. z o.o.	5,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest II Sp. z o.o.	88,800,000	100%	100%
LC Corp Invest III Sp. z o.o. 1)	1,700,000	100%	100%

LC Corp Invest VII Sp. z o.o.	4,000,000	100%	100%
LC Corp Invest VIII Sp. z o.o.	13,500,000	100%	100%
LC Corp Invest IX Sp. z o.o.	4,700,000	100%	100%
LC Corp Invest X Sp. z o.o.	10,300,000	100%	100%
LC Corp Invest XI Sp. z o.o.	41,000,000	100%	100%
LC Corp Invest XII Sp. z o.o.	24,800,000	100%	100%
LC Corp Invest XV Sp. z o.o.	305,000	100%	100%
LC Corp Invest XVI Sp. z o.o.	5,000	100%	100%
LC Corp Invest XVII Sp. z o.o.	5,000	100%	100%
LC Corp Invest XXII Sp. z o.o. in liquidation 2)	60,000	-	-
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. 3)	10,000	-	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k. 3)	10,000	-	100% (indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.	85,910,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.	42,710,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Investments S.K.A	91,905,080	100% (directly and indirectly)	100% (directly and indirectly)
Develia Invest Sp. z o.o.	1,339,000	100%	100%
LC Corp Service S.A. 3)	633,165	100% (directly and indirectly)	100% (directly and indirectly)

Jointly Controlled Entities

Atal Services Sp. z o.o. ⁴⁾	-	-	-
Projekt Ciszewskiego Sp. z o.o. 5)	50,000	80% directly	-
Projekt Myśluborska Sp. z o.o. ⁶⁾	50,000	80% directly	-
Projekt Lizbońska Sp. z o.o. ⁷⁾	50,000	80% directly	-
Projekt Ciszewskiego Sp. z o.o. Sp. k. ⁸⁾	10,288,737	80% (directly and indirectly)	-

Projekt Myśluborska Sp. z o.o. Sp. k. 9)	3,061,972	80% (directly and indirectly)
Projekt Lizbońska Sp. z o.o. Sp. k. 10)	56,957,133	80% (directly and indirectly)

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

¹⁾ On 17 June 2021, the Extraordinary General Meeting of LC Corp Invest III Sp. z o.o. adopted a resolution on voluntary redemption of shares in the company share capital and reduction in share capital by PLN 5,000,000.00, i.e. to the amount of PLN 1,700,000.00 by redemption of 50,000 shares. On 8 November 2021, the District Court for Wrocław-Fabryczna, the 6th Commercial Division of National Court Register (KRS), registered amended articles of association covering the above change.

²⁾ On 18 June 2021, LC Corp Invest XXII Spółka z ograniczoną odpowiedzialnością w likwidacji (a company in liquidation) was removed from the National Court Register (KRS) (the decision on removal became final and non-appealable on 2 July 2021).

³⁾ On 23 August 2021, LC Corp Invest XV Sp. z o.o. Projekt 10 Sp.k. and LC Corp Invest XV Sp. z o.o. Projekt 11 Sp.k. adopted resolutions on a merger with LC Corp Service S.A. pursuant to Article 492(1)(1) of the Polish Commercial Partnerships and Companies Code (merger through takeover). On 1 October 2021, the District Court for Wrocław-Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register (KRS), registered a merger between LC Corp Invest XV Sp. z o.o. Projekt 10 Sp.k., LC Corp Invest XV Sp. z o.o. Projekt 11 Sp.k and LC Corp Service S.A. The aforesaid companies merged pursuant to Article 492(1)(1) of the Polish Commercial Partnerships and Companies Code, through the transfer of the entire assets of LC Corp Invest XV sp. z o.o. Projekt 10 sp.k. and LC Corp Invest XV sp. z o.o. Projekt 11 Sp.k. to LC Corp Service S.A. in exchange for the shares which were handed over by LC Corp Service S.A. to one of the partners of the acquired partnerships, namely, LC Corp Invest XV sp. z o.o., whereas the other partner of the said partnerships, i.e. LC Corp Service S.A., did not receive any shares.. On 01 October 2021, the increased share capital of LC Corp Service S.A. was registered. The share capital was increased from PLN 631,053.00 to PLN 633,165.00.

⁴⁾ On 09 June 2021, Develia S.A. acquired 50 shares in Atal Services Sp. z o.o., representing 50% of the company's share capital. On 7 September 2021, Develia S.A. disposed of back 50 shares in Atal Services Sp. z o.o., representing 50% of the company's share capital.

⁵⁾ On 20 October 2021, the Issuer acquired from Grupa Lar Holding Polonia sp. z o.o., as the seller, 80 shares in Brightvell Investments Sp. z o.o. (currently Projekt Ciszewskiego Sp. z o.o.) having a par value of PLN 50.00 each and the total par value of PLN 4,000.00, giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of total shares in the Company; by virtue of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Brightvell Investments Sp. z o.o.;

⁶⁾ On 20 October 2021, the Issuer acquired from Grupa Lar Holding Polonia sp. z o.o., as the seller, 80 shares in Rochster Investments Sp. z o.o. (currently Projekt Myśluborska Sp. z o.o.) having a par value of PLN 50.00 each and the total par value of PLN 4,000.00, giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of total shares in the Company; by virtue of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Rochster Investments Sp. z o.o.;

⁷⁾ On 20 October 2021, the Issuer acquired from Grupa Lar Holding Polonia sp. z o.o., as the seller, 80 shares in CGL X Sp. z o.o., based in Warsaw, (currently Projekt Lizbońska Sp. z o.o.) having a par value of PLN 50.00 each and the total par value of PLN 4,000.00, giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of total shares in the Company; by virtue of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of CGL X Sp. z o.o.;

⁸⁾ On 20 October 2021, the Issuer joined the partnership Brightvell Investments Sp. z o.o. Sp. k. (currently Projekt Ciszewskiego Sp. z o.o. Sp. k.) as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 8,230,950; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Brightvell Investments Sp. z o.o. Sp. k.;

⁹⁾ On 20 October 2021, the Issuer joined the partnership Rochster Investments Sp. z o.o. Sp. k. (currently Projekt Myśluborska Sp. z o.o. Sp. k.) as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 2,449,538; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Rochster Investments Sp. z o.o. Sp. k.;

¹⁰⁾ On 20 October 2021, the Issuer joined the partnership CGL X Sp. z o.o. Sp. k. (currently Projekt Lizbońska Sp. z o.o. Sp. k.) as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 45,490,834.00; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of CGL X Sp. z o.o. Sp. k.

1.2. Major Changes in Group in Period From 1 January to 31 December 2021

1) On 30 April 2021, Kraków Zielony Złocień Sp. z o.o. disposed of all the rights and obligations of the limited partner in LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k., with the registered office in Wrocław, to LC Corp Service S.A.

2) On 30 April 2021, LC Corp Invest VII Sp. z o.o. disposed of all the rights and obligations of the limited partner in LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k., with the registered office in Wrocław, to LC Corp Service S.A.

3) On 30 April 2021, LC Corp Invest VIII Sp. z o.o. disposed of all the rights and obligations of the limited partner in LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k., with the registered office in Wrocław, to LC Corp Service S.A.

4) On 18 June 2021, LC Corp Invest XXII Spółka z ograniczoną odpowiedzialnością w likwidacji (a company in liquidation) was removed from the National Court Register (KRS) (the decision on removal became final and non-appealable on 2 July 2021).

- 5) On 09 June 2021, Develia S.A. acquired 50 shares in Atal Services Sp. z o.o., representing 50% of the company's share capital. On 7 September 2021, Develia S.A. disposed of back 50 shares in Atal Services Sp. z o.o., representing 50% of the company's share capital.
- 6) On 17 June 2021, the Extraordinary General Meeting of LC Corp Invest III Sp. z o.o. adopted a resolution on voluntary redemption of shares in the company share capital and reduction in share capital by PLN 5,000,000.00, i.e. to the amount of PLN 1,700,000.00 by redemption of 50,000 shares. On 8 November 2021, the District Court for Wrocław-Fabryczna, the 6th Commercial Division of National Court Register (KRS), registered amended articles of association covering the above change.
- 7) On 30 June 2021, under Resolution no. 35 of the Ordinary General Meeting, the Company's share capital was increased conditionally by an amount lower or equal to PLN 22,377,912.00 by issuing not more than 22,377,912 K series ordinary bearer shares having a par value of PLN 1.00 each to introduce an incentive scheme at the Company for persons of key relevance to the Company. The purpose of the conditional increase in the share capital is to grant the holders of subscription warrants issued pursuant to the General Meeting's resolution the rights to take up the newly issued shares. Subscription warrants will be issued in order to enable the Company to carry out the aforesaid incentive scheme. For the purpose of exercising the rights to take up shares as part of the conditional increase in share capital, the General Meeting further resolved that the total number of 22,377,912 A series registered subscription warrants should be issued, with each of such a warrant giving the right to take up one share, depriving the existing Company's shareholders of the pre-emption right.
- 8) On 23 August 2021, LC Corp Invest XV Sp. z o.o. Projekt 10 Sp.k. and LC Corp Invest XV Sp. z o.o. Projekt 11 Sp.k. adopted resolutions on a merger with LC Corp Service S.A. pursuant to Article 492(1)(1) of the Polish Commercial Partnerships and Companies Code (merger through take-over). On 1 October 2021, the District Court for Wrocław-Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register (KRS), registered a merger between LC Corp Invest XV Sp. z o.o. Projekt 10 Sp.k., LC Corp Invest XV Sp. z o.o. Projekt 11 Sp.k. and LC Corp Service S.A. The aforesaid companies merged pursuant to Article 492(1)(1) of the Polish Commercial Partnerships and Companies Code, through the transfer of the entire assets of LC Corp Invest XV sp. z o.o. Projekt 10 sp.k. and LC Corp Invest XV sp. z o.o. Projekt 11 Sp.k. to LC Corp Service S.A. in exchange for the shares which were handed over by LC Corp Service S.A. to one of the partners of the acquired partnerships, namely, LC Corp Invest XV sp. z o.o., whereas the other partner of the said partnerships, i.e. LC Corp Service S.A., did not receive any shares..
- 9) On 01 October 2021, the increased share capital of LC Corp Service S.A. was registered. The share capital was increased from PLN 631,053.00 to PLN 633,165.00.
- 10) On 20 October 2021, in pursuance of the conditional joint-venture cooperation agreement of 13 August 2021 made by the Issuer with Grupa Lar Holding Polonia sp. z o.o. with its registered office in Warsaw and CGLS sp. z o.o. sp.k. with its registered office in Warsaw, upon satisfying all conditions stipulated therein:
 - a) The Issuer acquired from Grupa Lar Holding Polonia sp. z o.o., as the seller, 80 shares in Brightvell Investments Sp. z o.o. (currently Projekt Ciszewskiego Sp. z o.o.) having a par value of PLN 50.00 each and the total par value of PLN 4,000.00, giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of total shares in the Company; by virtue of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Brightvell Investments Sp. z o.o.;
 - b) The Issuer acquired from Grupa Lar Holding Polonia sp. z o.o., as the seller, 80 shares in Rochster Investments Sp. z o.o. (currently Projekt Myśluborska Sp. z o.o.) having a par value of PLN 50.00 each and the total par value of PLN 4,000.00, giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of total shares in the Company; by virtue of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Rochster Investments Sp. z o.o.;
 - c) The Issuer acquired from Grupa Lar Holding Polonia sp. z o.o., as the seller, 80 shares in CGL X Sp. z o.o. (currently Projekt Lizbońska Sp. z o.o.) having a par value of PLN 50.00 each and the total par value of PLN 4,000.00, giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of total shares in the Company; by virtue of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of CGL X Sp. z o.o.;
 - d) The Issuer joined the partnership Brightvell Investments Sp. z o.o. Sp. k. (currently Projekt Ciszewskiego Sp. z o.o. Sp. k.) as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 8,230,950; by reason of the foregoing acquisition of shares by the Issuer,

- the Issuer became a partner in the joint venture of Brightvell Investments Sp. z o.o. Sp. k.;
- e) The Issuer joined the partnership Rochster Investments Sp. z o.o. Sp. k., (currently Projekt Myśluborska Sp. z o.o. Sp. k.) as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 2,449,538; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Rochster Investments Sp. z o.o. Sp. k.;
 - f) The Issuer joined the partnership CGL X Sp. z o.o. Sp. k. (currently Projekt Lizbońska Sp. z o.o. Sp. k.) in the amount of PLN 45,490,834.00; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of CGL X Sp. z o.o. Sp. k.

Apart from the aforementioned events, no other significant changes in the composition of the Group took place in the period from 01 January 2021 to 31 December 2021.

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 2021, 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 2021

In 2021, Develia S.A. ran a property development activity for the housing segment, as well as carried out tasks relating to the administration, management and corporate governance of subsidiaries, and arranged for financing necessary for their investment activities. Further, the Issuer was deeply engaged in the acquisition of land for new projects in Warsaw, Kraków, Gdańsk and Wrocław. As part of operations performed on the development market, the subsidiaries of Develia S.A. continued existing construction projects or prepared for the commencement of new ones, as well as managed two office, retail and services centres – Arkady Wrocławskie and Sky Tower, and one office and retail centre – Wola Retro.

2.1. Basic Products, Goods and Services Offered by Company

The Company's principal activity includes a property development activity and holding activity consisting in providing holding (management, financial, administrative) services to companies.

