



**MANAGEMENT BOARD'S REPORT ON OPERATIONS
OF DEVELIA GROUP
FOR 1ST HALF-YEAR OF 2022**

Wrocław, 13 September 2022

TABLE OF CONTENTS

PRINCIPLES APPLIED TO PREPARE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF DEVELIA GROUP	3
I. GENERAL INFORMATION ON GROUP	3
II. DESCRIPTION OF GROUP'S OPERATIONS IN 1ST HALF-YEAR OF 2022.....	6
III. INFORMATION ON GROUP'S INCOME AND ECONOMIC AND FINANCIAL STANDING IN 1ST HALF-YEAR OF 2022	16
IV. SIGNIFICANT EVENTS THAT HAD OR MIGHT HAVE AN IMPACT ON THE GROUP'S OPERATIONS AND FINANCING NECESSARY FOR THE GROUP'S ACTIVITIES IN THE 1ST HALF-YEAR OF 2022.....	17
V. OTHER EVENTS AFTER 30 JUNE 2022.....	20
VI. MANAGEMENT BOARD'S OPINION REGARDING FEASIBILITY OF MEETING EARLIER PUBLISHED FINANCIAL FORECASTS FOR GIVEN YEAR, IN VIEW OF RESULTS PRESENTED IN SEMI-ANNUAL REPORT AS COMPARED TO FORECAST RESULTS.....	22
VII. COURT PROCEEDINGS	22
VIII. FACTORS WHICH IN ISSUER'S OPINION MAY AFFECT ITS PERFORMANCE AT LEAST IN PERSPECTIVE OF FOLLOWING QUARTER	22
IX. OTHER INFORMATION DEEMED BY ISSUER AS RELEVANT FOR ASSESSMENT OF ITS PERSONNEL, ASSETS, FINANCIAL AND PROFIT/LOSS STANDING AND CHANGES THEREOF AND INFORMATION RELEVANT FOR FEASIBILITY OF FULFILLING ITS OBLIGATIONS.....	23
X. INFORMATION ON SINGLE OR MANY TRANSACTIONS CONCLUDED BY ISSUER OR ITS SUBSIDIARY UNDERTAKING WITH RELATED ENTITIES (IF THEY ARE SIGNIFICANT INDIVIDUALLY OR COLLECTIVELY AND IF MADE ON TERMS OTHER THAN AT ARM'S LENGTH)	23
XI. INFORMATION ON SURETY AND GUARANTEE GRANTED BY ISSUER AND GROUP COMPANIES	23
XII. SPECIFICATION OF SIGNIFICANT RISK FACTORS FOR GROUP'S OPERATIONS	23
XIII. CONCLUSIONS	29

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

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

The interim condensed consolidated financial statements of the Develia Group, with Develia S.A. (formerly LC Corp S.A.) as the parent undertaking, for the reporting period from 01/01/2022 to 30/06/2022 have been prepared in line with the International Financial Reporting Standards ("IFRS") in the form approved by the EU, applicable to interim financial reporting.

Information on principles applied while preparing the interim condensed consolidated financial statements of the Group has been also disclosed in Notes 7-9 accompanying the interim condensed consolidated financial statements.

Amendments to accounting principles applied by the Develia Group and the impact thereof on the Group's accounting policy, as well as the manner of how figures and data are presented have been shown in Notes 6-8 accompanying the semi-annual condensed consolidated financial statements.

I. GENERAL INFORMATION ON GROUP

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

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

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

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

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

- PKD 64.20.Z Activities of financial holding companies

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

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

As at 30 June 2022, the Develia S.A. Group was comprised of the following entities:

Company name	Share capital as at 30/06/2022 [PLN]	Effective Share of Issuer	
		30 June 2022 Share in Capital	31 December 2021 Share in Capital
Arkady Wrocławskie S.A.	113,700,000	100%	100%
Develia Wrocław S.A. ¹⁾	23,100,000	100%	100%
Develia Warszawa Sp. z o.o. ²⁾	33,003,000	100%	100%
Kraków Zielony Złocień Sp. z o.o.	13,530,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest I Sp. z o.o.	5,000	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest II Sp. z o.o.	88,800,000	100%	100%
LC Corp Invest III Sp. z o.o. ^{3) 6)}	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. ⁴⁾	13,600,000	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%

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

LC Corp Invest XV Sp. z o.o.	305,000	100%	100%
4resident Sp. z o.o. ⁵⁾	5,000	100%	100%
LC Corp Invest XVII Sp. z o.o.	5,000	100%	100%
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.	10,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. ⁶⁾	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 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. ⁷⁾	1,133,165	100% (directly and indirectly)	100% (directly and indirectly)

Jointly Controlled Entities

Projekt Ciszewskiego Sp. z o.o.	50,000	80% directly	80% directly
Projekt Myśluborska Sp. z o.o.	50,000	80% directly	80% directly
Projekt Lizbońska Sp. z o.o.	50,000	80% directly	80% directly
Projekt Ciszewskiego Sp. z o.o. Sp. k.	10,288,737	80% (directly and indirectly)	80% (directly and indirectly)
Projekt Myśluborska Sp. z o.o. Sp. k.	3,061,972	80% (directly and indirectly)	80% (directly and indirectly)
Projekt Lizbońska Sp. z o.o. Sp. k.	56,957,133	80% (directly and indirectly)	80% (directly and indirectly)

- 1) On 1 August 2022, a competent registry court registered a new company name of Sky Tower S.A., which was changed to Develia Wrocław S.A.
- 2) On 22 June 2022, a competent registry court registered a new company name of Warszawa Przyokopowa Sp. z o.o., which was changed to Develia Warszawa Sp. z o.o.
- 3) On 19 August 2022, a registry court made an entry relating to the redemption of shares in LC Corp Invest III sp. z o.o., and consequently, a reduction in its share capital from PLN 1,700,000.00 to PLN 100,000.00, i.e. by a sum of PLN 1,600,000.00.
- 4) On 28 April 2022, the Extraordinary General Meeting of LC Corp Invest VIII Sp. z o.o. adopted a resolution on voluntary redemption of shares in the company share capital and reduction in share capital from PLN 13,600,000 to PLN 50,000, i.e. by an amount of PLN 13,550,000 by the redemption of 13,550 shares. Proceedings to notify the company's creditors of share capital reduction. The company's articles of association will be changed upon registration by the registry court.
- 5) On 29 August 2022, a competent registry court registered a new company name of LC Corp Invest XVI Sp. z o.o., which was changed to 4resident Sp. z o.o.
- 6) On 1 September 2022, a competent registry court registered a merger between LC Corp Invest III sp. z o.o. and LC Corp Invest XV sp. z o.o. Projekt 6 sp.k. and an increase in the share capital of LC Corp Invest III sp. z o.o. from PLN 100,000.00 to PLN 100,500.00. 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 6 sp.k. to LC Corp Invest III sp. z o.o.
- 7) On 1 June 2022, an increase in the share capital of LC Corp Service S.A. was registered by the District Court for Wrocław-Fabryczna in Wrocław, 6th National Court Register Division, from PLN 633,165.00 to PLN 1,133,165.00, by the issue of 500,000 new D series registered shares.

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

The Develia S.A. Group carried out an in-depth analysis of the JV agreement made with Grupa Lar Holding Polonia Sp. z o.o. Based on that analysis, specifically, the provisions concerning the requirement for unanimity of both parties to the agreement when taking all significant decisions by companies covered by the agreement, in spite of holding 80% capital commitment in individual companies covered by the JV agreement, investments have been classified in the consolidated financial statements of the Develia S.A. Group as a joint contractual arrangement (joint ventures) and are valued by the equity method.

