



**MANAGEMENT BOARD'S REPORT ON
OPERATIONS
OF DEVELIA S.A.
AND DEVELIA S.A. GROUP
FOR 2022**

Wrocław, 30 March 2023

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

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

This Report of Develia S.A.'s ("Develia's", "the Company's" or "the Issuer's") operations and of the Develia Group's ("the Group's") operations covers a period from 01 January 2022 to 31 December 2022.

1. GENERAL INFORMATION ON COMPANY AND GROUP

Develia S.A. was established by the Notarial Deed dated 3 March 2006 and entered into the National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, under KRS No. 0000253077. The Parent Undertaking's registered office is situated in Wrocław, Poland, at ul. Powstańców Śląskich 2-4.

The Company has been assigned statistical identification number REGON 020246398.

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

- PKD 64.20.Z Activities of financial holding companies
- The Company's subsidiaries, as part of primary business activity, carry out construction projects on parcels of land owned by such subsidiaries with a view to leasing or selling residential and business premises in the future

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

1.1. Composition of Group and Share Capital Amounts

As at 31 December 2022, the Develia Group was comprised of Develia S.A. and the following subsidiaries and jointly controlled entities:

Company name	Share capital as at 31/12/2022 in PLN*	Effective Share of Issuer	
		31 December 2022 Share in capital	31 December 2021 Share in capital
Subsidiary undertakings			
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), 4), 9)}	-	-	100%
LC Corp Invest VII Sp. z o.o.	4,000,000	100%	100%
LC Corp Invest VIII Sp. z o.o. ^{5) 9)}	-	-	100%

LC Corp Invest IX Sp. z o.o.	4,700,000	100%	100%
LC Corp Invest X Sp. z o.o.	10,300,000	100%	100%
LC Corp Invest XI Sp. z o.o.	41,000,000	100%	100%
LC Corp Invest XII Sp. z o.o.	24,800,000	100%	100%
LC Corp Invest XV Sp. z o.o.	305,000	100%	100%
4resident Sp. z o.o. ⁶⁾	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. ⁴⁾	-	-	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), 9)}	1,133,165.00	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)
Projekt Ciszewskiego Sp. z o.o.	50,000	80% directly	80% directly
Flatte Sp. z o.o. ⁸⁾	5,000	76.47% directly	-

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

- 1) On 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 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.
- 5) 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. On 21 September 2022, a competent registry court registered the redemption of shares in LC Corp Invest VIII sp. z o.o., and consequently, a reduction in its share capital from PLN 13,600,000.00 to PLN 50,000.00.
 - 6) 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.
 - 7) On 01 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.
 - 8) On 7 November 2022, a company called Flatte Sp. z o.o., having its registered office in Warsaw and the share capital of PLN 5,000, was registered in the National Court Register (KRS). As at the registration date, the sole shareholder of the company is Develia S.A. On 23 November 2022, an amendment was made to the company's Articles of Association, under which its share capital was increased up to PLN 10,000 and 40 shares with the total nominal value of PLN 2,000 were taken up by Develia S.A., 50 shares with the total nominal value of PLN 2,500 by The Heart S.A. and 10 shares with the total nominal value of PLN 500 by a natural person. The company's amended Articles of Association were registered in the National Court Register (KRS) on 10 February 2023. Under the amendment to the company's Articles of Association of 21 December 2022, its share capital was increased up to PLN 12,500 and all the new shares (50 shares with the total nominal value of PLN 2,500) were taken up by Develia S.A. The company's amended Articles of Association were registered in the National Court Register (KRS) on 13 February 2023.
 - 9) On 12 December 2022, the District Court for Wrocław – Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register (KRS), registered a merger between LC Corp Invest III sp. z o.o., LC Corp Invest VIII sp. z o.o. and LC Corp Service S.A. The aforesaid companies merged pursuant to Article 492(1)(1) of the Polish Commercial Partnerships and Companies Code in conjunction with Article 516(6) of the said Code through the transfer of the entire assets of LC Corp Invest III sp. z o.o. and LC Corp Invest VIII sp. z o.o. (the acquired companies) to LC Corp Service S.A. (the acquiring company). On the merger, LC Corp Service S.A. acquired all rights and assumed all obligations (liabilities) of LC Corp Invest III sp. z o.o. and LC Corp Invest VIII sp. z o.o., which will cease to exist as legal entities.