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 2021 and the year ended 31 December 2020.

Holding and Property Development Activity	Year ended 31 December 2021	Year ended 31 December 2020
Revenue		
Revenue from sale of services, products and goods	447,947	45,362
Revenue from interest and discounts	6,102	4,365
Revenue from dividend	122,669	235,559
Other financial income	7,364	7
Other operating income	1,161	530
Total operating income	585,243	285,823
Expenses		
Operating expenses, cost of sold products and goods	(405,107)	(60,781)
Costs of interest and discounts	(8,347)	(9,457)
Other financial expenses	(1,921)	(106,285)
Other operating expenses	(2,514)	(103)
Total operating expenses	(417,889)	(176,626)
Pre-tax profit(loss)	167,354	109,197
Assets and liabilities		
Total assets	2,373,278	1,935,886

2.2. Basic Products, Goods and Services Offered by Group

The Group's revenues in 2021 came mainly from the sales of residential and retail premises, which accounted for 90.3% of all revenues earned. The Group's revenues derived from the lease of commercial real property totalled 9.7%

The below table shows figures and data for the year ended 31 December 2021, pertaining to revenues and profits earned by the Group on respective segments (PLN'000):

Year ended 31 December 2021	Rental services	Property development activity	Holding (other) activity	TOTAL
Operating activity				
Sales revenue	88,843	823,045	46	911,934
Revenue from sale of services	88,841	9	46	88,896
Revenue from sales of goods and products	2	823,036	-	823,038
Cost of goods sold	(44,278)	(586,388)	-	(630,666)
Pre-tax profit/(loss) on sales	44,565	236,657	46	281,268
Profit/(loss) on disposal of non-financial fixed assets	-	-	-	-
Profit/(loss) on investment property	(53,558)	-	-	(53,558)
Write-downs of inventory	-	56,841	-	56,841
Selling and distribution cost	(1,199)	(18,108)	-	(19,307)
General administrative expenses	(11,068)	(35,289)	(183)	(46,540)
Other operating income	3,905	3,205	61	7,171
Other Operating Expenses	(49)	(3,543)	(2,474)	(6,066)
Operating profit/(loss)	(17,404)	239,763	(2,550)	219,809
Financial Income	1,637	19	-	1,656
Financial expenses	(15,659)	(158)	(2,882)	(18,699)
Share in profits (losses) of entities disclosed using the equity method	-	(1,066)	(3)	(1,069)
Pre-tax profit/(loss)	(31,426)	238,558	(5,435)	201,697
Income tax (tax expense)	(3,624)	(45,651)	1,524	(47,751)
Net profit/(loss)	(35,050)	192,907	(3,911)	153,946
Other comprehensive income subject to reclassification to financial in subsequent reporting periods				
Cash flow hedges	652	-	-	652
Income tax relating to other components of comprehensive income	(201)	-	-	(201)
Other comprehensive income (net)	451	-	-	451
Comprehensive income	(34,599)	192,907	(3,911)	154,397

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, Kraków, Gdańsk, Łódź and Katowice.

Revenues earned in 2021 came from the development activities performed by the Group companies on the domestic market – mainly in Wrocław, Warsaw, Kraków, Gdańsk and Łódź.

In total, 1,921 residential and business premises were sold in 2021 (preliminary sales agreements: considering withdrawals, without reservation agreements) – which meant a rise by 41% compared to 2020, whereas 1,903 residential and business premises were delivered under notarial deeds – a rise by 65% compared to 2020.

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, Kraków and Gdańsk residential markets, which is reflected in the 2021 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):

pre-sales

City	Q4 2020	Q4 2021	01/01-31/12/2020	01/01 - 31/12/2021	01/01 - 28/02/2021	01/01 -28/02/2022
Warsaw	126	91	348	310	89	71
Wrocław	81	62	280	261	68	2
Kraków	198	136	322	674	71	112
Gdańsk	98	99	308	448	87	93
Łódź	0	0	0	0	0	0
Katowice	77	33	103	228	36	20
TOTAL	580	421	1,361	1,921	351	298
		-27%		+41%		-15%

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

delivery

City	Q4 2020	Q4 2021	01/01-31/12/2020	01/01-31/12/2021	01.01-28.02 2021	01.01-28.02 2022
Warsaw	165	284	391	576	69	56
Wrocław	2	25	62	659	0	2
Kraków	6	118	362	284	93	7
Gdańsk	178	196	282	358	48	19
Łódź	0	0	0	0	0	0
Katowice	56	1	56	26	14	0
TOTAL	407	624	1,153	1,903	224	84
		+53%		+65%		-63%

Moreover, as at 31 December 2021, there were 1,531 residential and retail premises on the offer:

offer

City	sold to 31/12/2021	in offer 31/12/2021	To be made available after 31/12/2021	for sale after 31/12/2021	On offer 28/02/2022	To be made available after 28/02/2022
Warsaw	5,972	318	3,043	3,361 (*)	751	2,576 (**/***)
Wrocław	3,703	180	987	1,167	178	987
Kraków	3,909	600	2,887	3,487 (*)	614	2,761 (**)
Gdańsk	2,245	351	1,846	2,197 (*)	505	1599 (**)
Łódź	60	0	275	275	0	275
Katowice	378	82	760	842	232	590 (**)
TOTAL	16,267	1,531	9,798	11,329	2,280	8,788

(*) including the units added to the offer in Q4 2021, commencement of construction works in Q1 2022: Toruńska Vita (196), Centralna Park VIII (139), Słoneczne Miasteczko XIV (136), Via Flora I (68)

(**) including the units added to the offer in 2022: Aleje Praskie II (182), Krakowska Vita (322), Grzegorzewska VI (126), Latarników III (159), Via Flora II (88), Ceglana Park IV (170)

(***) including the land purchased in 2022 – Drwęcka (37)

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)
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Wola Retro	Warsaw	Wola	Office and services	Q3 2019	25,601
Arkady Wrocławskie	Wrocław	Krzyki	Office, retail and services	Q2 2007	38,833
Sky Tower *	Wrocław	Krzyki	Office, retail and services	Q1 2013	53,654
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

* real property 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, the "Wola Center" building (in Warsaw) in 2020 and the "Sky Tower" building (in Wrocław) in 2022.

The following table shows NOI for commercial real property of the Company in 4Q 2020 and 4Q 2021 and

NOI for commercial real property (EUR million)	4Q 2020	4Q 2021	WALT
Arkady Wrocławskie	3.37	2.93	Office area- 2.2 Retail area- 1.9
Sky Tower	5.38	4.82	Office area- 3.0 Retail area- 5.1
Wola Retro	2.35	2.54	Office area- 5.2 Retail area- 8.9

The below table shows fair values of commercial real property as at 31 December 2021, which correspond to the values determined during valuations made by valuers, whereas as regards the "Sky Tower" building, the value equals the property selling price:

31/12/2021

Real property	31/12/2021	
	Yield	Valuation in EUR
Arkady Wrocławskie	8.75%	37,600,000
Sky Tower	n/a	82,391,563.36
Wola Retro	6.00%	71,300,000

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	Warszawa	Śródmieście-Ochota	Apartments, services	Q1 2011	101	7,430
Powstańców 33 (stage 1-5)	Ząbki 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 1-9)	Warsaw	Wola	Apartments, services	Q4 2014	192	10,008
				Q4 2015	112	5,628
				Q1 2018	157	7,982
				Q4 2018	150	7,586
				Q1 2019	147	7,565
				Q2 2019	147	7,554
Poborzańska	Warsaw	Targówek	Apartments, services	Q4 2019	301	15,616
				Q3 2020	177	9,547
				Q3 2021	305	15,851
Mała Praga (stage 1-4)	Warsaw	Praga Południe	Apartments, services	Q2 2016	91	4,189
				Q2 2016	140	7,409
				Q3 2017	217	11,359
				Q1 2018	158	8,124
Korona Pragi (stage 1-3)	Warsaw	Praga Południe	Apartments, services	Q1 2019	235	12,058
				Q4 2017	170	8,988
				Q3 2018	171	8,992
				Q4 2018	173	9,086

				Q2 2017	159	8,604
Krzemowe (stage 1-3)	Warsaw	Mokotów	Apartments	Q4 2017	244	11,917
				Q4 2018	130	6,622
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	3,531
Maestro (stage 1-3)	Wrocław	Krzyki- Jadonia	Apartments	Q3 2012	176	9,352
				Q3 2013	160	8,829
				Q3 2017	125	7,126
Potokowa (stage 1-3)	Wrocław	Maślice	Apartments and houses	Q2 2013	72	2,819
				Q3 2013	42	4,486
				Q2 2014	73	3,621
Graniczna (stage 1-6)	Wrocław	Fabryczna	Apartments	Q3 2013	173	9,200
				Q3 2014	179	8,716
				Q4 2015	187	9,688
				Q2 2016	125	6,449
				Q4 2016	168	9,103
				Q3 2017	168	9,119
Nowalia	Wrocław	Klecina	Terraced houses	Q1 2014	44	4,634
Brzeska 5	Wrocław	Krzyki	Apartments, services	Q4 2014	167	7,889
Stabłowicka 77 (stage 1-2)	Wrocław	Fabryczna	Apartments	Q3 2014	73	4,259
				Q1 2015	60	3,159
Dolina Piastów	Wrocław	Fabryczna	Apartments	Q2 2016	176	9,278
Nowa Tęczowa	Wrocław	Stare Miasto	Apartments, services	Q1 2018	212	10,025
Sołtysowicka	Wrocław	Sołtysowice	Apartments	Q1 2018	165	9,486
Między Parkami (stage 1)	Wrocław	Klecina	Apartments	Q1 2019	164	8,607
Małe Wojszyce	Wrocław	Wojszyce	Apartments	Q2 2020	63	3,636
Nowa Raclawicka	Wrocław	Krzyki	Apartments	Q2 2021	231	13,319
Kamienna (stage 1-2)	Wrocław	Huby	Apartments, services	Q3 2021	253	13,133
				Q3 2021	186	9,780
Słoneczne Miasteczko (stage 1-10)	Kraków	Bieżanów- Prokocim	Apartments	Q4 2011	120	6,624
				Q4 2012	164	8,960
				Q3 2014	42	2,162
				Q4 2015	120	6,498
				Q2 2017	108	5,894

				Q4 2018	108	5,903
				Q1 2019	108	5,878
				Q3 2020	108	5,806
				Q1 2021	102	5,865
				Q3 2021	123	8,658
Okulickiego 59	Kraków	Mistrzejowice	Apartments, services	Q4 2012	146	6,701
				Q2 2015	164	8,011
Grzegórzecka (stage 1-4)	Kraków	Śródmieście	Apartments, services	Q4 2015	149	7,042
				Q1 2016	85	4,562
				Q1 2017	242	11,928
				Q2 2017	150	7,055
				Q1 2018	130	6,190
Centralna Park (stage 1-5)	Kraków	Czyżyny	Apartments	Q4 2018	264	12,941
				Q4 2019	151	7,451
				Q1 2020	103	5,183
5 Dzielnica (stage 1-2)	Kraków	Krowodrza	Apartments, services	Q1 2017	190	10,018
				Q3 2017	113	5,678
Przy Mogińskiej (stage 1)	Kraków	Prądnik Czerwony	Flats	Q2 2021	65	3,022
				Q4 2012	72	3,795
Przy Srebrnej (stage 1-4)	Gdańsk	Łostowice	Apartments, services	Q3 2014	28	1,734
				Q4 2014	46	2,104
				Q3 2016	32	1,687
				Q1 2018	65	2,940
				Q4 2018	65	2,949
				Q2 2019	65	2,936
Świętokrzyska Park (stage 1-7)	Gdańsk	Łostowice	Apartments	Q4 2019	65	2,939
				Q3 2020	108	5,306
				Q4 2020	54	2,654
				Q3 2021	54	2,492
				Q4 2021	54	2,705
Przy Alejach (stage 1-2)	Gdańsk	Zaspa	Apartments	Q2 2016	110	5,521
				Q2 2017	97	5,087
				Q4 2017	230	12,336
Bastion Wałowa (stage 1-4)	Gdańsk	Śródmieście	Apartments	Q4 2018	230	12,339
				Q4 2020	140	7,192
				Q4 2020	115	4,065
Osiedle Latarników (stage 1)	Gdańsk	Letnica	Apartments, services	Q4 2021	135	7,694
Dębowa Ostoja (stage 1)	Łódź	Bałuty	Terraced houses	Q3 2011	22	4,548
Pustynna 43 (stage 1)	Łódź	Górna	Apartments	Q4 2012	38	2,884

Ceglana Park (stage 1)	Katowice	Brynów	Apartments, services	Q4 2020	86	5,306
Total (31/12/2021)					14,149	761,560