1. Major Changes in Group in 1st Half-Year of 2022

In the period of 6 months ended 30 June 2022, there were no considerable changes to the Group's composition.

2. Group's Objects

The Group is involved in a development activity related to construction projects, however, the operations of Develia S.A., as recorded in the national official business register (REGON), are associated with the activity of financial

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

holding companies, business management and administration, the activity linked to the utilisation and sale of own real property.

In the period from 1 January to 30 June 2022, the strategy of both the Issuer and the Group was pursued in line with the primary objects thereof, i.e. the investment activity.

3. Share Capital of Issuer

3.1. Ownership Structure of Issuer's Qualifying Holding

The share capital of Develia S.A. as at 30 June 2022 amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares carrying one vote at the General Meeting, with a par value of PLN 1.00 each. Ownership structure of qualifying holding as at the date of preparing semi-annual consolidated financial statements for H1 2022, according 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"	85,289,660	85,289,660	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	65,543,000	65,543,000	14.64%	14.64%
MetLife Otwarty Fundusz Emerytalny	36,290,859	36,290,859	8.11%	8.11%
PKO BP BANKOWY Otwarty Fundusz Emerytalny	24,712,198	24,712,198	5.52%	5.52%

Ownership structure of qualifying holding as at the date of preparing the financial statements for Q1 2022, according 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"	85,289,660	85,289,660	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	64,543,000	64,543,000	14.64%	14.64%
MetLife Otwarty Fundusz Emerytalny	36,000,000	36,000,000	8.04%	8.04%
PKO BP BANKOWY Otwarty Fundusz Emerytalny	24,712,198	24,712,198	5.52%	5.52%

Within the period from the submission of the Q1 2022 report to the date of the preparation hereof, to the best of the Issuer's knowledge, no significant changes in the ownership structure of the Issuer's qualifying holding took place.

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

3.2. Issuer's Shares or Rights Thereto Held by Persons Responsible for Management and Supervision of Issuer as at Date of Release of Report for 1st Half-Year of 2022, Including Changes in Number of Shares or Rights Thereto Owned by Such Persons in Period Following Submission of Previous Quarterly Report

Full name	Function in the body	Holding of the Issuer's shares as at 17/05/2022	Decrease	Increase	Holding of the Issuer's shares as at 13/09/2022
Supervisory staff					
Jacek Osowski	Chairman of Supervisory Board	-	-	-	-
Paweł Małyska ¹⁾	Vice Chairman of Supervisory Board	-	-	n/a	n/a
Artur Osuchowski ²⁾	Member of Supervisory Board	n/a	n/a	n/a	n/a
Piotr Kaczmarek	Member of Supervisory Board	-	-	-	-
Robert Pietryszyn	Member of Supervisory Board	-	-	-	-
Piotr Pinior	Member of Supervisory Board	-	-	-	-
Piotr Borowiec	Member of Supervisory Board	-	-	-	-
Michał Hulbój ³⁾	Member of Supervisory Board	-	-	-	-
Filip Gorczyca ⁴⁾	Member of Supervisory Board	n/a	n/a	-	-

(1) Paweł Małyska tendered his resignation from the Supervisory Board, effective as of 30 June 2022.

(2) Artur Osuchowski tendered his resignation from the Supervisory Board, effective as of 12 May 2022.

(3) Michał Hulbój was appointed to the Supervisory Board on 17 May 2022.

(4) Filip Gorczyca was appointed to the Supervisory Board on 1 July 2022.

Management staff					
Andrzej Oślizło	President of Management Board	-	-	-	-
Paweł Ruszczak	Vice President of Management Board	46,800	-	-	46,800
Mariusz Poławski	Vice President of Management Board	-	-	-	-

II. DESCRIPTION OF GROUP'S OPERATIONS IN 1ST HALF-YEAR OF 2022

In H1 2022, 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, Cracow, Gdańsk and Wrocław. As part of operations performed on the development market, the subsidiaries of Develia S.A. continued existing construction projects or prepared for the commencement of new ones, as well as managed two office, retail and services centres – Arkady Wrocławskie and Sky Tower, and one office and retail centre – Wola Retro.

1. Basic Products, Goods and Services

The Group's revenue in H1 2022 came mainly from the sales of residential and retail premises, which accounted for 74.0% of total revenue earned. The Group's revenues derived from the lease of commercial real property totalled 26.0%

The below table shows figures for the six-month period ended 30 June 2022, pertaining to revenues and profits earned by the Group on respective segments (PLN'000):

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

Period of 6 months ended	Rental services	Property development activity	Holding (other) activity	TOTAL
30 June 2022				
Total sales revenue	31,114	88,679	30	119,823
Pre-tax profit/(loss) on sales				
- Result for segment	14,196	24,769	30	38,995

2. Information on Trade Area

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

Revenue earned in H1 2022 came from the development activities performed by the Group companies on the domestic market in respective cities.

In total, 964 residential and business units were sold in H1 2022 (preliminary sales agreements/development agreements; withdrawals from agreements taken into account), which was 9% fewer than in the corresponding period of the previous year, whereas 206 residential and business units were delivered (the sale reported in the income statement), which was 73% fewer than in H1 2021.

The below table presents in detail sales in individual cities for H1 2022 (including comparatives for H1 of the previous year) (figures shown in the tables refer to the number of residential and business premises).

pre-sales

City	Q2 2021	Q2 2022	01/01-30/06/2021	01/01-30/06/2022	01/01-31/08/2021	01/01-31/08/2022
Warsaw	53	67	184	180	198	202
Wrocław	59	26	165	38	188	61
Cracow	241	111	394	308	494	376
Gdańsk	89	117	214	337	291	379
Łódź	0	0	0	0	0	0
Katowice	40	38	105	99	179	112
TOTAL DEV	482	359	1,062	962	1,350	1,130
TOTAL JV	0	2	0	2	0	2
		-25%		-9%		-16%

delivery

City	Q2 2021	Q2 2022	01/01-30/06/2021	01/01-30/06/2022	01/01-31/08/2021	01/01-31/08/2022
Warsaw	60	13	276	73	286	74
Wrocław	204	0	204	3	615	3
Cracow	55	7	153	108	166	108
Gdańsk	39	0	102	21	115	22
Łódź	0	0	0	0	0	0
Katowice	7	0	23	1	25	57
TOTAL DEV	365	20	758	206	1,207	264
TOTAL JV	0	0	0	0	0	0
		-95%		-73%		-78%

<i>offer</i>	completed		construction works commenced		construction works not commenced		land bank
	14,299		4,745		1,578		7,932
City	sold	in offer	sold	in offer	sold	in offer	to be included in offer
Warsaw	5,785	4	365	557	2	477	2,557
Wrocław	3,435	7	304	251	2	284	1,072
Cracow	3,152	5	1,063	569	2	235	2,429
Gdańsk	1,761	4	818	444	3	375	1,037
Łódź	60	0	0	0		0	275
Katowice	83	3	335	39	59	139	562
TOTAL DEV	14,276	23	2,885	1,860	68	1,510	7,932

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

TOTAL JV		2	394
-----------------	--	----------	------------

The following information pertains to both the Group's ongoing projects and projects currently in the preparation stage, according to data available as at 30 June 2022.