1.2. Major Changes in Group in Period From 1 January to 31 December 2022

- 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 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.
- 5) 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. On 21 September 2022, a competent registry court registered the redemption of shares in LC Corp Invest VIII sp. z o.o., and consequently, a reduction in its share capital from PLN 13,600,000.00 to PLN 50,000.00.
- 6) 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.
- 7) On 01 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.
- 8) On 16 September 2022, Develia S.A. disposed of all the shares it had in the companies LC Corp Invest III sp. z o.o. and LC Corp Invest VIII sp. z o.o. to LC Corp Service S.A., which on the said day became a shareholder in these companies.
- 9) On 02 November 2022, LC Corp Invest XV sp. z o.o. disposed of all the shares it had in LC Corp Invest III sp. z o.o. to LC Corp Service S.A., which on the said day became the sole shareholder in that company.
- 10) On 7 November 2022, a company called Flatte Sp. z o.o., having its registered office in Warsaw and the share capital of PLN 5,000, was registered in the National Court Register (KRS). As at the registration date, the sole

shareholder of the company is Develia S.A. On 23 November 2022, an amendment was made to the company's Articles of Association, under which its share capital was increased up to PLN 10,000 and 40 shares with the total nominal value of PLN 2,000 were taken up by Develia S.A., 50 shares with the total nominal value of PLN 2,500 by The Heart S.A. and 10 shares with the total nominal value of PLN 500 by a natural person. The company's amended Articles of Association were registered in the National Court Register (KRS) on 10 February 2023. Under the amendment to the company's Articles of Association of 21 December 2022, its share capital was increased up to PLN 12,500 and all the new shares (50 shares having the total nominal value of PLN 2,500) were taken up by Develia S.A.. The company's amended Articles of Association were registered in the National Court Register (KRS) on 13 February 2023.

- 11) On 12 December 2022, the District Court for Wrocław – Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register (KRS), registered a merger between LC Corp Invest III sp. z o.o., LC Corp Invest VIII sp. z o.o. and LC Corp Service S.A. The aforesaid companies merged pursuant to Article 492(1)(1) of the Polish Commercial Partnerships and Companies Code in conjunction with Article 516(6) of the said Code through the transfer of the entire assets of LC Corp Invest III sp. z o.o. and LC Corp Invest VIII sp. z o.o. (the acquired companies) to LC Corp Service S.A. (the acquiring company). On the merger, LC Corp Service S.A. acquired all rights and assumed all obligations (liabilities) of LC Corp Invest III sp. z o.o. and LC Corp Invest VIII sp. z o.o., which will cease to exist as legal entities.

Apart from the aforementioned events, no other significant changes in the composition of the Group took place in the period from 01 January 2022 to 31 December 2022.

1.3. Group's Objects

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

In the period from 1 January to 31 December 2022, the strategy of both the Issuer and the Group was pursued in line with the primary objects thereof, i.e. the investment activity.

2. DESCRIPTION OF BUSINESS ACTIVITY CONDUCTED BY COMPANY AND GROUP IN 2022

In 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. The Issuer also continued activities envisaged in the "2021-2025 Develia's Strategy", namely, disinvestment in the office and retail portfolio, took strong and effective actions designed to form partnerships for JV projects (Myśluborska, Lizbońska and Cieszewskiego projects together with Grupo Lar Polonia Sp. z o.o., OpCo project with The Heart S.A., Malin project with Hillwood Malin Development Logistics, LLC, based in the USA), as well as was deeply committed to carrying out activities aimed at the construction of the residential units segment for institutional client (PRS). 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 (the latter sold on 15 March 2022), and one office and retail centre – Wola Retro.