As at 31 December 2021, the Group failed to deliver 87 premises located in the aforesaid competed 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)
Mała Praga (stage 5)	Warsaw	Praga Południe	Apartments, services	Q1 2022	48	2,947 (**)
Prestovia House	Warsaw	Praga Północ	Apartments	Q4 2022	162	8,363
Aleje Praskie (stage 1)	Warsaw	Praga Południe	Apartments, services	Q2 2023	143	8,695
Toruńska Vita	Warsaw	Targówek	Apartments	Q3 2023	196	10,218 (*)
Między Parkami (stage 2)	Wrocław	Klecina	Apartments	Q1 2022	202	13,006
Kaskady Różanki	Wrocław	Różanka	Apartments, services	Q4 2022	132	8,174
Reja	Wrocław	Olbin	Apartments, services	Q4 2022	61	2,967
Mist House	Wrocław	Krzyki	Apartments	Q1 2023	46	2,973
Słoneczne Miasteczko (stage 9 - 14)	Kraków	Bieżanów-Prokocim	Apartments	Q1 2022	102	5,749 (**)
				Q4 2022	108	5,790
				Q4 2022	108	5,832
				Q4 2023	136	7,445 (*)
Przy Mogiłskiej (stage 2-3)	Kraków	Prądnik Czerwony	Apartments	Q4 2023	137	6,505
				Q4 2023	136	6,184
Centralna Park (stage 6-8)	Kraków	Czyżyny	Apartments, services	Q4 2022	270	14,421
				Q4 2022	224	12,511
				Q4 2023	139	7,628 (*)
Grzegórzecka 77 (stage 5)	Kraków	Grzegórzki	Apartments, services	Q3 2022	94	5,505
Via Flora (stage 1)	Gdańsk	Chelm	Apartments	Q3 2023	68	4,114 (*)
Osiedle Latarników (stage 2)	Gdańsk	Letnica	Apartments, services	Q4 2022	218	12,101
Baltea	Gdańsk	Przymorze	Apartments, services	Q4 2022	239	15,217

Szmaragdowy Park (stage 1)	Gdańsk	Orunia Górna - Gdańsk Południe	Apartments	Q4 2022	175	8,780
Przy Alejach (stage 3)	Gdańsk	Zaspa	Apartments	Q4 2022	48	2,912
Marinus	Gdańsk	Brzeźno	Apartments, services	Q2 2023	83	5,124
Ceglana Park (stage 2-3)	Katowice	Brynów	Apartments, services	Q3 2022	178	10,395
				Q4 2022	196	11,477
Total (31/12/2021)					3,649	205,033

Premises added to the offer after the balance-sheet date

Aleje Praskie (stage 2)	Warsaw	Praga Południe	Apartments, services		182	10,738
Krakowska Vita	Warsaw	Włochy	Apartments, services		322	16,717
Grzegórzecka 77 (stage 6)	Kraków	Grzegórzki	Apartments, services		126	7,841
Osiedle Latarników (stage 3)	Gdańsk	Letnica	Apartments, services		159	9,120
Via Flora (stage 2)	Gdańsk	Chelm	Apartments		88	4,701
Ceglana Park (stage 4)	Katowice	Brynów	Apartments		170	9,572
Total (28/02/2022)					4,696	263,722

As at 31 December 2021, the Group had sold 2,145 premises which were under construction at that time.

(*) Toruńska Vita (196 units), Słoneczne Miasteczko XIV (136 units), Centralna Park VIII (139 units) and Via Flora I (68 units) added to the offer and commenced preparatory works in Q4 2021, commencement of construction works in Q1 2022

(**) Mała Praga V (48 units) and Słoneczne Miasteczko XI (102 units), construction works were finished after the balance-sheet date.

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

Commercial Projects

Name of Project	City	District	Segment	Planned Construction Commencement Date
Kolejowa	Wrocław	Stare Miasto	Office - hotel / temporary stay	Q3 2022

Housing Projects

Name of Project	City	Number of Apartments and Commercial Premises	Area (sq m)
Trzciniowa	Warsaw	161	8,401

Krakowska Vita	Warsaw	322	16,717
Aleje Praskie	Warsaw	1,064	58,043
Aroniowa	Warsaw	1,448	79,055
Strzelecka	Warsaw	48	2,341
Reszelska	Wrocław	83	5,337
Orawska	Wrocław	644	34,526
Cynamonowa Vita	Wrocław	114	7,315
Vratislavia Reidence (Malin)	Wrocław	-	- (*)
Krzemieniecka	Wrocław	32	3,485
Ogrody Wojszyce	Wrocław	114	16,517
Słoneczne Miasteczko	Kraków	188	9,846
Grzegórzecka	Kraków	300	20,943
Centralna Park	Kraków	2,399	126,818
Szmaragdowy Park	Gdańsk	44	2,148
Via Flora	Gdańsk	88	4,701
Osiedle Latarników	Gdańsk	159	9,120
Bajkowy Park	Gdańsk	792	45,477
Przemyska	Gdańsk	382	21,246
Zamojska	Gdańsk	89	5,060
Na Stoku	Gdańsk	184	10,068
Niepołomska	Gdańsk	108	5,770
Ceglana Park	Katowice	760	40,472

Pustynna 43	Łódź	114	8,286
Dębowa Ostoja	Łódź	161	24,479
Total (31/12/2021)		9,798	566,171

Land purchased after the balance-sheet date

Drwęcka	Warsaw	37	2,156
Total (28/02/2022)		9,835	568,327

Premises added to the offer after the balance-sheet date

Aleje Praskie (stage 2)	Warsaw	-182	-10,738
Krakowska Vita	Warsaw	-322	-16,717
Grzegórzecka 77 (stage 6)	Kraków	-126	-7,841
Osiedle Latarników (stage 3)	Gdańsk	-159	-9,120
Via Flora (stage 2)	Gdańsk	-88	-4,701
Ceglana Park (stage 4)	Katowice	-170	-9,572
Total (28/02/2022)		8,788	509,638

(*) The Malin Project was not taken into consideration for the calculation of land bank as at 31/12/2021

2.7. Group's Reliance on Suppliers and Consumers

Service Recipients

As regards the sale of residential and retail units in 2021, 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 2021 – 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 were carried out mainly on a general contracting basis and only a few smaller projects were implemented without a general contractor, in which case the Group contracts contractors for individual works on its own.

2.8. Significant Contracts, Insurance Agreements

- 1) On 13 September 2021, an Issuer's subsidiary, Sky Tower S.A., in which the Issuer holds 100% of shares along with 100% voting rights attaching to such shares, giving the right to vote at the general meeting, and Olimp Investment Sp. z o.o., with its registered office in Warsaw, a company controlled by an alternative investment fund managed by the Adventum Group (the "Purchaser"), entered into a preliminary sales agreement for the disposal of 79.55% of share in the ownership right to developed land on which a multi-purpose building called "Sky Tower" is

built, which is located at 95 Powstańców Śląskich street, having the total area of approx. 23,798 sq. m (the “Sky Tower Share”) (the “Preliminary Agreement”). The remainder of the share in the ownership of Sky Tower, i.e. 20.45%, will remain in the possession of the owners of separated premises in the Sky Tower building. The price for the Sky Tower Share was agreed on a debt-free and cash-free basis at EUR 84,420,000, plus Value Added Tax (VAT) and less the value of incentives for tenants under agreements signed prior to the date of entering into the Preliminary Agreement, which have not been paid as at the date the final agreement (the “Final Agreement”). The final agreement was made on 15 March 2022 – as described below in section 7.5.

- 2) On 20 October 2021, in pursuance of the conditional joint-venture cooperation agreement of 13 August 2021 made by the Issuer with Grupo Lar Holding Polonia sp. z o.o. with its registered office in Warsaw and CGLS sp. z o.o. sp.k. with its registered office in Warsaw, upon satisfying all conditions stipulated therein. The Issuer made with Grupo Lar Holding Polonia sp. z o.o., with its registered office in Warsaw (“Grupo Lar Holding Polonia”), and CGLS sp. z o.o. sp.k., with its registered office in Warsaw (“Lar Management Polonia”) – i.e. subsidiaries belonging to a Spanish group of companies Grupo Lar (the “Partners”), a joint venture cooperation agreement with a view to carrying out housing projects in Warsaw and setting up several investment companies which will be the owners of rights and obligations arising out of property development projects (the “JV Agreement”). Co-operation under the JV Agreement will entail setting up several investment companies with a view to building housing estates in Warsaw, which companies will be the owners of rights and obligations arising out of respective property development projects. The projects will derive from the experience of the Issuer and the Partners, and responsibility for operational management will rest with a Grupo Lar team. The total capital commitment of the Issuer and Grupo Lar Holding Polonia for the co-operation under the JV Agreement will amount to PLN 125,000,000, with the Issuer’s commitment accounting for 80% and Grupo Lar Holding Polonia’s – 20%.
- 3) On 23 November 2021, an Issuer’s subsidiary, Develia Invest Sp. z o.o., and an European company investing in commercial real property entered into a letter of intent concerning the disposal of a portion of land located at Kolejowa Street in Wrocław along with a part of the project comprising the construction of two multifunctional buildings, including a common underground car park and necessary infrastructure, to be built by the Company on the Real Property. Upon signing the letter of intent, the Company and the Purchaser entered into negotiations on the terms and conditions of sale. The Parties set in the letter of intent a total estimate selling price for the Real Property along with the building to be erected on the Real Property as part of the Project at PLN 139,415,000.00 net, which will be subject to further verification, based, among other things, on arrangements made during a legal audit. The projected floor area of premises is approx. 14,170 sq. m.
- 4) On 28 December 2021, the Issuer and an European company investing in the real property market entered into a letter of intent concerning the disposal of perpetual usufruct right to land located in Warsaw at Podskarbińska and Żupnicza Streets, having the total area of 10,518.00 sq. m along with a project being implemented on the said real property, entailing the construction of two residential buildings with a common underground and ground-level car park, including necessary infrastructure. Upon signing the letter of intent, the Issuer and the Purchaser entered into negotiations on the terms and conditions of sale of the Real Properties. The Parties set in the letter of intent an estimate selling price for the Real Property at PLN 151,000,000.00 net. The projected floor area of residential and business premises is approx. 12,565 sq. m. It is expected that the profitability of this project will be similar as in the case of transactions relating to flats sold to individuals.

Apart from the aforesaid agreements, in 2021, 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

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

On 04 March 2021, the Company and Santander Bank Polska S.A. made a 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

Revolving Loan Agreement Made by the Company with Powszechna Kasa Oszczędności Bank Polski S.A.

On 29 April 2021, Develia S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. made an overdraft facility agreement, under which the bank granted to the company a PLN 20,000,000 loan designated for financing current liabilities arising from operations carried on, including the costs of projects being implemented (including purchase of land). The loan was provided to the company for the period from the date of signature of the loan agreement to 28 April 2022. As at the date hereof, no loan disbursement was made. Security provided for the loan includes:

- Joint mortgage of up to PLN 30,000,000.00 on the real properties which Develia S.A. owns or to which it holds the right of perpetual usufruct;
- A declaration in the form of a notarial deed on free submission to enforcement in favour of PKO BP SA pursuant to Article 777(1)(5) of the Code of Civil Procedure, for a sum of up to PLN 30,000,000.00;
- A financial and registered pledge up to the highest sum of security amounting to PLN 30,000,000.00 on cash deposited in the current account.

Non-Revolving Loan Agreement Made by the Company with Bank Ochrony Środowiska S.A.

On 11 August 2021, Develia S.A. and Bank Ochrony Środowiska S.A. entered into a non-revolving loan agreement for the amount of up to PLN 33,700,000 for the financing or refinancing of costs relating to the construction of a property development project called "Kaskady Różanki" in Wrocław. As at the date hereof, no loan disbursement was made. Security provided for the loan includes:

- Mortgage of up to PLN 50,550,000.00 on real property located in Wrocław at Chorwacka street, recorded in the Land and Mortgage Register No. WR1K/00091989/0, along with an assignment from insurance policy with coverage for construction risks, and following the completion of the Project along with an assignment from a real property insurance policy;
- A declaration on voluntary submission to enforcement pursuant to Article 777(1)(5) of the Code of Civil Procedure for a sum of up to PLN 50,550,000.00;
- Financial pledge up to the highest sum of security in the amount of PLN 50,550,000.00 on rights to cash deposited in the borrower's accounts maintained with Bank Ochrony Środowiska S.A., along with a netting provision;
- Power of attorney granted to a bank by the Company to draw down cash deposited in the borrower's bank accounts;
- Assignment of receivables arising from a contract made with the general contractor of the project;
- A hold placed on bank accounts relating to the project (except for the escrow account);
- Transfer of copyrights for all forms of exploitation and derivative rights to design documentation and architect's on-site supervision services for the project under a condition precedent of entry into force should the Loan Agreement be terminated by the Bank.

Amendment to Bank Loan Agreement for Loan Taken out by the Company with mBank S.A.:

On 1 April 2021, Develia S.A. and mBank S.A. made an amendment to a revolving loan agreement of 3 December 2020, under which the loan repayment security list was supplemented, enabling the company to utilise the full amount of loan up to the amount of PLN 35,000,000.

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

On 30 June 2021, 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 December 2021 was rescheduled on or before 30 June 2021. The principal amount of EUR 109,375 was repaid on 30 June 2021.

On 23 November 2021, 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 instalment

originally due for payment on 31 March 2022 was rescheduled. On 29 October 2021, the principal in the amount of EUR 328,125 was paid off.

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

On 30 March 2021, Sky Tower SA and Getin Noble Bank and Alior Bank SA made Amendment No. 11 to the Loan Agreement of 29 December 2012, under which the loan repayment schedule was revised by transferring the principal instalment of investment loan, to be paid off at the end of March 2021 (EUR 616,177.60 to both banks), to the last balloon payment to be made on the last day of the lending period, i.e. 20/12/2022, and an LTV ratio was increased to no more than 55%.