3. Property Development Projects – Implemented

3.1. Commercial Projects

Name of Project	City	District	Segment	Construction Completion Date	Area (sq m)
Wola Retro	Warsaw	Wola	Office and services	Q3 2019	25,601
Arkady Wrocławskie	Wrocław	Krzyki	Office, retail and services	Q2 2007	38,442
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 Zawdzie	Office and services	Q4 2014	14,969
Silesia Star * (Building B)	Katowice	Bogucice Zawdzie	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 H1 2021 and H1 2022 and WALT**

NOI for commercial real property (EUR million)	1H 2021	1H 2022	WALT
Arkady Wrocławskie	1.59	0.70	Office area – 1.8 Retail area – 1.6
Wola Retro	1.23	1.83	Office area – 4.9 Retail area – 8.4

* "NOI" – Net Operating Income, means gross income within the period less operating expenditure, but excluding income tax, credit costs and revaluation of investment property.

** "WALT" – means a weighted average lease term for lease contracts made

The following table shows the valuations of commercial buildings made by valuers or the Management Board of the Company as at 30 June 2022.

Real property	30/06/2022
----------------------	-------------------

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

	Yield	Valuation in EUR
Arkady Wrocławskie	8.75%	37,600,000
Wola Retro	6.00%	71,300,000

3.2. Housing Projects

Name of Project	City	District	Segment	Construction Completion Date	Number of Flats and Commercial Premises
Przy Promenadzie (stage 1-3)	Warsaw	Praga- Południe	Flats, services	Q4 2010	730
Przy Promenadzie (stage 4)	Warsaw	Praga- Południe	Flats, services	Q3 2016	202
Rezydencja Kaliska	Warsaw	Śródmieście- Ochota	Flats, services	Q1 2011	101
Powstańców 33 (stage 1-5)	Ząbki near Warsaw		Flats, services	Q4 2012	114
				Q3 2014	229
				Q3 2016	230
				Q3 2018	165
				Q2 2019	123
Na Woli (stage 1-9)	Warsaw	Wola	Flats, services	Q4 2014	192
				Q4 2015	112
				Q1 2018	157
				Q4 2018	150
				Q1 2019	147
				Q2 2019	147
				Q4 2019	301
Q3 2020	177				
Q3 2021	305				
Poborzańska	Warsaw	Targówek	Flats, services	Q2 2016	91
				Q2 2016	140
				Q3 2017	217
Mała Praga (stages 1-6)	Warsaw	Praga Południe	Flats, services	Q1 2018	158
				Q1 2019	235
				Q1 2022	48
Korona Pragi (stage 1-3)	Warsaw	Praga Południe	Flats, services	Q4 2017	170
				Q3 2018	171
				Q4 2018	173
Krzemowe (stage 1-3)	Warsaw	Mokotów	Flats	Q2 2017	159
				Q4 2017	244
				Q4 2018	130
Mały Grochów (stage 1-2)	Warsaw	Grochów	Flats, services	Q1 2021	105
				Q1 2021	137

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

Rokokowa Residence	Warsaw	Bielany	Flats, houses	Q1 2021	29
				Q3 2012	176
Maestro (stage 1-3)	Wroclaw	Krzyki-Jagodno	Flats	Q3 2013	160
				Q3 2017	125
Potokowa (stage 1-3)	Wroclaw	Maśllice	Flats and houses	Q2 2013	72
				Q3 2013	42
				Q2 2014	73
				Q3 2013	173
				Q3 2014	179
Graniczna (stage 1-6)	Wroclaw	Fabryczna	Flats	Q4 2015	187
				Q2 2016	125
				Q4 2016	168
				Q3 2017	168
Nowalia	Wroclaw	Klecina	Terraced houses	Q1 2014	44
Brzeska 5	Wroclaw	Krzyki	Flats, services	Q4 2014	167
Stablowicka 77 (stage 1-2)	Wroclaw	Fabryczna	Flats	Q3 2014	73
				Q1 2015	60
Dolina Piastów	Wroclaw	Fabryczna	Flats	Q2 2016	176
Nowa Tęczowa	Wroclaw	Stare Miasto	Flats, services	Q1 2018	212
Sołtysowicka	Wroclaw	Sołtysowice	Flats	Q1 2018	165
Między Parkami (stage 1)	Wroclaw	Klecina	Flats	Q1 2019	164
Małe Wojszyce	Wroclaw	Wojszyce	Flats	Q2 2020	63
Nowa Raclawicka	Wroclaw	Krzyki	Flats	Q2 2021	231
Kamienna (stage 1-2)	Wroclaw	Huby	Flats, services	Q3 2021	253
				Q3 2021	186
				Q4 2011	120
				Q4 2012	164
				Q3 2014	42
				Q4 2015	120
Słoneczne Miasteczko (stage 1-11)	Cracow	Bieżanów-Prokocim	Flats	Q2 2017	108
				Q4 2018	108
				Q1 2019	108
				Q3 2020	108
				Q1 2021	102
				Q3 2021	123

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

				Q1 2022	102
Okulickiego 59	Cracow	Mistrzejowice	Flats, services	Q4 2012	146
				Q2 2015	164
Grzegórzecka (stage 1-4)	Cracow	Śródmieście	Flats, services	Q4 2015	149
				Q1 2016	85
				Q1 2017	242
				Q2 2017	150
Centralna Park (stage 1-5)	Cracow	Czyżyny	Flats	Q1 2018	130
				Q4 2018	264
				Q4 2019	151
				Q1 2020	103
5 Dzielnica (stage 1-2)	Cracow	Krowodrza	Flats, services	Q1 2017	190
				Q3 2017	113
Przy Mogiłskiej (stage 1)	Cracow	Prądnik Czerwony	Flats	Q2 2021	65
				Q4 2012	72
Przy Srebrnej (stage 1-4)	Gdańsk	Łostowice	Flats, services	Q3 2014	28
				Q4 2014	46
				Q3 2016	32
				Q1 2018	65
				Q4 2018	65
				Q2 2019	65
Świętokrzyska Park (stage 1-7)	Gdańsk	Łostowice	Flats	Q4 2019	65
				Q3 2020	108
				Q4 2020	54
				Q3 2021	54
				Q4 2021	54
Przy Alejach (stage 1-2)	Gdańsk	Zaspa	Flats	Q2 2016	110
				Q2 2017	97
				Q4 2017	230
Bastion Wałowa (stage 1-4)	Gdańsk	Śródmieście	Flats	Q4 2018	230
				Q4 2020	140
				Q4 2020	115
Osiedle Latarników (stage 1)	Gdańsk	Letnica	Flats, services	Q4 2021	135
Dębowa Ostoja (1 stage)	Łódź	Bałuty	Terraced houses	Q3 2011	22
Pustynna 43 (1 stage)	Łódź	Górna	Flats	Q4 2012	38
Centralna Park 2 (stage 1)	Katowice	Brynów	Flats, services	Q4 2020	86
Total (30/06/2022)					14,299

As at 30 June 2022, the Group did not deliver 31 premises located in the aforesaid completed projects.