2.1. Basic Products, Goods and Services Offered by Company

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

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

The following tables demonstrate figures and data relating to revenue and profits earned in the year ended 31 December 2022 and the year ended 31 December 2021.

Holding and Property Development Activity	Year ended 31 December 2022	Year ended 31 December 2021
Revenue		
Revenue from sale of services, products and goods	557,339	447,947
Revenue from interest and discounts	2,603	6,102
Revenue from dividend	209,734	122,669
Other financial income	3,482	7,364
Other operating income	1,956	1,161
Total operating income	775,114	585,243
Expenses		
Operating expenses, cost of sold products and goods	(441,766)	(405,107)
Costs of interest and discounts	(10,454)	(8,347)
Other financial expenses	(3,039)	(1,921)
Other operating expenses	(1,738)	(2,514)
Total operating expenses	(456,997)	(417,889)
Pre-tax profit(loss)	318,117	167,354
Assets and liabilities		
Total assets	2,485,987	2,373,278
Total liabilities	1,257,970	1,243,673

2.2. Basic Products, Goods and Services Offered by Group

The Group's revenues in 2022 came mainly from the sales of residential and retail premises, which accounted for 94.9% of all revenues earned. The Group's revenues derived from the lease of commercial real property totalled 5.1%

The below table shows figures and data for the year ended 31 December 2022, pertaining to revenues and profits earned by the Group on respective segments (PLN'000):

Year ended 31 December 2022	Rental services	Property development activity	Holding (other) activity	TOTAL
Operating activity				
Sales revenue	53,936	1,013,568	415	1,067,919
Revenue from sale of services	53,936	0	415	54,351
Revenue from sales of goods and products	0	1,013,568	0	1,013,568
Cost of goods sold	(26,904)	(679,538)	(452)	(706,894)
Pre-tax profit/(loss) on sales	27,032	334,030	(37)	361,025
Gain/(loss) on disposal of non-financial fixed assets	0	0	0	0
Profit/(loss) on investment property	(1,169)	0	0	(1,169)
Write-downs of inventory	0	0	0	0
Selling and distribution cost	(869)	(22,606)	0	(23,475)
General and administrative expense	(8,775)	(41,719)	(178)	(50,672)
Other operating income	2,540	9,269	252	12,061
Other operating expenses	(1,254)	(5,567)	(1,588)	(8,409)
Operating profit/(loss)	17,505	273,407	(1,551)	289,361
Financial income	1,499	6,890	2,802	11,191
Financial expenses	(23,537)	(2,982)	309	(26,210)
Share in profits (losses) of undertakings disclosed using the equity method	0	(1,101)	0	(1,101)
Pre-tax profit/(loss)	(4,533)	276,214	1,560	273,241
Income tax (tax expense)	(232)	(38,920)	(2,258)	(41,410)

Net profit/(loss)	(4,765)	237,294	(698)	231,831
Other comprehensive income subject to reclassification to financial result in subsequent reporting periods				
Cash flow hedges	1,100	0	0	1,100
Income tax relating to other components of comprehensive income	(132)	0	0	(132)
Other comprehensive income (net)	968	0	0	968
Comprehensive income	(3,797)	237,294	(698)	232,799

2.3. Information on Trade Area

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

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

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

In total, 1,636 residential and retail premises were sold in 2022 (preliminary sale agreements: considering withdrawals, without reservation agreements) – which meant a decline by 15% compared to 2021, whereas 2,016 residential and retail premises were delivered under notarial deeds – a growth by 6% compared to 2021.

The Group is consistent in pursuing its strategy for the diversification of property development project locations and the expansion of business on the Warsaw, Wrocław, Cracow and Gdańsk residential markets, which is reflected in the 2022 sales structure.