On 30 April 2021, Sky Tower S.A. and a syndicate of banks comprised of Getin Noble Bank S.A. and Alior Bank S.A. made Amendment No. 12 to the 29 December 2012 loan agreement, under which the LTV ratio was increased from 50% to 55% and the term Projected Debt Service Coverage Ratio (DSCR) was defined. Sky Tower committed itself to maintain the said ratio at the level of at least 120%, and where necessary, to pay to the Debt Service Reserve Account a sum required to ensure that it is maintained at a level not lower than 120%. The other provisions of the Amendment related to settlements with the tenants of the building administered by the company and governed the issues concerning the provision of funding to the company by Develia S.A. and the subordination of financing to the repayment of loan, with repayment being conditional on securing the bank's prior consent and reaching ratios set out in the loan agreement.

Amendment to Loan Agreement Made Between mBank S.A. and LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. Under Loan Agreement of 28 October 2020

On 29 March 2021, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. made an amendment to the 28 October 2020 loan agreement, which changed the loan availability period from 28 April 2021 to 30 September 2021. The other provisions of the amendment set out new terms and conditions of loan utilisation and the terms and conditions under which transactions hedging against interest rate risk could be entered into.

On 31 May 2021, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. made an amendment to the 28 October 2020 loan agreement, under which the parties modified the terms on which transactions hedging against interest rate risk may be entered into, shortening the minimum term of such transactions from five to two years, with obligation to renew an overdue transaction for another two-year or longer period.

Repayment of Bank Loan by Arkady Wrocławskie S.A.

In the year ended 31 December 2021, 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 3,141,000. As at 31 December 2021, the total outstanding amount after conversion into Polish Zlotys was PLN 58,355,000.

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

In the year ended 31 December 2021, Sky Tower S.A. repaid, in accordance with the repayment schedule, the instalments of the loan in EUR taken out with a consortium consisting of the following banks: Getin Noble Bank S.A. and Alior Bank S.A. in the amount of PLN 7,784,000. As at 31 December 2021, the total outstanding amount after conversion into Polish Zlotys was PLN 191,129,000.

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., in accordance with a loan agreement of 20 December 2017 with mBank Hipoteczny S.A., concerning a loan taken out in EUR and designated for the partial financing of the Wola Retro project in Warsaw, drew down funds in the total amount of PLN 9,802,000 and repaid loan instalments in the amount of PLN 3,516,000. As at 31 December 2021, the total outstanding amount in respect of the loan of 28 October 2020 after conversion into Polish Zlotys was PLN 121,660,000.

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

On 24 March 2021, the Company 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 2021. A new settlement date was set for the unsettled amount of PLN 11,532,000 – 30 June 2021. The nominal value of the aforesaid transaction at a base rate amounted to EUR 2,626,000.

On 7 June 2021, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., in pursuance of the 28 October 2020 loan agreement in relation to forward rate and derivative transactions, made a transaction (a cap option) hedging against interest rate risk in the amount of EUR 13,300,000 for the period from 25 June 2021 to 26 June 2023.

On 29 June 2021, the Company 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 June 2021. A new settlement date was set for the unsettled amount of PLN 11,534,000, namely, 30 September 2021. The nominal value of the aforesaid transaction at a base rate amounted to EUR 2,626,000.

On 27 September 2021, the Company 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 2021. A new settlement date was set for the unsettled amount of PLN 6,493,000, namely, 31 March 2022. The nominal value of the aforesaid transaction at a base rate amounted to EUR 1,470,000.

On 27 January 2022, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., in pursuance of the 28 October 2020 loan agreement in relation to forward rate and derivative transactions, made a transaction (a cap option) hedging against interest rate risk in the amount of EUR 577,600 for the period from 25 January 2022 to 26 June 2023.

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

1. On 05 March 2021, 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 10 May 2021, the Company redeemed the bonds of PLN 100,000,000 within the maturity period.
3. On 11 May 2021, the Company issued 150,000 three-year unsecured coupon bonds having a par value of PLN 1,000 each and a total nominal value of PLN 150,000,000 under a Bond Issue Agreement with the redemption date set at 10 May 2024, concluded with mBank S.A., having its registered office in Warsaw.
4. On 6 October 2021, the Company redeemed the bonds of PLN 40,000,000 within the maturity period. On 08 October 2021, the Company issued 100,000 three-year unsecured coupon bonds having a par value of PLN 1,000 each and a total nominal value of PLN 100,000,000 under a Bond Issue Agreement with the redemption date set at 08 October 2024, concluded with mBank S.A., having its registered office in Warsaw.
6. On 4 November 2021, an amendment was signed to reschedule the redemption date of two outstanding investment notes issued on 9 March 2012 30 from 30 November 2021 to 30 June 2022 (the transaction between entities belonging to Develia SA Group)..
7. On 23 December 2021, the Company redeemed the bonds of PLN 26,504,000 before the maturity period.

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 30 June 2021, 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 76.084.912,87
- b) Amount of dividend per share: PLN 0.17
- c) Number of shares subject to dividend: 447,558,311 shares
- d) Record date: 06 July 2021
- e) Dividend payment date: 13 July 2021

Pursuant to the said resolution, Develia S.A. paid the dividend on 13 July 2021.

3.4. Payment of Dividends by Subsidiary Undertakings

- 1) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 14 January 2021, an advance on 2020 profit in the amount of PLN 10,624,000 was paid to Develia S.A. on 18 January 2021.
- 2) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 25 January 2021, an advance on 2020 profit in the amount of PLN 15,355,000 was paid to Develia S.A. on 26 January 2021.
- 3) Under the Resolution of the Ordinary General Meeting of LC Corp Invest X Sp. z o.o. carried on 16 April 2021, dividend for 2020 in the amount of PLN 19,164,000 was paid to Develia S.A. on 26 April 2021.
- 4) Under the Resolution of the Ordinary General Meeting of LC Corp Invest VIII Sp. z o.o. carried on 16 April 2021,

- dividend for 2020 in the amount of 16,466,000 was paid to Develia S.A. on 26 April 2021.
- 5) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XV Sp. z o.o. carried on 16 April 2021, dividend for 2020 in the amount of 1,092,000 was paid to Develia S.A. on 26 April 2021.
 - 6) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XI Sp. z o.o. carried on 16 April 2021, dividend for 2020 in the amount of 6,754,000 was paid to Develia S.A. on 29 April 2021.
 - 7) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 05 May 2021, dividend for 2020 in the amount of PLN 16,600,000 was paid to Develia S.A. on 06 May 2021.
 - 8) Under the Resolution of the Ordinary General Meeting of LC Corp Invest VII Sp. z o.o. carried on 26 April 2021, dividend for 2020 in the amount of 4,000,000 was paid to Develia S.A. on 10 May 2021.
 - 9) Under the Resolution of the Ordinary General Meeting of LC Corp Invest I Sp. z o.o. carried on 26 April 2021, dividend for 2020 in the amount of 14,000 was paid to Develia S.A. on 10 May 2021.
 - 10) Under the Resolution of the Ordinary General Meeting of LC Corp Invest III Sp. z o.o. carried on 30 April 2021, dividend for 2020 in the amount of PLN 799,000 was paid to Develia S.A. on 25 May 2021.

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

On 20 October 2021, in pursuance of the conditional joint-venture cooperation agreement of 13 August 2021 made by the Issuer with Grupo Lar Holding Polonia sp. z o.o. with its registered office in Warsaw and CGLS sp. z o.o. sp.k. with its registered office in Warsaw, upon satisfying all conditions stipulated therein:

- a) The Issuer acquired from Grupo Lar Holding Polonia sp. z o.o., as the seller, 80 shares in Brightvell Investments Sp. z o.o. (currently Projekt Ciszewskiego Sp. z o.o.) having a par value of PLN 50.00 each and the total par value of PLN 4,000.00, giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of total shares in the Company; by virtue of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Brightvell Investments Sp. z o.o.;
- b) The Issuer acquired from Grupo Lar Holding Polonia sp. z o.o., as the seller, 80 shares in Rochster Investments Sp. z o.o. (currently Projekt Myśluborska Sp. z o.o.) having a par value of PLN 50.00 each and the total par value of PLN 4,000.00, giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of total shares in the Company; by virtue of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Rochster Investments Sp. z o.o.;
- c) The Issuer acquired from Grupo Lar Holding Polonia sp. z o.o., as the seller, 80 shares in CGL X Sp. z o.o. (currently Projekt Lizbońska Sp. z o.o.) having a par value of PLN 50.00 each and the total par value of PLN 4,000.00, giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of total shares in the Company; by virtue of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of CGL X Sp. z o.o.;
- d) The Issuer joined the partnership Brightvell Investments Sp. z o.o. Sp. k. (currently Projekt Ciszewskiego Sp. z o.o. Sp. k.) as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 8,230,950; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Brightvell Investments Sp. z o.o. Sp. k.;
- e) The Issuer joined the partnership Rochster Investments Sp. z o.o. Sp. k., (currently Projekt Myśluborska Sp. z o.o. Sp. k.) as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 2,449,538; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Rochster Investments Sp. z o.o. Sp. k.;
- f) The Issuer joined the partnership CGL X Sp. z o.o. Sp. k. (currently Projekt Lizbońska Sp. z o.o. Sp. k.) in the amount of PLN 45,490,834.00; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became partner in the joint venture of CGL X Sp. z o.o. Sp. k.

The above actions established organisational and equity relationships between the Issuer and Grupo Lar Holding Polonia Sp. z o.o. The partnership Projekt Lizbońska Sp. z o.o. Sp.k. is the holder of perpetual usufruct for a real property located in Warsaw at Lizbońska Street, having the total area of 0.8748 ha, acquired by the said partnership on 25 October 2021 for a price of PLN 37,050,000.00 net, plus VAT at a rate of 23 per cent, i.e. an amount of PLN 45,571,500 gross, which acquisition was communicated by the Issuer in the Current Report No. 59/2021 of 25 October 2021. Apart from the aforesaid relationships, 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 2021 with Related Parties

Lender	Borrower	Agreement Conclusion	Interest rate*	Contractual Amount of Borrowing in	Repayment date
Develia S.A.	LC Corp Invest IX Sp. z o.o.	10/02/2021	3.72%	5,000	Indefinite
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.	04/03/2021	4.11%	10,000	Indefinite
Develia S.A.	LC Corp Invest XVI Sp. z o.o.	19/03/2021	3.65%	50	Indefinite
Develia S.A.	LC Corp Invest IX Sp. z o.o.	22/03/2021	3.97%	6,000	Indefinite
Warszawa Przyokopowa Sp. z o.o.	Develia S.A.	20/04/2021	4.12%	30,000	Indefinite
LC Corp Invest XI Sp. z o.o.	LC Corp Invest I Sp. z o.o.	20/04/2021	4.12%	8,000	Indefinite
LC Corp Invest XI Sp. z o.o.	Develia S.A.	30/04/2021	4.12%	10,000	Indefinite
Develia S.A.	Sky Tower S.A.	30/04/2021	4.12%	4,540	Indefinite
Develia S.A.	Atal Services Sp. z o.o.	09/06/2021	2.41%	1,141	Indefinite
Develia S.A.	LC Corp Invest II Sp. z o.o.	27/09/2021	3.73%	1,000	Indefinite
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.	LC Corp Invest II Sp. z o.o.	29/10/2021	4.48%	2,000	Indefinite
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.	Develia S.A.	02/11/2021	4.48%	40,000	Indefinite

* average value for 2021

* average value for 2021

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

In pursuance of the preliminary sale and purchase agreement for the disposal of 79.55% share in the ownership right to developed land located in Wrocław, on which a multi-purpose building called "Sky Tower" is built, entered into on 13 September 2021 between an Issuer's subsidiary, Sky Tower S.A., as the seller, and Olimp Investment Sp. z o.o., with its registered office in Warsaw, as the purchaser, both parties to the preliminary agreement stipulated contractual penalties in the amount of EUR 3,000,000, payable to the other party if the conditions precedent are not satisfied respectively through the Seller's or the Purchaser's fault.