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

4. Investment projects under Construction

4.1. Housing Projects

Name of Project	City	District	Segment	Planned Construction Completion Date	Number of Flats and Commercial Premises
Prestovia House	Warsaw	Praga Północ	Flats	Q4 2022	162
Aleje Praskie (stage 1-2, 6)	Warsaw	Praga Południe	Flats, services	Q2 2023	143
				Q4 2023	182
				Q1 2024	239
Toruńska Vita	Warsaw	Targówek	Flats	Q3 2023	196
Między Parkami (stage 2)	Wrocław	Klecinia	Flats	Q3 2022	202
Kaskady Różanki	Wrocław	Różanka	Flats, services	Q1 2023	132
Reja	Wrocław	Olbin	Flats, services	Q1 2023	61
Mist House	Wrocław	Krzyki	Flats	Q1 2023	46
Cynamonowa Vita	Wrocław	Lipa Piotrowska	Flats	Q1 2024	114
Słoneczne Miasteczko (stage 12-14)	Cracow	Bieżanów-Prokocim	Flats	Q4 2022	108
				Q4 2022	108
				Q4 2023	136
Przy Mogińskiej (stage 2-3)	Cracow	Prądnik Czerwony	Flats	Q4 2023	137
				Q4 2023	136
Centralna Park (stage 6-9)	Cracow	Czyżyny	Flats, services	Q4 2022	270
				Q4 2022	224
				Q4 2023	139
Grzegórzecka 77 (stage 5-6)	Cracow	Grzegórzki	Flats, services	Q1 2024	154
				Q3 2022	94
				Q4 2023	126
Via Flora (stage 1-2)	Gdańsk	Chelm	Flats	Q3 2023	68
				Q4 2023	88
Osiedle Latarników (stage 2-3)	Gdańsk	Letnica	Flats, services	Q4 2022	218
				Q4 2023	159
Baltea Apartments	Gdańsk	Przymorze	Flats, services	Q4 2022	239
Szmaragdowy Park (stage 1)	Gdańsk	Orunia Górna - Gdańsk Południe	Flats	Q4 2022	175
Przy Alejach (stage 3)	Gdańsk	Zaspa	Flats	Q4 2022	48
Marinus	Gdańsk	Brzeźno	Flats, services	Q2 2023	83

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

Ujeścisko Vita	Gdańsk	Południe	Flats	Q1 2024	184
Ceglana Park (stage 2-3)	Katowice	Brynów	Flats, services	Q3 2022 Q4 2022	178 196
Total (30/06/2022)					4,745

As at 30 June 2022, the Group had sold 2,885 premises which were under construction at that time.

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

5.1. Commercial Projects

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

5.2. Housing Projects

Name of Project	City	Number of Flats and Commercial Premises
Trzciniowa	Warsaw	161
Aleje Praskie	Warsaw	1,020
Aroniowa	Warsaw	1,448
Strzelecka	Warsaw	48
Drwęcka	Warsaw	37
Krakowska Vita	Warsaw	322
Reszelska	Wrocław	83
Orawska	Wrocław	644
Vratislavia Reidence (Malin)	Wrocław	-
Krzemieniecka	Wrocław	37
Ogrody Wojszyce	Wrocław	114
Legnicka	Wrocław	271

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

Ślężna Vita	Wrocław	209
Słoneczne Miasteczko	Cracow	188
Grzegórzecka	Cracow	174
Centralna Park	Cracow	2,304
Szmaragdowy Park	Gdańsk	44
Południe Vita	Gdańsk	792
Przemyska Vita	Gdańsk	382
Zamojska Vita	Gdańsk	89
Niepołomska	Gdańsk	108
Ceglana Park	Katowice	760
Pustynna 43	Łódź	114
Dębowa Ostoja	Łódź	161
Total (30/06/2022)		9,510

Premises added to the offer (construction not started yet)

Aleje Praskie (stage 6)	Warsaw	-157
Krakowska Vita	Warsaw	-322
Ogrody Wojszyce	Wrocław	-77
Ślężna Vita	Wrocław	-209
Centralna Park (stage 10)	Cracow	-145
Grzegórzecka 77 (stage 7)	Cracow	-92
Południe Vita (stage 1-2)	Gdańsk	-111 -121
Przemyska Vita (stage 1)	Gdańsk	-146
	Katowice	-170

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

Ceglana Park (stage 4-5)	-28
Total (30/06/2022)	7,932

(*) The Malin Project was not taken into consideration for the calculation of land bank as at 30/06/2022

6. Group's Reliance on Suppliers and Consumers

- Service Recipients

As regards the sale of residential and business units in the first half-year of 2022, 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 the first half-year of 2022 – construction works are provided by a large variety of different businesses that compete with each other on the developed construction market in Poland, therefore the Group companies use the services of various construction companies in order to eliminate the risk of being dependent on one particular entity. Contracts for construction works are put up by the Group to tender, to make sure that only contractors that made the most favourable proposals have been selected. The Group's development projects are carried out mainly on a general contracting basis.

7. Significant Contracts, Insurance Agreements

- 1) On 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 Nasypowa 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.
- 2) 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.
- 3) 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 on real property located in Malin, Wisznia Mała municipality. The Project will entail the construction of a logistics park (centre) along with necessary technical and road infrastructure. 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

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

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.

Except for the aforesaid contracts, in H1 2022 the Group companies did not enter into any other significant agreements, the value of which would be at least 10% of the Issuer's equity.

III. INFORMATION ON GROUP'S INCOME AND ECONOMIC AND FINANCIAL STANDING IN 1ST HALF-YEAR OF 2022

General Economic and Financial Figures	As at 30 June 2022 PLN'000	As at 30 June 2021 PLN'000
Fixed assets	557,195	1,052 770
Current assets	2,337,370	1,966 504
Non-current assets classified as held for sale	210,173	-
Equity	1,219,796	1,297 648
Liabilities and provisions for liabilities	1,870,670	1,721 626
Balance-sheet total	3,104,738	3,019 274
Sales revenue	119,823	376,744
Gross profit on sales	38,995	115,868
Operating profit/(loss)	23,984	68,051
Gross profit	7,366	68,179
Net profit	15,757	55,651

During the period ended 30 June 2022, the Group earned sales revenue of PLN 119,823,000 and the net profit of PLN 15,757,000.

Major factors and events that had considerable impact on the financial performance of the Group within the period of 6 months ended 30 June 2022 include, but are not limited to the following:

1. The sale (delivery) of residential and retail units located in development properties - a decline compared to 2021;
2. A growth in the EUR to PLN exchange rate (4.6806) as at 30 June 2022, compared with the EUR to PLN exchange rate effective on 31 December 2021 (4.5994), which had a bearing on the conversion of the EUR value of investment property to PLN and of loans in EUR taken out to obtain funding for the said real property;
3. The impact of the market situation related to the war in Ukraine on the Group's current operations.

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

	30 June 2022 PLN'000	Structure %
Assets		
A. Fixed assets	557,195	17.95%
1. Intangible assets	491	0.02%

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

2. Property, plant and equipment	4,940	0.16%
3. Non-current receivables	2,621	0.08%
4. Land classified as fixed assets	56,254	1.81%
5. Investment property	466,701	15.03%
6. Non-current prepayments	699	0.02%
7. Deferred tax assets	25,489	0.82%
B. Current assets	2,337,370	75.28%
1. Inventory	1,897,261	61.11%
2. Trade and other receivables	32,996	1.06%
3. Income tax receivable	4,791	0.15%
4. Derivatives assets	498	0.02%
5. Short-term securities	10,081	0.32%
6. Other financial assets	156,175	5.03%
7. Cash and other cash assets	228,084	7.35%
8. Current prepayments	7,484	0.24%
C. Non-current assets classified as held for sale	210,173	6.77%
Total assets	3,104,738	100.00%