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

pre-sales

City	Q4 2021	Q4 2022	01/01-31/12/2021	01/01-31/12/2022	01/01-28/02/2022	01/01-28/02/2023
Warsaw	91	128	310	352	71	97
Wrocław	62	47	261	127	2	23
Cracow	136	136	674	534	112	108
Gdańsk	99	28	448	428	93	33
Łódź	0	0	0	0	0	0
Katowice	33	27	228	148	20	14
TOTAL DEV	421	366	1,921	1,589	298	275
TOTAL JV	0	45	0	47		11
		-2%		-15%		-4%

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

delivery

City	Q4 2021	Q4 2022	01/01-31/12/2021	01/01-31/12/2022	01/01-28/02/2022	01/01-28/02/2023
Warsaw	284	152	576	227	56	10
Wrocław	25	49	659	242	2	18
Cracow	118	574	284	757	7	127
Gdańsk	196	525	358	547	19	78
Łódź	0	0	0	0	0	0
Katowice	1	90	26	243	0	83
TOTAL DEV	624	1,390	1,903	2,016	84	316
TOTAL JV	0	0	0	0		
		+123%		+6%		+276%

Moreover, as at 31 December 2022, there were 3,116 residential and retail premises on the offer (350 JV and 2,766 DEV):

<i>offer</i>	completed 16,653		construction works commenced 2,681		construction works not commenced 1,288		land bank 7,932
City	sold	in offer	sold	in offer	sold	in offer	to be included in offer
Warsaw	5,949	2	373	387	2	477	2,557
Wrocław	3,733	43	95	126	2	284	1,072
Cracow	3,945	16	497	423	1	144	2,429
Gdańsk	2,410	35	260	322	3	375	1,037
Łódź	60	0	0	0	0	0	275
Katowice	429	31	97	101	0	0	562
TOTAL DEV	16,526	127	1,322	1,359	8	1,280	7,932
TOTAL JV			44	169	3	181	

Consecutive stages are introduced proportionately to the rate of sale for a given project so as to ensure an optimal offer. The following information pertains to the Group's ongoing projects and projects currently in the preparation stage.

2.4. Property Development Projects – Implemented

Commercial Projects

Name of Project	City	District	Segment	Construction Completion Date	Area (sq m)
Wola Retro	Warsaw	Wola	Office and services	Q3 2019	25,601
Arkady Wrocławskie	Wrocław	Krzyki	Office, retail and services	Q2 2007	38,491
Sky Tower *	Wrocław	Krzyki	Office, retail and services	Q1 2013	53,654
Wola Center *	Warsaw	Wola	Office and services	Q3 2013	33,283
Retro Office House *	Wrocław	Stare Miasto	Office and services	Q1 2018	21,914
Silesia Star * (Building A)	Katowice	Bogucice Zawodzie	Office and services	Q4 2014	14,969
Silesia Star * (Building B)	Katowice	Bogucice Zawodzie	Office and services	Q3 2016	14,210

* real property on which the "Retro Office House" building (in Wrocław) and the "Silesia Star" Buildings A & B (in Katowice) had been erected, were disposed of by Group companies in 2019, the "Wola Center" building (in Warsaw) in 2020 and the "Sky Tower" building (in Wrocław) in 2022.

The following table shows NOI for commercial real property of the Company in Q4 2021 and Q4 2022 and WALT

NOI for commercial real property (EUR million)	Q4 2021	Q4 2022	WALT
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Arkady Wrocławskie	2.93	2.04	Office area – 1.5 Retail area – 1.4
Wola Retro	2.54	3.65	Office area – 6.6 Retail area – 7.9

The below table shows fair values of commercial real property as at 31 December 2022, which correspond to the values determined during valuations made by valuers, whereas as regards the Wola Retro building, the value equals the property selling price stated in the preliminary sale and purchase agreement:

Real property	31/12/2022	
	Yield	Valuation in EUR
Arkady Wrocławskie	8.30%	38,220,000
Wola Retro	5.55%*	69,790,713