Performance bonds and warranty bonds that the Group companies were provided with in 2021 are presented in the following table:

Subsidiary receiving guarantee	Entity required to provide guarantee	Type of guarantee	Guarantee amount	Date of guarantee
Develia S. A.	Przedsiębiorstwo Budowlane Arkop Sp. z o. o. sp. k.	Amendment no. 1 to insurance company guarantee no. 32GG13/0405/19/0002 of 29/07/2019	PLN 2,872,500.00 – performance bond PLN 2,872,500.00 – warranty bond	19/01/2021
Develia S.A.	Mota-Engil Central Europe S.A.	Performance bond as Bank Guarantee No. GW/000143/21	PLN 2,398,900.00	12/01/2021
Kraków Zielony Złocień Sp. z o. o.	EURO - STAHLSERVICE Sp. z o. o.	Performance bond no. S/30/01/2021/1115/K/LW/01	PLN 1,978,000.00	21/04/2021
LC Corp Invest XV Sp. z o. o. Projekt 7 Sp. k.	EXPRES - KONKURENT Sp. z o. o. Sp. k.	Performance and warranty bond issued by an insurance company, Guarantee No. 912700524540	PLN 509,265.23	09/04/2021
Kraków Zielony Złocień Sp. z o. o.	EURO - STAHLSERVICE Sp. z o. o.	Amendment no. 1 to Guarantee no. S/30/01/2021/1115/K/LW/01 of 21/04/2021	PLN 1,978,000.00	17/05/2021
Develia S. A.	KONE Sp. z o. o.	Performance bond as Bank Guarantee No. GW/001979/21	PLN 13,650.00	22/04/2021
Develia S. A.	ARKOP Sp. z o. o. Sp. k.	Warranty bond issued by an insurance company, Guarantee No. 06GG13/0405/21/0001	2,890,714.02	16/03/2021
Develia S. A.	KONE Sp. z o. o.	Performance bond as Bank Guarantee No. GW/003648/21	PLN 13,650.00	19/07/2021
LC Corp Invest XII Sp. z o. o.	SWIETELSKY Sp. z o. o.	Bank guarantee No. GW/004763/21	From 31/01/2022 to 30/07/2022 PLN 700,000,00 From 31/07/2022 to 30/07/2027 PLN 350,000,00	13/09/2021
Develia S. A.	P&P Sp. z o. o.	Performance bond no. COR215938 (performance and warranty bond) issued by an insurance company	PLN 694,850.00 – non-performance or improper performance of the contract: 594,850.00 (since 02/03/2024: PLN 247,425.00) – failure to remedy faults or defects or remedying them improperly	23/07/2021

LC Corp Invest XV Sp. z o. o. Projekt 4 Sp. k.	Consortium- NDI SOPOT S.A. and NDI S.A.	Warranty bond No. 00008700/151121000072 issued by an insurance company	In the period: 25/01/2021 - 25/01/2022: PLN 2,944,974.85; in the period: 26/01/2022 - 26/06/2026: PLN 1,472,487.42 (since 02/03/2024: failure to remedy faults or defects or remedying them improperly)	20/08/2021
LC Corp Invest XV Sp. z o. o. Projekt 4 Sp. k.	Consortium- NDI SOPOT S.A. and NDI S.A.	Warranty bond No. 00008700/151121000073 issued by an insurance company	In the period: 31/08/2021 - 30/08/2026: PLN 77,170.00 - failure to remedy faults or defects or remedying them improperly (road alteration works)	20/08/2021
LC Corp Invest VIII Sp. z o. o.	GRUPA BUDUS Sp. Z o. o.	Bank guarantee no. DOK3573GWB21KW	PLN 25.518,16	12/10/2021
Develia S. A.	EURO - STAHLSERVICE Sp. z o. o.	Performance bond no. S/30/01/2021/1115/K/LW/02	PLN 1,814,176.85	21/10/2021
LC Corp Invest XV Sp. z o. o. Investments S.K.A.	Alstal Grupa Budowlana SP. z o. o. Sp.k.	Performance and warranty bond no. 32GG02/0281/21/0008 issued by an insurance company	1.788.700,00 894.350,00	09/06/2021
Develia S. A.	TECHBAU Budownictwo Sp. z o. o.	Performance and warranty bond No. 280000188702	PLN 998,595.90 – non-performance or improper performance of the contract: 499,297.95 – failure to remedy faults or defects or remedying them improperly	27/10/2021
Develia S. A.	TECHBAU Budownictwo Sp. z o. o.	Performance and warranty bond no. COR230860 issued by an insurance company	PLN 998,595.90 – non-performance or improper performance of the contract: 499,297.95 – failure to remedy faults or defects or remedying them improperly	28/10/2021
Develia S.A.	TK-BUD sp. z o.o. sp.k	Performance bond no. BOFH21024100GP/K	PLN 496.348,12	20/05/2021
Develia S.A.	TK-BUD sp. z o.o. sp.k	Performance bond no. BOFH21025347GP/K	PLN 532.992,77	23/09/2021
Develia SA	Consortium- NDI SOPOT S.A. and NDI S.A.	Performance bond No. 04GG09/0995/21/0024 issued by an insurance company	PLN 2,648,400.00	01/09/2021
Develia S.A.	AWM BUDOWNICTWO S.A.	Bank guarantee no. DOK1518GWB21AR	PLN 621,024.05	10/06/2021
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp.k.	INSTALBUD-RZESZÓW Sp. z o.o.	Amendment no. 2 to Bank guarantee no. 20065KMB16 of 14/09/2016	from 22/12/2021 - PLN 484,239.12	16/12/2021

Apart from the aforesaid guarantees, the Group companies, namely, Arkady Wrocławskie S.A, Sky Tower S.A. and LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. have (or had – in relation to the “Sky Tower” office and retail building, which was sold by Sky Tower S.A. on 15 March 2022) 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 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 2021 PLN '000	PLN '000
Fixed assets	988,321	942,134
Current assets	1,384,957	993,752
Equity	1,129,605	1,043,538
Liabilities and provisions for liabilities	1,243,673	892,348
Balance-sheet total	2,373,278	1,935,886
Revenue from sale of services, products, goods	447,947	45,362

Revenue from interest and discounts	6,102	4,365
Revenue from dividend	122,669	235,559
Other financial income	7364	7
Other operating income	1161	530
Total operating expenses	(417,889)	(176,626)
Net profit/(loss)	157,843	140,257

In 2021, Develia S.A. earned revenues from the sale of goods and services of PLN 447,947,000, from interest and discounts of PLN 6,102,000 and from dividends of PLN 122,669,000.

The Company disclosed a net profit of PLN 157,843,000.

Apart from standard operating revenues and expenses, factors and events that had a significant impact on the performance of Develia S.A. in 2021 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 2021.

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 2021 financial statements of Develia S.A.

4.3. Structure of Assets and Liabilities in Separate Balance Sheet

	31 2021	December	31 December 2020	
Assets				
A. Fixed assets	988,321	42%	942,134	49%
1. Intangible assets	315	0%	305	0%
2. Property, plant and equipment	6,006	0%	7,153	0%
2.1. Fixed assets	5,803	0%	6,920	0%
2.2. Tangible assets under construction	203	0%	233	0%
3. Non-current loans and receivables	95,839	4%	93,125	5%
4. Non-current investments	879,233	37%	827,535	43%
5. Non-current prepayments	465	0%	410	0%
6. Deferred tax assets	6,463	0%	13,606	1%
B. Current assets	1,384,957	58%	993,752	51%
1. Inventory	1,116,530	47%	790,063	41%
2. Trade and other receivables	75,072	3%	14,498	1%
3. Income tax receivable	0	0%	455	0%
4. Short-Term Securities	27,053	1%	20,013	1%
5. Other financial assets	89,960	4%	95,070	5%
6. Cash and cash equivalents	73,792	3%	71,808	4%
7. Current prepayments	2,550	0%	1,845	0%
C. Non-current assets classified as held for sale	0	0%	0	0%
Total assets	2,373,278	100%	1,935,886	100%
Equity and liabilities				
A. Equity	1,129,605	48%	1,043,538	54%
1. Share capital	447,558	19%	447,558	23%
2. Called-up share capital not paid	0	0%	0	0%
3. Supplementary capital	417,696	18%	353,524	18%
4. Other reserve funds	100,205	4%	100,205	5%

5. Other capitals	6,303	0%	1,994	0%
6. Retained profit/(Loss carried forward)	157,843	7%	140,257	7%
B. Non-current liabilities	603,175	25%	432,945	22%
1. Non-current financial liabilities	599,954	25%	428,663	22%
2. Non-current lease liabilities	2,776	0%	3,837	0%
3. Provisions	445	0%	445	0%
4. Deferred tax liability	0	0%	0	0%
C. Current liabilities	640,498	27%	459,403	24%
1. Current financial liabilities	151,359	6%	148,207	8%
2. Current lease liabilities	40,642	2%	17,236	1%
3. Trade and other payables	177,342	7%	17,444	1%
4. Income tax payables	671	0%	0	0%
5. Provisions	107	0%	0	0%
6. Accrued expenses and deferred income	270,377	11%	276,516	14%
Total equity and liabilities	2,373,278	100%	1,935,886	100%

Most crucial factors that had a bearing on changes of certain balance-sheet items in the year ended 31 December 2021:

- A change in non-current investments results mainly from the acquisition of company shares from Grupo Lar Holding Polonia sp. z o.o., as mentioned in Note 1.1 and 1.2(9), as well as revaluation write-downs of shares;
- An increase in the value of inventory resulting from the acquisition of land and the Company's implementation of investment project;
- An increase in trade and other receivables results mainly from the excess of input over output VAT relating to the acquisition of land, as well as payments made for land acquisition;
- An increase in the value of reserve funds stemming mainly from the allocation of a portion of the 2020 profit;
- An increase in non-current financial liabilities, which results from liabilities incurred by the company in the form of loans, borrowings and bonds.

4.4. Assessment of Finance Management

Selected Financial Ratios:

Profitability Ratios	2021	2020
1. Return on Assets (ROA) (Net profit / total assets)	6.7%	7.2%
2. Return on Equity (ROE) (Net profit / Equity)	14.0%	13.4%
Liquidity Ratios		
1. Current Ratio Current assets /(current liabilities)	3.7	5.4
2. Quick ratio Current assets - inventory /(current liabilities)	0.7	1.1
Debt Ratios		
1. Debt-to-Equity ratio (total liabilities / equity)	85.8%	58.6%
2. Debt-to-Equity ratio (net) (total net liabilities / equity)	62.3%	39.3%
3. Total Debt Ratio (total liabilities / total assets)	40.8%	31.6%

The 2021 financial ratios imply that the Company has maintained financial liquidity at a stable level and that a growing trend for the rate of return on equity has emerged.

Financial risk management, financial instruments and capital management are described in Notes 31, 32 and 33 of the separate financial statements.

5. GROUP'S INCOME, ECONOMIC AND FINANCIAL STANDING

General Economic and Financial Figures	As at 31 December 2021	As at 31 December 2020
	(PLN '000)	(PLN '000)
Fixed assets	525,450	1,053,680
Current assets	2,155,860	1,762,561
Non-Current Assets Classified as Held for Sale	568,530	-
Equity	1,400,409	1,317,788
Liabilities and provisions for liabilities	1,849,431	1,498,453
Balance-sheet total	3,249,840	2,816,241
Sales revenue	911,934	517,114
Gross profit on sales	281,268	183,618
Operating profit/(loss)	219,809	(72,422)
Pre-tax profit/(loss)	201,697	(134,473)
Net profit/(loss)	153,946	(138,800)
Adjusted net profit /(loss) (*)	156,754	99,006

(*) - adjusted net profit, computed in line with the dividend policy, i.e. consolidated net profit adjusted for net total revaluation (for income tax) settled through profit or loss and relating to: the revaluation of non-financial fixed assets, in particular, investment property, in respect of changes to real property fair value or changes to exchange rates and the revaluation of foreign currency liabilities arising from changes to exchange rates.

Factors and events that had a significant impact on the Develia Group's performance in 2021, include, but are not limited to:

1. A considerable increase in sales revenue from the housing segment and profits on this operating segment – the effect of a significant growth in premises delivered +65% YoY;
2. In 2021, the Group reported high profitability for the property development segment – the gross margin on sales stood at 28.8%;
3. The reversal of write-downs of inventory for the projects: Ceglana Park (in Katowice) and Słoneczne Miasteczko (in Kraków) in the amount of PLN 56,800,000 – which resulted from the fact that premises selling prices for the aforesaid projects rose and a spatial development plan for the Ceglana Park project was adopted, permitting the Issuer to achieve its objective, and consequently, leading to the considerable growth of the projected profitability of the aforesaid projects.
4. 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 24,100,000 on account of the said revaluation changes. When rent linearisation, capital expenditures and provisions for disposal of investment property were taken into account, a loss on investment property was PLN 53,600,000.
5. The 2021 adjusted net profit amounted to PLN 156,800,000, whereas in 2020 totalled PLN 99,000,000.

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

The Company did not publish any forecast relating to the 2021 financial results.