Equity and liabilities

A. Equity	1,219,796	39.29%
I. Equity attributable to shareholders of the parent	1,219,796	39.29%
1. Share capital	447,558	14.42%
2. Other capitals	756,481	24.37%
3. Net profit/(loss)	15,757	0.51%
II. Minority interest	-	0.00%
B. Long-term liabilities	517,589	16.67%
1. Non-current liabilities on account of loans and bonds	443,157	14.27%
2. Non-current liabilities arising from derivatives	-	0.00%
3. Non-current lease liabilities	17,707	0.57%
4. Provisions	14,341	0.46%
5. Accruals and deferred income	4,156	0.13%
6. Deferred tax liability	38,228	1.23%
C. Short-term liabilities	1,353,081	43.58%
1. Current liabilities on account of loans and bonds	153,314	4.94%
2. Current liabilities arising from derivatives	113	0.00%
3. Current lease liabilities	76,668	2.47%
4. Current trade and other payables	176,636	5.69%
5. Income tax payables	456	0.01%
6. Provisions	8,243	0.27%
7. Accruals and deferred income	937,651	30.20%
D. Liabilities arising from assets held for sale	14,272	0.46%
Total equity and liabilities	3,104,738	100.00%

IV. SIGNIFICANT EVENTS THAT HAD OR MIGHT HAVE AN IMPACT ON THE GROUP'S OPERATIONS AND FINANCING NECESSARY FOR THE GROUP'S ACTIVITIES IN THE 1ST HALF-YEAR OF 2022

1. Loan Agreements Concluded by Group Companies

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

On 12 April 2022, a revolving loan agreement in the amount of PLN 30,000,000 was made between the Company and Santander Bank Polska S.A., which was designated for financing of day-to-day activities. Security provided for the loan includes: mortgage up to PLN 45,000,000 on the real properties which Develia S.A. owns or to which it holds the right of perpetual usufruct; a declaration on voluntary submission to enforcement of up to PLN 45,000,000 pursuant to Article 777(1)(5) of the Code of Civil Procedure; financial and registered pledge up to the highest sum of security in the amount of PLN 45,000,000 on rights to cash deposited in the borrower's accounts maintained with

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

bank Santander Bank Polska S.A.; a power of attorney granted to the bank by the Company to draw down cash deposited in the borrower's bank accounts.

Amendment to Agreement Related to Revolving Loan Taken out by the Company with PKO Bank Polski S.A.

On 27 April 2022, the Company and a bank Powszechna Kasa Oszczędności BP S.A. made an amendment to the 29 April 2021 overdraft facility agreement, under which the sum borrowed was increased from PLN 20,000,000 to PLN 50,000,000 and the lending period changed to 28 April 2023. Following the above amendment, the Company also changed the joint mortgage value up to PLN 75,000,000.00 in relation to the real properties which Develia S.A. owns or to which it holds the right of perpetual usufruct, made a declaration in the form of a notarial deed on voluntary 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 75,000,000 and created a financial and registered pledge up to the highest sum of security amounting to PLN 75,000,000.00 on cash deposited in the current account by modifying the one created before in connection with the making of the loan agreement.

Amendment to Agreement Concerning Bank Loan Taken out by Arkady Wrocławskie S.A. with Santander Bank Polska S.A.

On 8 June 2022, 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 Bank decided to refrain from the verification of WALT until the end of Q3 2022. On 30 June 2022, the principal in the amount of PLN 875,000 was paid off.

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 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.

On 24 June 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 30 June 2022 to 31 December 2022.

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

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.

On 28 March 2022, the company entered, pursuant to a framework agreement of 8 February 2018, into 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 2022. A new settlement date was set for the unsettled amount of PLN 6,572,000, namely, 30 June 2022. The nominal value of the aforesaid transaction at a base rate amounted to EUR 1,470,000.

On 27 June 2022, the company entered, pursuant to a framework agreement of 8 February 2018, into 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 2022. A new settlement date was set for the unsettled amount of PLN 1,737,000, namely, 30 December 2022. The transaction was settled in full on 23 August 2022.

On 18 August 2022, the company entered, pursuant to a framework agreement of 8 February 2018, into a foreign exchange forward transaction which included forward and derivative operations relating to the performance of a loan agreement and set the settlement period of the transaction to its maturity, i.e. 23 August 2022. The nominal value of the aforesaid transaction at a base rate amounted to EUR 534,000. The transaction was settled in full on 23 August 2022.

Except for the instruments mentioned above, in the period of 6 months ended 30 June 2022 neither new loan agreements were concluded nor the existing ones were amended.

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

2. Disbursement and Repayment of Loans by Group Companies

- 1) In the period of 6 months ended 30 June 2022 (i.e. on 31 January 2022), the loan taken out by the Issuer on 4 March 2021 was entirely paid off to Santander Bank Polska S.A. before the contractual date, as a consequence of which all obligations arising from the above agreement were extinguished.
- 2) In the period of 6 months ended 30 June 2022 (i.e. on 15 March 2022), the 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.
- 3) In the period of 6 months ended 30 June 2022, 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 30 June 2022, the total outstanding amount after conversion into Polish Zlotys was PLN 55,140,000.
- 4) In the period of 6 months ended 30 June 2022, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., in accordance with a loan agreement with mBank S.A., concerning a loan taken out in EUR and designated for the partial financing of Wola Retro project in Warsaw, drew down funds in the total amount of PLN 4,845,000 and repaid loan instalments in the amount of PLN 2,400,000. As at 30 June 2022, the total outstanding amount after conversion into Polish Zlotys was PLN 128,813,000.
- 5) In the period of 6 months ended 30 June 2022, Develia S.A. drew down funds in the total amount of PLN 1,029,000 in accordance with an agreement made with Bank Ochrony Środowiska S.A. under which a loan was provided for the financing or refinancing of costs relating to the construction of a property development project called "Kaskady Różanki" in Wrocław. As at 30 June 2022, the total outstanding amount was PLN 7,316,000.

3. Payment of Dividend by Issuer

On 17 May 2022, 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 201,401,239.95
- b) Amount of dividend per share: PLN 0.45
- c) Number of shares subject to dividend: 447,558,311 shares
- d) Record date: 24 May 2022
- e) Dividend payment date: 31 May 2022

Pursuant to the said resolution, Develia S.A. paid the dividend on 31 May 2022.

4. Payment of Dividend by Subsidiary Undertakings with Issuer's Participation in Dividend Distribution

- 1) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 31 March 2022, a portion of dividend for 2021 in the amount of PLN 16,409,000 was paid to Develia S.A. on 11 April 2022.
- 2) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 31 March 2022, a portion of dividend for 2021 in the amount of PLN 20,050,000 was paid to Develia S.A. on 19 April 2022.
- 3) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 31 March 2022, a portion of dividend for 2021 in the amount of PLN 108,500,000 was paid to Develia S.A. on 20 April 2022.
- 4) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 31 March 2022, the remainder of dividend for 2021 in the amount of PLN 35,000,000 was paid to Develia S.A. on 22 April 2022.
- 5) Under the Resolution of the Ordinary General Meeting of LC Corp Invest I Sp. z o.o. carried on 21 April 2022, dividend for 2021 in the amount of 14,000 was paid to Develia S.A. on 28 April 2022.
- 6) Under the Resolution of the Ordinary General Meeting of LC Corp Invest VII Sp. z o.o. carried on 18 May 2022, previous years' profit in the amount of 4,595,000 was paid to Develia S.A. on 27 May 2022.
- 7) Under the Resolution of the Ordinary General Meeting of Develia Warszawa Sp. z o.o. carried on 18 May 2022, a portion of dividend for 2021 in the amount of PLN 2,200,000 was paid to Develia S.A. on 27 May 2022. The remainder of PLN 2,227,000 was paid to Develia S.A. on 20 July 2022.
- 8) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XV Sp. z o.o. carried on 18 May 2022, dividend for 2021 in the amount of 1,219,000 was paid to Develia S.A. on 27 May 2022.
- 9) Under the Resolution of the Ordinary General Meeting of LC Corp Invest IX Sp. z o.o. carried on 18 May 2021, dividend for 2021 in the amount of PLN 3,203,000 was paid to Develia S.A. on 30 May 2022.