(*) yield calculated on the basis of NOI achieved 2022

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)	Żąbki near Warsaw		Flats, services	Q4 2012	114
				Q3 2014	229
				Q3 2016	230
				Q3 2018	165
				Q2 2019	123
				Q4 2014	192
				Q4 2015	112
Na Woli (stage 1-9)	Warsaw	Wola	Flats, services	Q1 2018	157
				Q4 2018	150
				Q1 2019	147
				Q2 2019	147
				Q4 2019	301
				Q3 2020	177
Poborzańska	Warsaw	Targówek	Flats, services	Q3 2021	305
				Q2 2016	91
Mała Praga (stages 1-6)	Warsaw	Praga Południe	Flats, services	Q2 2016	140
				Q3 2017	217
				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
Rokokowa Residence	Warsaw	Bielany	Flats, houses	Q1 2021	29
Prestovia House	Warsaw	Praga Północ	Flats	Q4 2022	162
Maestro (stage 1-3)	Wrocław	Krzyki-Jagodno	Flats	Q3 2012	176
				Q3 2013	160
				Q3 2017	125
Potokowa (stage 1-3)	Wrocław	Maślice	Flats and houses	Q2 2013	72
				Q3 2013	42
				Q2 2014	73
				Q3 2013	173
				Q3 2014	179
Graniczna (stage 1-6)	Wrocław	Fabryczna	Flats	Q4 2015	187
				Q2 2016	125
				Q4 2016	168
				Q3 2017	168
Nowalia	Wrocław	Klecina	Terraced houses	Q1 2014	44
Brzeska 5	Wrocław	Krzyki	Flats, services	Q4 2014	167
Stabłowicka 77 (stage 1-2)	Wrocław	Fabryczna	Flats	Q3 2014	73
				Q1 2015	60
Dolina Piastów	Wrocław	Fabryczna	Flats	Q2 2016	176
Nowa Tęczowa	Wrocław	Stare Miasto	Flats, services	Q1 2018	212
Sołtysowicka	Wrocław	Sołtysowice	Flats	Q1 2018	165
Między Parkami (stage 1-2)	Wrocław	Klecina	Flats	Q1 2019	164
				Q3 2022	202
Małe Wojszyce	Wrocław	Wojszyce	Flats	Q2 2020	63
Nowa Raclawicka	Wrocław	Krzyki	Flats	Q2 2021	231

Kamienna (stage 1-2)	Wrocław	Huby	Flats, services	Q3 2021	253
				Q3 2021	186
Kaskady Różanki	Wrocław	Różanka	Flats, services	Q4 2022	132
				Q4 2011	120
				Q4 2012	164
				Q3 2014	42
				Q4 2015	120
				Q2 2017	108
				Q4 2018	108
				Q1 2019	108
				Q3 2020	108
				Q1 2021	102
Słoneczne Miasteczko (stage 1-13)	Cracow	Bieżanów- Prokocim	Flats	Q3 2021	123
				Q1 2022	102
				Q3 2022	108
				Q4 2022	108
				Q4 2012	146
				Q2 2015	164
Grzegórzecka (stage 1-5)	Cracow	Śródmieście	Flats, services	Q4 2015	149
				Q1 2016	85
				Q1 2017	242
				Q4 2022	94
				Q2 2017	150
Centralna Park (stage 1-7)	Cracow	Czyżyny	Flats	Q1 2018	130
				Q4 2018	264
				Q4 2019	151
				Q1 2020	103
				Q4 2022	270
5 Dzielnica (stage 1-2)	Cracow	Krowodrza	Flats, services	Q4 2022	224
				Q1 2017	190
Przy Mogiłskiej (stage 1)	Cracow	Prądnik Czerwony	Flats	Q3 2017	113
				Q2 2021	65
Przy Srebrnej (stage 1-4)	Gdańsk	Łostowice	Flats, services	Q4 2012	72
				Q3 2014	28
				Q4 2014	46
				Q3 2016	32
Świętokrzyska Park (stage 1-7)	Gdańsk	Łostowice	Flats	Q1 2018	65
				Q4 2018	65
				Q2 2019	65
				Q4 2019	65
				Q3 2020	108