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 of Additional Explanatory Notes to the 2021 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 2021		31 December 2020	
Assets				
A. Fixed assets	525,450	16.17%	1,053,680	37.41%
1. Intangible assets	433	0.01%	404	0.01%
2. Property, plant and equipment	5,098	0.16%	4,513	0.16%
3. Non-current receivables	2,576	0.08%	9,013	0.32%
4. Land classified as fixed assets	55,122	1.70%	-	0.00%
5. Investment property	451,660	13.90%	1,016,745	36.10%
6. Non-current prepayments	509	0.02%	1,072	0.04%
7. Deferred tax assets	10,052	0.31%	21,933	0.78%
B. Current assets	2,155,860	66.34%	1,762,561	62.59%
1. Inventory	1,569,632	48.30%	1,245,976	44.24%
2. Trade and other receivables	97,286	2.99%	23,180	0.82%
3. Income tax receivable	4,791	0.15%	5,205	0.18%
4. Derivatives assets	49	0.00%	-	0.00%
5. Short-Term Securities	27,053	0.83%	20,013	0.71%
6. Other financial assets	118,539	3.65%	88,005	3.12%
7. Cash and other cash assets	332,754	10.24%	377,036	13.39%
8. Current prepayments	5,756	0.18%	3,146	0.11%
C. Non-current assets classified as held for sale	568,530	17.49%	-	0.00%
Total assets	3,249,840	100.00%	2,816,241	100.00%

Equity and liabilities

A. Equity	1,400,409	43.09%	1,317,788	46.79%
I. Equity attributable to shareholders of the parent undertaking	1,400,409	43.09%	1,317,788	46.79%
1. Share capital	447,558	13.77%	447,558	15.89%
2. Other capitals	798,905	24.58%	1,009,030	35.83%
3. Net profit/(loss)	153,946	4.74%	(138,800)	-4.93%
II. Minority interest	-	0.00%	-	0.00%
B. Non-current liabilities	574,475	17.68%	661,756	23.50%
1. Non-current liabilities on account of loans and bonds	497,850	15.32%	599,217	21.28%
2. Non-current liabilities arising from derivatives		0.00%	1,081	0.04%
3. Non-current lease liabilities	17,618	0.54%	18,898	0.67%
4. Provisions	6,217	0.19%	7,938	0.28%
5. Accrued expenses and deferred income	4,856	0.15%		
6. Deferred tax liability	47,934	1.47%	34,622	1.23%
C. Current liabilities	1,260,673	38.79%	836,697	29.71%
1. Current liabilities on account of loans and bonds	350,759	10.79%	168,072	5.97%
2. Current liabilities arising from derivatives	736	0.02%	430	0.02%
3. Current lease liabilities	75,150	2.31%	50,954	1.81%

4. Current trade and other payables	245,829	7.56%	96,916	3.44%
5. Income tax payables	4,092	0.13%	50,168	1.78%
6. Provisions	6,007	0.18%	6,206	0.22%
7. Accrued expenses and deferred income	578,100	17.79%	463,951	16.47%
D. Liabilities arising from assets held for sale	14,283	0.44%	-	0.00%
Total equity and liabilities	3,249,840	100.00%	2,816,241	100.00%

Most crucial factors that had a bearing on changes in balance-sheet items in the year ended 31 December 2021:

- An increase in *Non-Current Assets Classified as Held for Sale*, resulting from the disposal of the investment property Sky Tower in Wrocław and the execution of a letter of intent relating to the disposal of the real property Arkady Wrocławskie in Wrocław;
- A decline in *Investment Property*, resulting from the reclassification of the 'Sky Tower' and 'Arkady Wrocławskie' buildings to Non-current assets classified as held for sale.

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 designed to refinance the investment property 'Wola Retro'. The repayment of commercial loans is secured by proceeds from the operations carried out by the investment properties (on account of lease agreements); Revenue from the sale of residential premises of the projects in Warsaw, Wrocław, Kraków, 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		2021	2020
1	EBITDA (<i>kPLN</i>) (operating earnings + depreciation and amortisation)	221,363	-70,554
1'	EBITDA (<i>kPLN</i>) (without valuation adjustments) (operating profit or loss + depreciation and amortisation)	218,080	142,925
2	Operating profit margin (EBITDA / net sales revenue)	24.3%	-13.6%
2'	Operating profit margin (without valuation adjustments) (<i>adjusted EBITDA / net sales revenue</i>)	23.9%	27.6%
3	Gross margin on sale of services (<i>Gross profit on sale of services / revenue from sale of services</i>)	50.2%	56.2%
4	Gross margin on sale of goods and products (<i>Gross profit on sale of goods and products / revenue from sale of goods and products</i>)	28.8%	31.3%
5	Net profit margin ratio (Net profit / net sales revenue)	16.9%	-26.8%
5'	Adjusted net profit margin (Adjusted net profit / net sales revenue)	17.2%	19.1%
6	Return on Assets (ROA) (Net profit / total assets)	4.7%	-4.9%
6'	Return on Assets (ROA), adjusted (Adjusted net profit / total assets)	4.8%	3.5%
7	Return on Equity (ROE) (Net profit / Equity)	11.0%	-10.5%
7'	Return on Equity (ROE), adjusted (Adjusted net profit / Equity)	11.2%	7.5%

Liquidity Ratios			
1	Current Ratio Current assets /(current liabilities)	3.2	5.6
2	Quick ratio Current assets - inventory /(current liabilities)	0.9	1.6
Debt Ratios			
1	Debt-to-Equity ratio (total liabilities / equity)	84.8%	71.0%
2	Net Debt to Equity ratio (variant 1)* (interest-bearing net debt / equity)	44.5%	35.0%
3	Net Debt to Equity ratio for bonds (variant 2)** (interest-bearing net debt / equity)	34.9%	27.7%
4	Net Debt to Equity ratio for bonds (variant 3)*** (interest-bearing net debt / equity)	27.2%	22.4%
5	Total Debt Ratio (total liabilities / total assets)	36.6%	33.2%

(*) 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. In 2021, the Company was also able to maintain the ratio for gross margin on sales of goods and products at a high level, which approximated to 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. Acquisition and Sale of Real Property by Group Companies

On 04 January 2022, the Company acquired a real property located in Warsaw at Drwęcka Street, having the area of 0.1429 ha, for a net price of PLN 9,400,000.00 net, plus VAT, i.e. an amount of PLN 11,562,000.00 gross.

7.2. Borrowing Agreements Concluded by Group Companies

On 14 March 2021, an Issuer's subsidiary, Sky Tower S.A., entered into a borrowing agreement with Develia S.A., under which a sum of PLN 4,000,000 was borrowed on arm's length conditions for an indefinite period of time.

7.3. Letter of Intent for Disposal of "Arkady Wrocławskie" Building

On 04 February 2022, the Issuer and its subsidiary, Arkady Wrocławskie S.A., entered into a letter of intent with an international entity investing in commercial real property in relation to the possible disposal of perpetual usufruct and ownership right to developed land located in Wrocław, at Powstańców Śl. Street, Swobodna Street, Komandorska Street and Nasykowa Street, on which, apart from other structures, a multifunctional building "Arkady Wrocławskie" has been erected. Upon signing the letter of intent, the Issuer, AW and the Purchaser entered into negotiations on the terms and conditions of sale of the Real Properties. The Parties set in the letter of intent a total estimate price of sale of the Real Property at PLN 210,000,000.00. It is envisaged that a legal audit will be completed after 12 weeks

and a preliminary sales agreement will be made after 17 weeks from the start of the examination, and the final agreement will be signed by 30 September 2022 at the latest. The other terms and conditions of the letter of intent, including those relating to conditions under which the transaction will be effected, do not vary from provisions which are generally applicable to this type of documents.

7.4. Review of Strategic Options Related to Company's Further Long-Term Growth

On 04 February 2022, the Management Board of the Company decided to begin a process of reviewing strategic options related to company's further long-term growth. The above decision was taken to coordinate actions designed to determine, and present to shareholders, information on alternatives for a proposal put forward in a call to subscribe for the sale of the Company's shares, which was issued on 12 January 2022 by FORSETI IV S.A R.L., INVEST LINE E S.A. and BEKAP FIZ, having regard to the position of the Management Board of 28 January 2022 and possible changes to the conditions of the Call or other market reactions, and in view of: (i) information received from key shareholders of the Company, who expected such a process to commence and that an adviser be engaged; (ii) interest in the Company arising from the Call, and (iii) evident and growing market interest in M&A transactions in the residential property developers sector in which the Issuer operates. The Issuer's Management Board will strive to achieve, as far as possible, the best position of the Company on the property development market and increase, to the greatest possible extent, its value for all shareholders and stakeholders of the Company. Beginning the strategic option review process will enable the Company Management Board to enter into talks with prospective investors, partners and current shareholders and to provide additional information (if any) on the Company in compliance with applicable provisions of law. The Issuer's Management Board will consider a variety of strategic options, including a search for investors or a strategic partner as part of a competitive process, including also strategic options other than those mentioned, which may be discovered in the course of the review. The review is designed to specify the best conditions for maximising the company value for existing shareholders. Rothschild & Co Polska Sp. z o.o. was chosen as the Company's advisor in the above respect.

7.5. Disposal by Sky Tower S.A. All Its Shares in Ownership Right to Developed Land on which "Sky Tower" Building Is Erected and Full Repayment of Bank Loan

On 15 March 2022, an Issuer's subsidiary, Sky Tower S.A. and Olimp Investment Sp. z o.o., a company controlled by an alternative investment fund managed by the Adventum Group, entered into a final sales agreement for the disposal of 79.55% of share in the ownership right to developed land on which a multi-purpose building called "Sky Tower" is built, which is located at 95 Powstańców Śląskich street, having the total area of approx. 23,798 sq. m (the "Sky Tower Share") (the "Sale and Purchase Agreement"). The remainder of the share in the ownership of Sky Tower, i.e. 20.45%, will remain in the possession of the owners of separated premises in the Sky Tower building. The price for the Sky Tower Share was agreed on a debt-free and cash-free basis at EUR 84,270,000.00, plus Value Added Tax (VAT) and less the value of incentives for tenants under agreements signed prior to the date of entering into the Preliminary Agreement, which have not been paid as at the date the Sale and Purchase Agreement is made, i.e. in the amount of EUR 1,878,436.64 and it will be paid in full on the date of making the Sale and Purchase Agreement. The Issuer, by entering into the Sale and Purchase Agreement, granted corporate guarantee up to the amount of EUR 2,438,481.95, to be used as security for the Seller's performance of its obligations arising from the said agreement.

Funds obtained from the sale were used for the complete repayment of a bank loan in the total amount of EUR 41,975,589.96 taken out under an agreement made between Sky Tower S.A. and a syndicate of banks comprised of Alior Bank S.A., based in Warsaw, and Getin Noble Bank S.A., based in Warsaw, of 29 December 2012, as amended. The maximum amount of the said loan was EUR 60,000,000, which was designated for refinancing the costs of construction of "Sky Tower" building.

7.6. Repayment of Loans, Redemption of Bonds, Amendments to Loan Agreements

- 1) On 31 January 2022, the 4 March 2021 loan agreement made between the Issuer and Santander Bank Polska S.A. was closed prior to the contractual date, as a consequence of which all obligations arising from the above agreement were extinguished.
- 2) On 28 February 2022, Develia S.A. redeemed four-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 18,496,000.
- 3) On 17 March 2022, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. made an amendment to the 28 October 2020 loan agreement, which postponed the loan availability period from 31 March 2022 to 30 June 2022.
- 4) On 15 March 2022, the 29 December 2012 bank loan taken out under an agreement made between Sky Tower S.A. and a syndicate of banks comprised of Alior Bank S.A., based in Warsaw, and Getin Noble Bank S.A., based in Warsaw as amended, was repaid in full. The maximum amount of the said loan was EUR 60,000,000,

which was designated for refinancing the costs of construction of “Sky Tower” building. All obligations arising from the above agreement were extinguished on the aforesaid date.

7.7. Additional Rights to Take up A Series Subscription Warrants Granted As Part of 1st Tranche of Incentive Scheme for Management Board Members and Company Key Personnel for 2021

By virtue of the Supervisory Board Resolution No. 6/2022 adopted on 17 March 2022, approving the Management Board Resolution No. 16/2022 adopted on 10 March 2022 (amending the Management Board Resolution No. 1 of 17/09/2021 and the Management Board Resolution No. 1 adopted on 08/03/2022), another three persons were included in the scheme and additional 738,677 rights to warrants were preliminarily granted. The said warrants were allocated from the 2021 reserve pool and from the rights granted under the Management Board Resolution No. 1 of 17/09/2021 to persons whose employment contracts were terminated and who consequently forfeited the entitlement to participate in the scheme. Accordingly, a total of 2,645,542 rights to A series subscription warrants were granted as part of the 1st tranche of the scheme for 2021. The reserve that has not been allocated as part of the 1st tranche includes 151,698 rights.

7.8. Letter of Intent Concerning Joint Venture Co-Operation Made by Issuer

On 23 March 2022, the Issuer and Hillwood Polska sp. z o.o. made a letter of intent expressing their intent to carry out a joint project through one or several joint venture companies (“JV”) on real property located in Malin, Wisznia Mała municipality, (the “Real Property”). The Project will entail the construction of a logistics park (centre) along with necessary technical and road infrastructure (the “Letter of Intent”). At the time the Letter of Intent was signed, the owner of the Real Property was an Issuer’s subsidiary, from which the Real Property will be acquired in stages depending on the progress of works for the Project. It has been estimated by the Issuer that, if the Project is completed as originally assumed, revenue from the sale of the entire Real Property is expected to be around EUR 34,700,000. An estimated value of the disposal of the Land is higher by 132% than the present property value recorded in subsidiary’s books of account and amounting to EUR 14,900,000. The commencement of the Project is conditional on changing the purpose of the land, which is necessary in order for the Project to serve functions relating to the provision of services. The Project will derive from the experience of the Issuer and the Partner, and responsibility for operational management will rest with Hillwood team. The Letter of Intent provides that the Issuer’s commitment will be determined in the JV Agreement at the level of 25%, whereas Hillwood’s commitment will be 75%. Under the basic scenario, the total capital commitment of the Issuer is estimated to be approx. EUR 8,700,000 and will be completely financed by selling the Real Property to the JV company. The total projected value of the entire Project will exceed PLN 1.5bn, and it is envisaged that it will be completed within six years after the purpose of the Real Property is changed. The JV Agreement will be made under a condition precedent, namely, obtaining the consent of the President of UOKiK (the Polish Office of Competition and Consumer Protection) to concentration that involves the creation of joint venture(s) by the Issuer and Hillwood and obtaining required corporate consents by both partners.

7.9. Analysis of COVID-19 Impact

An important factor that affected the Group’s current operations in 2021 was the state of COVID-19 epidemic. Following the period of worse sales figures for the entire 2020, which were lower than originally expected, that is to say, approx. 10% lower than in 2019, the Group made 1,921 development and preliminary agreements, exceeding the Management Board’s targets for the present year, which was 1,750-1,850 premises.