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

- 10) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XI Sp. z o.o. carried on 18 May 2022, dividend for 2021 in the amount of 6,576,000 was paid to Develia S.A. on 30 May 2022.
- 11) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XI Sp. z o.o. carried on 18 May 2022, an advance on dividend in the amount of 8,500,000 was paid to Develia S.A. on 30 May 2022.
- 12) Under the Resolution of the Ordinary General Meeting of LC Corp Invest XII Sp. z o.o. carried on 18 May 2022, dividend for 2021 in the amount of PLN 15,381,000 was paid to Develia S.A. on 30 May 2022.
- 13) Under the Resolution of the Ordinary General Meeting of LC Corp Invest X Sp. z o.o. carried on 18 May 2022, dividend for 2021 in the amount of PLN 16,020,000 was paid to Develia S.A. on 30 May 2022.
- 14) Under the Resolution of the Ordinary General Meeting of Develia Wrocław Sp. z o.o. carried on 23 May 2022, dividend for 2021 in the amount of PLN 57,258,000 was paid to Develia S.A. on 30 May 2022.
- 15) Under the Resolution of the Ordinary General Meeting of company LC Corp Invest XV Sp. z o.o. Projekt 20 Sp. k. carried on 18 May 2022, a portion of a share in the profit for 2021 in the amount of PLN 3,000,000 was paid to Develia S.A. on 24 June 2022.
- 16) Under the Resolution of the Ordinary General Meeting of company LC Corp Invest XV Sp. z o.o. Projekt 20 Sp. k. carried on 18 May 2022, the remainder of a share in the profit for 2021 in the amount of PLN 1,689,000 was paid to Develia S.A. on 30 June 2022.

5. Issue, Buyout of Securities

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.

On 31 March 2022, Develia S.A. partially redeemed bonds of PLN 19,000,000 before the bond maturity date.

On 5 June 2022, Develia S.A. redeemed the bonds of PLN 31,000,000.

In the period of 6 months ended 30 June 2022, no other bonds – except for those mentioned above – were issued or redeemed.

6. Analysis of COVID-19 Impact

An important factor that affected the Group's current operations in H1 2022 was the state of COVID-19 epidemic. 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.

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 COVID-19 epidemic 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.

V. OTHER EVENTS AFTER 30 JUNE 2022

After the balance-sheet date, i.e. after 30 June 2022, no significant events that might have a major impact on financial results presented herein were observed, however, other events occurred.

- 1) On 30 June 2021, the composition of the Supervisory Board of Develia S.A. changed – Paweł Małycka, who tendered his resignation from the Supervisory Board on 30 June 2022, was replaced by Filip Gorczyca.
- 2) On 6 July 2022, on account of a changed market and economic situation arising from the war in Ukraine, pursuant to the "2021-2025 Develia's Strategy" published in the Current Report no. 12/2021 of 18 February 2021, the Management Board of the Company decided to revise the 2022 sales target set by the Develia S.A.'s Management Board approved by the Management Board Resolution No. 7/2022 of 31/01/2022 and published in the Current Report no. 8/2022 of 31/01/2022. The said revision concerned the number of premises to be sold in 2022 (development or preliminary agreements), which was changed to 1,600-1,800 units.

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

- 3) On 08 July 2022, the Management Board of the Issuer adopted a resolution under which a Public Bond Issue Programme was instituted, covering the value of up to PLN 150,000,000 (the "Bonds"). In pursuance of the Public Bond Issue Programme, the Issuer submitted to the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) an application for approval of a base prospectus. The Bonds may be issued in the manner set out in Article 33(1) of the Act on Bonds of 15 January 2015 (the "**Bonds Act**") within 12 months of the date the Polish Financial Supervision Authority approves the Company's base prospectus, however, the Company will be permitted to issue one or more series of Bonds. In accordance with the resolution, the Bonds may be issued as unsecured bonds. Every consecutive series of Bonds will be issued under separate resolutions of the Company's Management Board setting out final terms and conditions for the issue of individual series and specifying, in particular: the issue price, the total nominal value of Bonds of respective series, conditions for the payment of Bond interest, a redemption date for Bonds of respective series, interest periods for Bonds of respective series and the types of investors to whom the respective series of Bonds will be proposed.
- 4) On 08 July 2022, the shareholders of LC Corp Invest III Sp. z o.o. and LC Corp Invest XV Sp. z o.o. Projekt 6 Sp.k. passed resolutions on a merger (merger through take-over) of LC Corp Invest XV Sp. z o.o. Projekt 6 Sp.k. (the acquired company) by LC Corp Invest III Sp. z o.o. (the acquiring company). An application to register the merger was filed with the registry court on 12 August 2022.
- 5) On 18 July 2022, Develia S.A. stood surety for Kraków Zielony Złocień Sp. z o.o. up to PLN 922,500.00 in respect of a bank guarantee given on instruction of the said company by mBank S.A. to the City of Katowice and designed to secure the good performance of a contract of 02 November 2020 for the completion of a road project relating to the Katowice Ceglana project.
- 6) On 25 July 2022, the Issuer entered into a joint-venture co-operation agreement with The Heart S.A., with its registered office in Warsaw ("The Heart"), with a view to carrying out, through a special purpose vehicle (the "SPV") established to this end, a project that entails the development of a real property management system, including a real property and tenant management IT platform and a mobile application for tenants based on an order placed by the SPV (the "JV Agreement"). The Issuer and The Heart will collaborate under the JV Agreement to set up an SPV in the form of a private limited company and develop the management system mentioned above and subsequently to commercialise the system (the "Project"). The Project will derive from the experience of the Issuer and The Heart, and responsibility for operational management will rest with a team of the Issuer's representatives. The Project will be implemented in stages provided for in the JV Agreement and in line with the Project budget according to a schedule agreed. The total capital commitment of the SPV's partners as part of the co-operation under the JV Agreement will not be higher than PLN 8,520,424.00, however, the Issuer's total commitment target has been agreed to amount up to PLN 7,516,304.00, with the remaining contributions being made by The Heart and beneficiaries of an incentive scheme for key personnel, associates and members of the SPV Management Board to be introduced in the SPV. Depending on a Project stage and the progress of the incentive scheme, the Issuer, as the majority partner, will hold between 76.47% and 57.5% shares in the SPV's share capital. The JV Agreement was entered into under the following conditions precedent: (i) to obtain the consent of the President of UOKiK (Office of Competition and Consumer Protection) to concentration that involves the creation of a joint venture by the Issuer and The Heart; (ii) to obtain required corporate permits by The Heart; (iii) to agree on the contents of documentation to be attached to the JV Agreement. The other terms and conditions of the JV Agreement, including those relating to joint venture, do not vary from provisions which are generally applicable to this type of agreements.
- 7) On 1 August 2022, a competent registry court registered a new company name of Sky Tower S.A., which was changed to Develia Wrocław S.A.
- 8) On 3 August 2022, Develia S.A. and PKO BP S.A. made Amendment no. 2 to the 29 April 2021 overdraft facility agreement, pursuant to which modifications to the loan repayment security were made.
- 9) On 17 August 2022, due to a change in the market and economic situation, prolonged negotiations resulting from significant changes in offer terms and conditions, which were different from those agreed in the letter of intent signed, it was decided to stop and cease the negotiations of selling terms and conditions applicable to the right of perpetual usufruct to land located in Warsaw at Podskarbińska street and Żupnicza street, having the total area of 10,518 sq. m, along with a project to be carried out on that real property by the Issuer in collaboration with an European entity investing in the real property market, consisting in the construction of two residential buildings with a common underground and ground-level car park, including necessary infrastructure. Consequently, the aforesaid project was designated by the Company for retail sale.