				Q4 2020	54
				Q3 2021	54
				Q4 2021	54
Przy Alejach (stage 1-3)	Gdańsk	Zaspa	Flats	Q2 2016	110
				Q2 2017	97
				Q4 2022	48
Bastion Wałowa (stage 1-4)	Gdańsk	Śródmieście	Flats	Q4 2017	230
				Q4 2018	230
				Q4 2020	140
				Q4 2020	115
Osiedle Latarników (stage 1-2)	Gdańsk	Letnica	Flats, services	Q4 2021	135
				Q4 2022	218
Baltea Apartments	Gdańsk	Przymorze	Flats, services	Q4 2022	239
Szmaragdowy Park (stage 1)	Gdańsk	Orunia Górna - Gdańsk Południe	Flats	Q4 2022	175
Dębowa Ostoja (stage 1)	Łódź	Bałuty	Terraced houses	Q3 2011	22
Pustynna 43 (stage 1)	Łódź	Górnica	Flats	Q4 2012	38
Ceglana Park (stage 1-3)	Katowice	Brynów	Flats, services	Q4 2020	86
				Q3 2022	178
				Q4 2022	196
Total (31/12/2022)					16,653

As at 31 December 2022, the Group did not deliver 575 premises located in the aforesaid completed projects.

2.5. Investment projects under Construction

Housing Projects

Name of Project	City	District	Segment	Planned Construction Completion Date	Number of Flats and Commercial Premises
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
Reja	Wrocław	Ołbin	Flats, services	Q2 2023	61
Mist House	Wrocław	Krzyki	Flats	Q1 2023	46 (*)
Cynamonowa Vita	Wrocław	Lipa Piotrowska	Flats	Q1 2024	114
	Cracow		Flats	Q4 2023	136

Stoneczne Miasteczko (stage 16)		Bieżanów- Prokocim			
Przy Mogiłskiej (stage 2-3)	Cracow	Prądnik Czerwony	Flats	Q4 2023	137
				Q4 2023	136
Centralna Park (stage 8-9)	Cracow	Czyżyny	Flats, services	Q4 2023	139
				Q1 2024	154
Grzegórzecka 77 (stage 6-7)	Cracow	Grzegórzki	Flats, services	Q4 2023	126
				Q2 2024	92
Via Flora (stage 1-2)	Gdańsk	Chelm	Flats	Q3 2023	68
				Q4 2023	88
Osiedle Latarników (stage 3)	Gdańsk	Letnica	Flats, services	Q4 2023	159
Marinus	Gdańsk	Brzeźno	Flats, services	Q2 2023	83
Ujeścisko Vita	Gdańsk	Południe	Flats	Q1 2024	184
Ceglana Park (stage 4-5)	Katowice	Brynów	Flats, services	Q2 2024	170
				Q2 2024	28
Total (31/12/2022)					2,681

As at 31 December 2022, the Group had sold 1,322 premises which were under construction at that time.

(*) Mist House (46 premises) completion of construction works following the balance-sheet date.

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

Commercial Projects

Name of Project	City	District	Segment
Kolejowa	Wrocław	Stare Miasto	Office - hotel / temporary stay

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
Ślężna Vita	Wrocław	209
Słoneczne Miasteczko	Cracow	188
Grzegórzecka	Cracow	82
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	562
Pustynna 43	Łódź	114
Dębowa Ostoja	Łódź	161
Total (31/12/2022)		9,220
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 (**)
Południe Vita (stage 1-2)	Gdańsk	-111 -121
Przemyska Vita (stage 1)	Gdańsk	-146
Total (31/12/2022)		7,932

(*) The Malin Project was not taken into consideration for the calculation of land bank as at 31/12/2022

(**) Centralna Park Stage 10 (145 units) and Aleje Praskie Stage 4 (157 units) – commencement of construction works after the balance-sheet date

2.7. Group's Reliance on Suppliers and Consumers

- Service Recipients

As regards the sale of residential and retail units in 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 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 general contractors and service providers that made the most favourable proposals have been selected. The Group's property development projects were carried out mainly on a general contracting basis and only a few smaller projects were implemented without a general contractor, in which case the Group contracts contractors for individual works on its own.