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. At the same time, low interest rates stimulated demand for flats, encouraging not only those purchasing to satisfy their own residential needs, but also investors intending to buy a flat for rental purposes.

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 revenue 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 in 2020 – 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 affect 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.

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.

Risk Associated with Warfare in Ukraine.

The risk factors that might adversely affect the Company's and the Group's operations include the warfare waged by the Russian Federation in Ukraine and related undesirable economic effects with global implications. The potential areas of risk that can be identified at the moment with respect to the construction and property development industry in which the Company operates are as follows:

- A dramatic rise in the prices of key raw materials, which increases the prices of goods of key relevance to the economy, including the prices of construction works, services, equipment and materials;
- A substantial decline in the value of Polish zloty and a risk of continued interest rate rises;
- Limited availability of employees from Ukraine, which results from the fact that reservists were called up to the army, whereas others decided to return to their country in order to engage in the warfare;
- Limited availability of construction materials, equipment, services and the interruption or disruption of continuity of supplies;
- Availability and cost of debt financing resulting from limited demand on the bond market;
- The financial standing of borrowers, including their worse creditworthiness, as well as a credit policy pursued by banks, which is reflected in the Polish Financial Supervision Authority Office's (UKNF) statement of 07 March 2022, and consequently, limited availability of loans for residential purposes;
- A possible decline in demand on the housing market following customers' uncertainty over likely scenarios of how the present economic and political situation may unfold.

The above factors may have a direct impact on the timely and correct performance of contracts entered into by the Company, and in particular, contracts under which construction projects are to be carried out, which stems from the fact that meeting completion dates for individual projects may prove to be difficult and project costs may rise considerably, as well as they may result in reduced demand for flats, consequently, adversely affecting the Group's revenue.

COVID-19 Risk

A risk factor affecting the Company'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 and affect revenue generated by the Company.

As at the date hereof, the 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 EUR 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 net financial result in PLN '000	Impact on equity in PLN '000
31 December 2021	+ 0.20	17,835	17,835
(audited)	- 0.20	(17,835)	(17,835)
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. The Company monitors, on an ongoing basis, works relating to the IBOR reform, which may have an effect on floating interest rate financial instruments. As at 31 December 2021, the Company has no floating interest rate financial instruments to which the IBOR reform applies

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 So-Called "New Property Development Law"

On 20 May 2021, the Sejm, the lower house of the Polish parliament, enacted a new Law on Protection of Purchasers of Residential Premises or Single-Family Houses and on Property Development Guarantee Fund, which will enter into force on 01 July 2022. The legislative amendments are designed to enhance the protection of the purchasers of premises and to revise the previous legal regulations on the sale of residential premises and houses on the primary housing market. Risk factors arising from the new law, which might adversely affect the Company's and the Group's operations, include the creation of the Property Development Guarantee Fund (the "PDGF") and the introduction of an obligation for property developers to make non-refundable contribution in the amount of not more than 1% of the premises value, when an open trust account is opened, and not more than 0.1%, when a closed trust account is used. The aforesaid contribution must be deducted from every portion of selling price paid by a purchaser. Accordingly, increased financial burden will be placed on property developers, which may reduce the profitability of ongoing property development projects. Furthermore, given the fact that banks will have greater controlling powers enabling them, among other things, to check whether there are any outstanding arrears to be paid by property developers to contractors and subcontractors, verify the completion of respective stages of construction works or inspect obligatory contribution payments to the PDFG, there is another negative factor of the new legislative amendment, which might affect the project progress.

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, which was announced and continues to be still in force, as well as financial troubles of tenants who create extra pressure by strongly urging to reduce rent, renegotiate 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 – first profits to be made in the years 2024-2025

On 31 January 2022, the Company's Management Board have approved, pursuant to the "2021-2025 Develia's Strategy" published in the Current Report no. 12/2021 of 18 February 2021, the Develia S.A. Management Board objectives for 2022.

- The number of premises to be sold in 2022 (development agreements or preliminary sales agreements): 2,300 – 2,450 units and the number of new premises to be added to the 2022 offer: 2,450-2,650 units.
- Residential premises to be delivered in 2022: 1,950 – 2,050 units.
- The disposal of the "Sky Tower" building by the end of April 2022.
- The disposal of the "Arkady Wrocławskie" building by the end of 2022.
- The disposal of the "Wola Retro" building in 2022/2023.
- As regards PRS- entering into contracts for the construction of 600-800 units.

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 2021, the Management Board have assumed that dividend for 2021 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 2021, average employment at the Company was as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Management Board	3.5	4.32
White-collar / administration workers	164.62	155.38
Blue-collar workers	0.0	0.0
Total	168.12	159.70

10.2. Structure of Employment at Group

In the year ended 31 December 2021, average employment in the Group was as follows:

Year ended 31 December 2021	Year ended 31 December 2020
------------------------------------	--

Management Board of Parent Undertaking	3.5	4.32
Management Boards of Group's Entities (*)	0	0
Administration	124.20	116.47
Sales Department	43.92	43.16
Others	0	0
Total	171.62	163.95

(*) 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

On 30 June 2021, the Ordinary General Meeting adopted resolutions on the Company's approval of the incentive scheme for management board members and company key personnel, the issue of subscription warrants excluding the existing shareholders' pre-emption rights and on the conditional increase in share capital, applying for the decision to admit the new issue of shares to trading on and introducing the same on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) and amending the Company's Articles of Association in respect of the above.

The incentive scheme aimed at members of the Management Board and key personnel is expected to be run in the years 2021 - 2024. The incentive scheme for persons of key relevance to the Company is introduced to create an additional instrument motivating personnel to reach financial targets set by the Company in line with its strategy and remuneration policy by providing mechanisms the Company could rely on in order to motivate persons it considers to be of key relevance to take actions ensuring long-term growth of the Company's value for shareholders, safeguarding thus the interests of both the senior staff and shareholders. The Company intends, in connection with the Scheme, to conditionally increase the share capital by issuing K series shares, which may be taken up by the holders of subscription warrants issued to this end by the Company, with the existing Company shareholders' pre-emption rights being excluded. The total number of warrants granted under the scheme may not be higher than 22,377,912 and eligible persons may take up not more than 5,594,478 warrants each year over the four-year period of the scheme. The grant of warrants under the scheme in respective years is conditional on meeting the financial criterion (75%) – namely reaching the minimum specified value of adjusted consolidated net profit and meeting the market criterion (25%). The scheme will expire on 31 December 2026.

In the reporting period, the Management Board and the Supervisory Board adopted the incentive scheme rules and determined the principles of issuing and taking up A series subscription warrants issued in connection with the incentive scheme. Initially, the right to take up A series subscription warrants was granted to the Members of the Management Board of Develia S.A. by the Supervisory Board under the Resolution No. 6 of 17 September 2021 and to 28 Develia S.A.'s employees by the Management Board under the Resolution No. 1 of 17 September 2021 approved by the Supervisory Board under the Resolution No. 7 of 17 September 2021. By virtue of the Supervisory Board Resolution No. 6/2022 adopted on 17 March 2022, approving the Management Board Resolution No. 16/2022 adopted on 10 March 2022 (amending the Management Board Resolution No. 1 of 17/09/2021 and the Management Board Resolution No. 1 adopted on 08/03/2022), another three persons were included in the scheme and additional 738,677 rights to warrants were preliminarily granted. The said warrants were allocated from the 2021 reserve pool and from the rights granted under the Management Board Resolution No. 1 of 17/09/2021 to persons whose employment contracts were terminated and who consequently forfeited the entitlement to participate in the scheme. Accordingly, a total of 2,645,542 rights to A series subscription warrants were granted as part of the 1st tranche of the scheme for 2021. The reserve that has not been allocated as part of the 1st tranche includes 151,698 rights.

In the reporting period and as at the date of preparation of these financial statements, neither the warrants nor shares were taken up by eligible persons.

The Company made the valuation of the incentive scheme in accordance with the rules laid down in IFRS 2. The scheme cost, as revealed by a valuation made as at 31/12/2021, totalled PLN 4,309,000, and was recognised in the Company's 2021 profit.

The incentive scheme and its valuation were described in detail in Note 19 of the separate financial statements and Note 12.5 of the consolidated financial statements.

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 01/01/2021 to 31/12/2021:

Andrzej Oślizło – remuneration along with bonuses totalled PLN 1,035,000; no share-based payment was made;
Paweł Ruszczak – remuneration along with bonuses totalled PLN 1,209,000; no share-based payment was made;
Mariusz Poławski⁽¹⁾ – remuneration along with bonuses totalled PLN 787,000; no share-based payment was made;
Mirosław Kujawski⁽²⁾ – remuneration along with bonuses totalled PLN 2,495,000; no share-based payment was made;
Tomasz Wróbel⁽³⁾ – remuneration along with bonuses totalled PLN 2,982,000; no share-based payment was made;

⁽¹⁾ On 25 January 2021, Mariusz Poławski was appointed to the Management Board of Develia S.A.

⁽²⁾ On 25 January 2021, Mirosław Kujawski handed in his resignation from the Company's Management Board.

⁽³⁾ Following Tomasz Wróbel's decision not to stand for another term of the Management Board, his authority as the member of the Issuer's Management Board expired as of (30 June 2021 upon the end of that day).

Remuneration for members of the Supervisory Board of Develia S.A. from 01/01/2021 to 31/12/2021:

Jacek Osowski – remuneration totalled PLN 132,000; no share-based payment was made;
Artur Osuchowski – remuneration totalled PLN 110,000; no share-based payment was made;
Paweł Małyska – remuneration totalled PLN 122,000; no share-based payment was made;
Piotr Kaczmarek – remuneration totalled PLN 110,000; no share-based payment was made;
Robert Pietryszyn – remuneration totalled PLN 93,000; no share-based payment was made;
Piotr Piniór – remuneration totalled PLN 81,000; no share-based payment was made;
Marcin Eckert⁽¹⁾ – remuneration totalled PLN 36,000; no share-based payment was made;
Piotr Borowiec⁽²⁾ remuneration totalled PLN 45,000; no share-based payment was made;

⁽¹⁾ On 30 June 2021, following the expiry of the Supervisory Board's term of office and due to the fact that Marcin Eckert was not appointed a Member of the Supervisory Board for another term of office, Marcin Eckert's authority as Supervisory Board Member expired on 30 June 2021.

⁽²⁾ Piotr Borowiec was appointed a new Member of the Supervisory Board for a new term of office on 01 July 2021.

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			Holding of the Issuer's shares as at 31/12/2021
		31/12/2020	Decrease	Increase	
Jacek Osowski	Chairman of Supervisory Board	-	-	-	-
Paweł Małyska	Vice Chairman of Supervisory Board	-	-	-	-
Artur Osuchowski	Member of Supervisory Board	-	-	-	-
Piotr Kaczmarek	Member of Supervisory Board	-	-	-	-
Robert Pietryszyn	Member of Supervisory Board	-	-	-	-
Piotr Pinior	Member of Supervisory Board	-	-	-	-
Marcin Eckert ¹⁾	Member of Supervisory Board	-	-	n/a	n/a
Piotr Borowiec ²⁾	Member of Supervisory Board	n/a	n/a	-	-

¹⁾ A Supervisory Board Member until 30/06/2021.

²⁾ A Supervisory Board Member appointed on 30/06/2021.

Persons responsible for management who hold Issuer's shares

Full name	Function in the body	Holding of the Issuer's shares as at			Holding of the Issuer's shares as at 31/12/2021
		31/12/2020	Decrease	Increase	
Andrzej Oślizło	President of Management Board	-	-	-	-
Paweł Ruszczak	Vice President of Management Board	46,800	-	-	46,800
Mariusz Poławski ¹⁾	Vice President of Management Board	-	-	-	-
Tomasz Wróbel ²⁾	Member of the Management Board	-	-	n/a	n/a
Mirosław Kujawski ³⁾	Member of the Management Board	-	-	-	-

¹⁾ On 25 January 2021, Mariusz Poławski was appointed to the Management Board of Develia S.A.

²⁾ On 30 June 2021, Tomasz Wróbel's term of office and authority as the member of the Management Board of Develia S.A. expired.

³⁾ On 25 January 2021, Mirosław Kujawski handed in his resignation from the Company's Management Board.

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 2021.

12.1. Set of Corporate Governance Principles

This information has been made in accordance with the Resolution No. 13/1834/2021 adopted by the Board of the

Warsaw Stock Exchange as of 29 March 2021 – “Best practices for WSE Listed Companies 2021”, which has been effective since 01 July 2021. The text of the corporate governance principles is available on the WSE website at: https://www.gpw.pl/pub/GPW/pdf/Uch_13_1834_2021_DPSN2021.pdf

12.2. Reasons for Deviation from Corporate Governance Principles

The Company has been applying, since 1 July 2021, all principles laid down in the Best practices for GPW (the Warsaw Stock Exchange) Listed Companies 2021, except for the following ten principles: 1.3.1., 1.3.2., 1.4., 1.4.1., 1.4.2., 1.5., 2.1., 2.2., 2.11.6., 4.1.

1. INFORMATION AND COMMUNICATION POLICY WITH INVESTORS

1.3. Companies integrate ESG factors in their business strategy, including in particular:

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

This principle is not applied.