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

- 10) On 18 August 2022, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp .k. k. entered, pursuant to a framework agreement of 8 February 2018, into a foreign exchange forward transaction which included forward and derivative operations relating to the performance of a loan agreement and set the settlement period of the transaction to its maturity, i.e. 23 August 2022. The nominal value of the aforesaid transaction at a base rate amounted to EUR 534,000. The transaction was settled in full on 23 August 2022.
- 11) On 19 August 2022, a registry court made an entry relating to the redemption of shares in LC Corp Invest III sp. z o.o., and consequently, a reduction in its share capital from PLN 1,700,000.00 to PLN 100,000.00, i.e. by a sum of PLN 1,600,000.00.
- 12) On 29 August 2022, a competent registry court registered a new company name of LC Corp Invest XVI Sp. z o.o., which was changed to 4resident Sp. z o.o.
- 13) On 01 September 2022, a competent registry court registered a merger between LC Corp Invest III sp. z o.o. and LC Corp Invest XV sp. z o.o. Projekt 6 sp.k. and an increase in the share capital of LC Corp Invest III sp. z o.o. from PLN 100,000.00 to PLN 100,500.00. 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 6 sp.k. to LC Corp Invest III sp. z o.o.

Apart from the foregoing, no other event that could significantly influence the financial results of the LC Corp Group occurred after 30 June 2022.

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

The Issuer did not publish any financial forecasts for the year 2022.

VII. COURT PROCEEDINGS

As at 30 June 2022, there were no significant proceedings before the court or arbitration or public administration authorities with regard to liabilities or receivables of the Issuer or its subsidiaries, the value of which would have an important bearing on the financial standing of the Group companies. The subsidiary undertakings of the Issuer are parties to court and public administration proceedings whose value is insignificant for their operations or financial standing. The vast majority of other cases relate to claims lodged by subsidiaries of the Issuer against their debtors. Provisions for legal actions are shown in Note 32 to the Consolidated Financial Statements.

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

The results achieved by the Develia S.A. Group will be highly affected by a macroeconomic situation, in particular the availability of mortgage loans for potential clients and the development of economic situation amidst the conflict in Ukraine. These factors are strong determinants of the demand for new flats and the structure and price thereof. Another factor which is likely to affect the demand for flats may be a rise in building material prices, prices of flats, the availability of land suitable for development, higher interest rates, worse creditworthiness of purchasers of flats and uncertainty over the situation related to the global economy, which can also translate into customers deciding to refrain from purchasing flats.

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

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

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

- implementation of the strategy of acquiring land for residential buildings and carrying out investments on the land to ensure the appropriate offering scale of the Group, adequate to the demand on the market,
- A shift in an attitude towards commercial property in the Develia's Group portfolio, manifested through an opportunity for the sale of selected assets;
- Increasing construction costs of new development projects, which may have a direct bearing on margins achieved in the future;

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

- Increasing costs of funding raised through the issue of bonds and limited access to this market, associated with the current situation on the capital market and a possibility that more stringent regulations may be brought in;;
- Further uncertainty over the epidemic situation in Poland and all around the world, as well as the consequences of the war in Ukraine.

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

Apart from the events referred to in the Financial Statements and the Report on the operations of the Group, in the reporting period ended 30 June 2022 there were no other events which would have any impact on the assessment of the Group's personnel, assets and financial standing and on the evaluation of the Issuer's feasibility of discharging its obligations.

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

In the reporting period ended 30 June 2022, neither the Issuer nor any of its subsidiaries entered into significant transactions with related parties, including also deals other than arm's length transactions.

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

In the reporting period ended 30 June 2022, neither the Issuer nor any of its subsidiaries gave significant surety or guarantee to the benefit of other entities.

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

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

Risk Associated with Armed Conflict 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 possible decline in demand on the housing market following customers' uncertainty over likely scenarios of how the present economic and political situation may unfold;
- 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;
- Limited availability of construction materials, equipment, services and the interruption or disruption of continuity of supplies;
- 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;
- Interest rate rises as well as a risk of further increase thereof;
- 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.

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.

The significance of the above risk factor is considered by the Issuer to be high, as if that risk occurs, the scale of a negative impact on the Issuer's operations and financial position could be considerable. The Issuer is of the opinion that the likelihood of the risk occurring is high. No similar situation relating to an armed conflict has ever occurred

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

or the scale of other armed conflicts' effect has never had any significant impact on the operations of the Issuer and its Group.

COVID-19 Risk

A risk factor affecting the Group's operations is the epidemic of COVID-19, which started in March 2020. A possible rise in the number of people being sick with COVID-19 in Poland and possible restrictions introduced to limit the social and economic life can change the lifestyle of many people and affect revenue generated by the Group.

The COVID-19 epidemic 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. 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 Prospectus Date 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 Group's activities.

The significance of the above risk factor is considered by the Issuer to be moderate, as if that risk occurs, the scale of a negative impact on the Issuer's operations and financial position could be considerable. The Issuer is of the opinion that the likelihood of the risk occurring is moderate.

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. Since the time of the Covid-19 pandemic, an increase in interest rates and changes to KNF (the Polish Financial Supervision Authority) recommendations concerning the calculation of a WIBOR buffer, banks have set more stringent criteria for granting loans for residential purposes, and these issues have been identified by the Issuer with regard to its customers. Over the past two periods, the share of customers who received bank loans in the number of premises sold by the Issuer has dropped. According to the Issuer's estimates, currently fewer than 40% of flats sold by the Issuer is financed by purchasers using mortgage loans.

A situation on the housing market (fluctuations in supply/demand) also affects the Group's operations to a large extent. In the periods of high demand for flats, the Group reports better sales results for premises and can achieve larger margins, which translates into better performance in the future. However, when a slowdown comes, the lower number of premises purchased by Group's customers leads to worse results and may create pressure to reduce the prices of premises, which has consequences on the Group's performance. In such a situation, the Group attempts to adapt the offer of flats to sales levels. 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).

The situation mentioned above took place in the past, following the 2007-2009 financial crisis, when the scale of funding for property development projects was limited, as a consequence of which a smaller number of residential and commercial projects was launched, leading to a slower growth of the Issuer and its Group.

The significance of the above risk factor is considered by the Issuer to be moderate, as if that risk occurs, the scale of a negative impact on the Issuer's operations and financial position could be quite significant. The Issuer is of the opinion that the likelihood of the risk occurring is high.

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 was affected by increased interest rates in the past, however, their scale was smaller than the current interest rate increases seen between 2021 and 2022. This leads to higher

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

financial expenses being incurred by the Group – for comparison, interest costs arising from the issue of debt instruments (bonds) borne in Q1 2022 totalled PLN 6,300,000, which is considerably higher than a sum of PLN 3,500,000 spent in the corresponding period of 2021, with the average debt balance maintained at a similar level (the period of record low interest rates, figures do not take into account the volatility of the EUR/PLN exchange rate).

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 the Prospectus Date, all the Company's bonds and loans bear interest at a floating WIBOR rate, to which the said reform refers. The change may result either in a lower or higher reference rate, which provides a basis for determining the rate of interest and may lead either to a decline or rise in interest costs paid by the Company, and consequently, may affect the Issuer's financial position, performance and growth prospects.