The “Develia Group’s Strategy for the years 2021-2025”, which was published by the Company, does not present environmental factors, including measures and risks relating to climate change and sustainable development. However, the Company emphasised that it was willing to direct its operations to a positive impact on the environment and adapt selected projects to the city context. As for housing projects, the Group also plans to extend the scope of its products and distinguish them to a greater extent in terms of ecology, functionality, modernity and friendly environment. The Company develops new products by introducing additional elements to selected projects, taking into account state-of-the-art green solutions, e.g. photovoltaic panels, smog-eating pavements, solar lamps, electric vehicle charging stations or increased green areas with oxygen plants. The Company considers the commencement of analyses preparing for ESG reporting.

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees’ rights, dialogue with local communities, customer relations.

This principle is not applied.

This principle is not applied in full. The “Develia Group’s Strategy for Years 2021-2025”, which was published by the Company, does not present social and employee factors. However, the Company emphasises that it actively builds 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. The Company ensures equal treatment for men and women, decent working conditions and respect for employees’ rights. The Company’s strategy is focused on customer relations, among other things, by enhancing the customer service and satisfaction quality, introducing customer-oriented solutions and adjusting the Company’s offer to meet customers’ expectations. Another objective of the Company is to strengthen the position of a reliable local community partner, which assumes responsibility for natural environment.

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

This principle is not applied.

This principle is not applied in full. To ensure quality communications with stakeholders, as a part of the business strategy, the Company publishes on its website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. However, as mentioned in the note concerning the principle 1.3, the “Develia Group’s Strategy for the years 2021-2025”, which was published by the Company, does not contain information relating to the ESG area. If the Company takes a decision regarding ESG reporting, it will expand its communication activities to include this type of information.

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

This principle is not applied.

As mentioned in the notes concerning the principle 1.3 and 1.4, the “Develia Group’s Strategy for the years 2021-2025”, which was published by the Company, does not contain information relating to the ESG area, and consequently, issues

concerning the change of climate in decision processes.

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

This principle is not applied.

As mentioned in the notes relating to the principle 1.3 and 1.4, the “Develia Group’s Strategy for the years 2021-2025”, which was published by the Company, does not contain information relating to the ESG area, and consequently, issues concerning the equality in remuneration payable to employees. If the Company takes a decision regarding ESG reporting, it will expand its communication activities to include this type of information.

1.5. Companies disclose at least on an annual basis the amounts expended by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

This principle is not applied.

The Company and its group perform charitable activities by providing support to cultural and social projects and charities. The amounts expended by the Company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. are not listed separately, as they are insignificant compared with other costs incurred by the Company and do not affect the Company’s financial position.

2. MANAGEMENT BOARD AND SUPERVISORY BOARD

2.3. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

This principle is not applied.

The Company does not have in place any official document relating to diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. At present, the Company does not ensure gender diversity of the management board and the supervisory board at a level of at least 30%. All decisions concerning particular persons are taken by the Company based on individual qualifications and skills each of them has, regardless of gender or age.

2.4. Persons making decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

This principle is not applied.

As mentioned by the Company in the note relating to principle 2.1, the Company has not adopted any official document relating to a diversity policy of the management board and the supervisory board, setting out, among other things, diversity targets and criteria, therefore the said principle is not applied.

2.5. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

This principle is not applied.

The principle is not applied because principle 2.1. is not applied by the Company either.

4. GENERAL MEETING AND SHAREHOLDER RELATIONS

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

This principle is not applied.

The principle is not applied because the Company is not able to ensure technical infrastructure necessary to run the General Meeting by means of electronic communications (e-meeting). The Company ensures generally accessible real-time broadcasts of general meetings.

12.3. Share Capital and Shareholding of Develia S.A. as at 31 December 2021

As at 31 December 2021 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
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	85,289,000	85,289,000	19.06 %	19.06 %
Nationale-Nederlanden Otwarty Fundusz Emerytalny	83,470,921	83,470,921	18.65 %	18.65 %
AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	64,644,083	64,644,083	14.44%	14.44%
MetLife Otwarty Fundusz Emerytalny	36,000,000	36,000,000	8.04%	8.04%
PKO BP BANKOWY Otwarty Fundusz Emerytalny	24,242,509	24,242,509	5.42%	5.42%

Shareholders having directly or indirectly at least 5% of overall number of votes at general meeting of shareholders as at day 31 December 2020 pursuant to information obtained by Issuer

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
Nationale-Nederlanden Otwarty Fundusz Emerytalny	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 Otwarty Fundusz Emerytalny	34,528,295	34,528,295	7.71%	7.71%

12.4. Changes in Ownership Structure of Issuer's Qualifying Holding in 2021

On 02 November 2021, PKO BP BANKOWY Powszechnie Towarzystwo Emerytalne S.A. notified the Issuer that as a consequence of transactions consisting in the acquisition of the Issuer's shares, settled on 28 October 2021, the funds managed by the Fund Company: PKO BP BANKOWY Otwarty Fundusz Emerytalny and PKO Dobrowolny Fundusz Emerytalny exceeded jointly the threshold of shareholding in the Issuer by more than 5% of vote at the Issuer's General Meeting. In aggregate, directly prior to the settlement of the foregoing share acquisition transaction, i.e. as at 27 October 2021, the aforesaid funds held 21,701,988 Issuer's shares (which accounted for 4.85% share in the Issuer's share capital, giving the right to 21,701,988 votes at the Issuer's general meeting (which represented 4.85% share in the total

number of votes at the Issuer's general meeting). In aggregate, as a result of the foregoing share acquisition transaction, the aforesaid funds, as at 28 October 2021, held 23,131,988 Issuer's shares (which accounted for 5.17% share in the Issuer's share capital, giving the right to 23,131,988 votes at the Issuer's general meeting (which represented 5.17% share in the total number of votes at the Issuer's general meeting).

On 24 November 2021, the fund company PKO BP BANKOWY Powszechnie Towarzystwo Emerytalne S.A. notified the Issuer that, as a consequence of the acquisition of the Issuer's shares, the fund PKO BP BANKOWY Otwarty Fundusz Emerytalny managed by the fund company exceeded the threshold of shareholding in the Issuer by more than 5% of vote at the Issuer's General Meeting. Directly prior to the settlement of the foregoing share acquisition transaction, i.e. as at 19 November 2021, PKO BP BANKOWY held 22,290,205 Issuer's shares (which accounted for 4.98% share in the Issuer's share capital, giving the right to 22,290,205 votes at the Issuer's general meeting (which represented 4.98% share in the total number of votes at the Issuer's general meeting). As a result of the foregoing share acquisition transaction, PKO BP BANKOWY, as at 22 November 2021, held 22,390,205 Issuer's shares (which accounted for 5.0027% share in the Issuer's share capital, giving the right to 22,390,205 votes at the Issuer's general meeting (which represented 5.0027% share in the total number of votes at the Issuer's general meeting).

12.5. 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.

12.6. 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.

12.7. Supervisory Board of Develia S.A.

As at 01 January 2021, 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 Małycka- 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

On 01 July 2021, the Ordinary General Meeting of Develia S.A. appointed the following persons to the Supervisory Board for a new three-year term of office: Jacek Osowski, appointing him the Supervisory Board Chairman, Paweł Małycka, appointing him the Supervisory Board Vice Chairman, and Piotr Pinior, Piotr Borowiec, Artur Osuchowski, Piotr Kaczmarek and Robert Pietryszyn.

As at 31 December 2021, the Supervisory Board was comprised of the following persons:

Jacek Osowski- Chairman of the Supervisory Board
Paweł Małycka- Vice Chairman of the Supervisory Board
Artur Osuchowski- 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
Piotr Borowiec - 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.

12.8. Develia S.A.'s Management Board

As at 01 January 2021, the Management Board of Develia S.A. was composed of the following persons:

Andrzej Oślizło- President of Management Board
Paweł Ruszczak- Member of Management Board, CFO
Miroslaw Kujawski- Member of Management Board
Tomasz Wróbel- Member of Management Board

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

On 25 January 2021, the Supervisory Board appointed Mariusz Połowski 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.

Following Tomasz Wróbel's decision not to stand for another term of the Management Board, his authority as the member of the Issuer's Management Board expired as of 30 June 2021 (upon the end of that day).

As at 31 December 2021, the Management Board of Develia S.A. was composed of the following persons:

Andrzej Oślizło- President of Management Board
Paweł Ruszczak- Vice President of Management Board
Mariusz Poławski- Vice President of Management Board

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.

12.9. 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.

12.10. 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 2021, the Supervisory Board's Audit Committee was comprised of the following persons:

Artur Osuchowski- Committee Chairman
Paweł Małyska- Committee Member
Piotr Kaczmarek- Committee Member
Robert Pietryszyn- Committee Member

Following the expiry of the term of office of the Audit Committee on 30 June 2021, operating as part of the Supervisory Board, and due to the fact that on 30/06/2021 the Issuer's Ordinary General Meeting appointed new Supervisory Board Members for another, joint three-year term of office, the Supervisory Board of the Issuer appointed, on 02/07/2021, the following new members of the Audit Committee who continued to sit on the committee until 31 December 2021:

Artur Osuchowski- Committee Chairman
Paweł Małyska- Committee Member
Piotr Kaczmarek- Committee Member
Robert Pietryszyn- Committee Member

On 9 February 2022, Artur Osuchowski handed in his resignation from the Audit Committee. The Audit Committee elected Paweł Małyska the Chair thereof from among the Committee's members on 17 February 2022.

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 2021, did and still do meet independence criteria.

Most members of the Audit Committee who sat on the Committee in 2021 have knowledge of accountancy and audit of financial statements:

Artur Osuchowski completed a higher education programme in economics, the 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), Poltreg (since 2020) and considerable managerial experience: Vice President of CIECH S.A. (2008-2019), Supervisory Board Chairman at companies in Poland (Polskie Towarzystwo Ubezpieczeń 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 Małyska 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;

The following Audit Committee members declared that they have knowledge and competencies necessary for the industry in which the Company operates – Artur Osuchowski, Piotr Kaczmarek and Paweł Małyska (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 Małyska 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, provided also the Issuer, against separate payment, with non-audit services, namely an assurance service which entailed the assessment of the report on Management Board's and Supervisory Board's remuneration for the years 2019-2020 (pursuant to the Audit Committee's Resolution No. 2/2021 of 4 February 2021) and for the year 2021 (pursuant to the Audit Committee's Resolution No. 2/2022 of 21 February 2022), 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 2021 to audit the 2021-2022 statements, assessed the independence of the audit firm. Apart from permission for the audit firm's performance of the aforesaid assurance services, 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 2021 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 18 March 2021 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 2021, the Audit Committee had seven (7) meetings and two (2) meetings in 2022. 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 2020 financial statements, attended one (1) meeting of the Audit Committee in 2021 (18 March 2021), and while auditing the 2021 financial statements – they participated one (1) meeting of the Audit Committee in 2021 (13 December 2021) and one (1) meeting in 2022 (28 March 2022). 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 2021, the Supervisory Board's Appointment and Remuneration Committee was comprised of the following persons:

Jacek Osowski- Committee Chairman
Paweł Małyska- Committee Member
Piotr Kaczmarek- Committee Member

Following the expiry of the term of office of the Appointment and Remuneration Committee on 30 June 2021, operating as part of the Supervisory Board, and due to the fact that on 30/06/2021 the Issuer's Ordinary General Meeting appointed new Supervisory Board Members for another, joint three-year term of office, the Supervisory Board of the Issuer appointed, on 02/07/2021, the following new members of the Appointment and Remuneration Committee who continued to sit on the committee until 31 December 2021:

- Jacek Osowski- Committee Chairman
- Paweł Małyska- Committee Member
- Piotr Kaczmarek- Committee Member
- Piotr Pinior - Committee Member
- Piotr Borowiec - Committee Member

12.11. 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.

12.12. 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 2021, 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 2021, neither the Company nor any of the Group Companies acquired the Issuer's own shares.

13.3. Branch Offices of Group Entities

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

14. SUMMARY AND CONCLUSION

Due to the fact that the COVID-19 pandemic raged on, 2021 was a special year not only for the Group, but also for most markets all around the world. Despite of the epidemic, the Group experienced a good time in 2021. The 2021 Management Board's targets for the commercial segment were exceeded both in terms of the number of flats sold, units delivered and new residential premises on the offer.

As for the commercial segment, the Group pursued the strategy, as originally assumed, preparing the disinvestment commercial assets. These actions also included the making of a preliminary sales and purchase agreement for the "Sky Tower" building, which eventually led to the disposal of the said asset in March 2022. The operating profit for the commercial segment was in 2021 affected by the epidemic due to lower revenue generated by the trading segment. The foregoing stemmed, among other things, from lockdowns and a decline in demand for new office area rental contracts.

The Management Board are of the opinion that operating profit earned and the level of margins achieved in 2021 were good, despite a very difficult and special period which the Company had to face.

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

2021

In August 2021, 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 2021-2022 and a review of interim financial statements covering the six-month periods ended 30 June 2021 and 2022. Remuneration to be paid in 2021 under the aforesaid agreement amounts to PLN 175,000, which price includes an audit of the annual separate and consolidated financial statements of Develia S.A., and PLN 118,000 for services relating to a review of semi-annual separate and consolidated financial statements for a six-month period ended 30 June 2021.

Moreover, 17 agreements were concluded in 2021 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 2021 totalled PLN 350,000.

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 2021 in the amount of PLN 10,000.

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.

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, 30 March 2022

Andrzej Oślizło- President of Management Board

Paweł Ruszczak- Vice President of Management Board

Mariusz Połowski- Vice President of Management Board