The significance of the above risk factor is considered by the Issuer to be moderate, as if that risk occurs, the scale of a negative impact on the Issuer's operations and financial position could be quite significant. The Issuer is of the opinion that the likelihood of the risk occurring is high.

Risk of Decline in Flat Prices

Decisions taken by the Issuer must be based on a relatively long time horizon for every project and take into account considerable fluctuations in the selling prices of premises in the course of their construction process. These factors can have an important bearing on the Issuer's profitability and financial needs. A price level is shaped by the supply to demand ratio, which is affected, among other things, by the purchasing power of prospective customers and the available amount of financing costs for the acquisition of premises.

Compared with other asset classes, the real property market's reaction is usually delayed, which means that a drop in the prices of flats can be seen only in a long-term perspective. The Issuer currently does not expect any price reductions with regard to projects being carried out by it; on the contrary, it adapts them to market prices, which are growing. In the future, should a downward trend for prices on the housing market potentially continue, it may be forced to adjust price levels in order to ensure that its offer is competitive on the market. A decrease in the prices of flats may have a significant negative impact on the Issuer's operations, financial position, performance and growth prospects.

The Issuer faced a similar risk in the past, when the housing market reported a decline in average prices of flats following the financial crisis related to the collapse of Lehman Brothers bank, i.e. between 2009 and 2012 (for Warsaw) and 2009 and 2013 (for regional cities such as Cracow, Gdansk, Sopot or Gdynia). Due to this crisis, not only the prices of flats fell, but also demand for them dropped considerably. Both factors affected the Company's operations and the Group's financial position. The Company was hit by a decline in margins achieved in the property development segment – the gross margin on sales in that segment went down from 33.9% in 2008 to 21.5% in 2012 and 21.9% in 2013. In addition, on account of the crisis, the Company made write-downs of inventory of PLN 10,100,000, in 2012, and PLN 15,500,000, in 2013. The Issuer is of the opinion that the likelihood of the risk occurring is moderate.

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 and Group's Reliance on Contractors of Construction Works

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

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

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.

The Group entered into contracts which clearly set out remuneration payable to contractors, service providers and allow for completing projects under construction in full and within budgets set by the Group. Contractors, service providers run the risk of price changes and their remuneration may alter either with the consent of the Group or under a ruling of a competent court. Nevertheless, the Group may take the risk associated with the alteration of construction costs and the Group's reliance on contractors of construction works. It must be taken into consideration that every significant increase in costs may have a negative impact on the profitability of the Group's projects, which in turn can adversely affect the Issuer's operations and financial position.

Since the outbreak of the war in Ukraine, the Group has been observing a considerable increase in the prices of construction materials with regard to projects being carried out by the Group and when planning budgets for future projects. New contracts with general contractors provide for price indexation (the maximum increase by 5-10%), the Group partially renegotiated existing contracts to increase remuneration for construction works.

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.

According to the Issuer, the significance of the above risk factor is moderate, whereas the likelihood of the risk occurring is high.

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 Associated with Joint Venture Projects

The Issuer entered into a joint venture (JV) agreement with companies Grupo Lar Holding Polonia and Lar Management Polonia, belonging to the Spanish group of companies Grupo Lar. Under the JV agreement, over 600 flats will be built as part of three projects in Ursynów, Saska Kępa and Białołęka (Warsaw). The agreement creates the possibility to extend co-operation in respect of further property development projects in Warsaw.

Furthermore, the Issuer and Hillwood Polska signed a letter of intent stating the intention to carry out a common JV project on the Group's real property located in Malin, Wisznia Mała municipality. The Project will entail the

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

construction of a logistics park (centre) of GLA amounting to at least 400,000 sq. m along with necessary technical and road infrastructure.

JV projects carry a variety of legal, financial and image-related risks (such as the risk of choosing an appropriate partner, the real control over a joint venture, prolonged decision-making process, lesser flexibility as regards responsiveness to market signals, a lack of synergy effects, worse competitiveness of a given company, higher project costs, the risk of underperformance, often a different marketing policy), which may occur in the course of joint venture activity. Despite the fact that experienced partners are selected, analyses confirming project cost-effectiveness are carried out well ahead, the results achieved for these type of projects may vary from initial assumptions and can adversely affect the Issuer's operations and financial position.

The above risk factor has never materialised and the significance of the above risk factor is considered by the Issuer to be low, as if that risk occurs, the scale of a negative impact on the Issuer's operations and financial position standing would not be considerable.

Risk Associated with Commenced 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 are considering 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's value for existing shareholders. Rothschild & Co Polska sp. z o.o. was chosen as the Company's advisor in the above respect.

The process of reviewing strategic options aims to identify current, available opportunities for pursuing the Company's long-term strategy with a view to maximising Company value for all its shareholders and stakeholders. When finished, the review of strategic options may produce solutions resulting, for example, in changing the Group's business profile, selling the Group's key assets, taking over another competitive entity or receiving a new invitation to sell the Issuer's shares. All these options may have considerable effects on the Group' operations, financial standing or performance.

Furthermore, the Issuer emphasises that if the Issuer's shares are withdrawn from trading on the regulated market (primary market) operated by the Warsaw Stock Exchange (GPW), it will give a basis for exercising an option of early redemption of bonds issued by the Company, as well as Bonds issued based on the Prospectus.

An entity which extended the invitation offered to shareholders a share price of PLN 4.15 (the price had been increased twice before). According to the Company's Management Board, the increased price for the Company's shares of PLN 4.15 did not correspond to the Company's fair value, as it failed to consider the potential of value resulting from the Company's long-term strategy, including essential growth in the PRS, nor the announced review of strategic options. The review of strategic options, which is currently being conducted in collaboration with an advisory company Rothschild & Co Polska sp. z o.o., may develop alternative solutions for the Company's shareholders, taking into account values resulting from the "2021-2025 Develia's Strategy", as well as will offer shareholders better prospects for the Company's fair value. Moreover, funds Aviva OFE Aviva Santander, Nationale-Nederlanden OFE and OFE PZU "Złota Jesień", which are the biggest shareholders of the Issuer, have assessed that both the price proposed at the beginning in the invitation to sell Develia shares and the increased price did not correspond to the fair value, therefore they will not sell the Company's shares referred to in the invitation, also at the increased price of PLN 4.15 per share.

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

Foreign currency risk

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

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

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

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

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

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

	Increase/decrease in the exchange rate in PLN	Impact on the net financial result in PLN '000	Impact on equity in PLN '000
31 December 2021	+ 0.20	17,835	17,835
(audited)	- 0.20	(17,835)	(17,835)
30 June 2022	+ 0.20	11,237	11,237
(audited)	- 0.20	(11,237)	(11,237)

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.

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.

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.

Administration and Construction Risk

Management Board's Report on Operations of Develia S.A. Group for 1st Half-Year of 2022

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

Risk Associated With Legislative Changes

Another risk that the Group companies carrying out residential projects may run is an the amendment to the Property Development Law, which will enter into force in 2022 and introduce mandatory contributions to the guaranteed property development fund and bring about changes to the construction law understood in a general sense. On the other hand, the introduction of mandatory contributions to the guaranteed development fund will increase the developers' financial burden and reduce the profitability of property development projects, consequently having an impact on the entire property development industry.

Risk Associated With Liability After Sale of Residential Premises and Houses

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

XIII. CONCLUSIONS

In H1 2022, the Group continued development projects commenced in the previous periods, launched new ones and sought new land for potential acquisition.

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

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

Made: Wrocław, 13 September 2022

Andrzej Oślizło – President of Management Board

Paweł Ruszczak – Vice President of Management Board

Mariusz Poławski – Vice President of Management Board