2.8. Significant Contracts, Insurance Agreements

1. On 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 sale and purchase 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, however, given the fact that negotiations have been prolonged, the date when the preliminary sale and purchase agreement is to be made has been postponed to the end of Q2 2023. 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 13 October 2022, the Issuer's subsidiary – LC Corp Invest XVII Sp. z o.o. Projekt 22 sp.k. – entered into a letter of intent with an international entity investing in commercial real property in relation to the possible disposal of a right of perpetual usufruct to a real property located in Warsaw at Skierniewicka street, on which an office development called Wola Retro is built. Upon signing the letter of intent, the parties entered into negotiations on the terms and conditions of the disposal of the real property. The parties set in the letter of intent a total estimate selling price for the real property at EUR 72,500,000, which had to be adjusted for parameters determined by the parties. The conclusion of the agreement has been planned by the parties to take place no later than 31 January 2023, whereas the conclusion of the final sale and purchase agreement in Q1 2023.
4. On 24 October 2022, in pursuance of the letter of intent made with Hillwood Polska sp. z o.o. on 23 March 2022, the Issuer, Hillwood Malin Development Logistics, LLC, based in City of Wilmington ("Hillwood") and Bunclodico Investments spółka z ograniczoną odpowiedzialnością, based in Warsaw ("JV"), i.e. companies from the group of companies the part of which is Hillwood Polska Sp. z o.o., based in Warsaw (the "Partners"), entered into a co-operation agreement to carry out a project together using one or more joint ventures on a real property located in Malin, Wisznia Mała Municipality (the "JV Agreement"). The co-operation under the JV Agreement will entail setting up one or more investment companies with a view to building a logistic park (centre) along with necessary technical and road infrastructure (the "Project"). The Project will derive from the experience of the Issuer and Hillwood, and responsibility for operational management will rest with the Hillwood team. The Issuer's commitment has been set at 25%, whereas Hillwood's at 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. At the time the JV Agreement was signed, the owner of the real property designated for the Project was an Issuer's subsidiary, from which the real property will be acquired in stages depending on the progress of works for the Project. According to the Issuer's estimates, if the Project is completed as originally envisaged, revenue from the disposal of the whole real property will be approx. EUR 34,700,00, which exceeds the current value of the real property recognised in the subsidiary's books, namely PLN 81,940,000. The commencement of the Project is conditional on changing the purpose of the real property, which is necessary in order for the Project to serve functions relating to the provision of services. Under the JV Agreement, the Partners committed themselves to work together to obtain necessary decisions, as well as to collaborate on the construction and commercialisation of the Project. The JV Agreement was entered into under the following conditions precedent: 1) to obtain the consent of the President of UOKiK (the Polish Office of Competition and Consumer Protection) to concentration that involves the creation of a joint venture by the Issuer and Hillwood Malin Development Logistics, LLC and 2) to amend the JV's articles of association and have that amendment entered in the register of entrepreneurs of the National Court Register. 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.

Apart from the aforesaid agreements, in 2022, the Group companies did not enter into any significant agreements the value of which would be at least 10% of the Issuer's equity. As regards other agreements of great significance to the Group companies (in particular those relating to financing and purchase of real property), have been referred to in this report.

3. GROUP'S OPERATIONS IN FINANCIAL PERIOD

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

Revolving Loan Agreement Made Between Company and 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 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. On 11 October 2022, the Company and Santander Bank Polska S.A. made Amendment no. 1 to the 12 April 2022 loan agreement, pursuant to which the provisions pertaining to certain definitions were clarified and modifications to the loan transaction security were made.

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 extended 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.

On 03 August 2022, the Company and PKO BP S.A. entered into Amendment no. 2 to the 29 April 2021 overdraft facility agreement, pursuant to which modifications were made to loan repayment security relating to the real properties which Develia or another Develia company owns or to which it holds the right of perpetual usufruct

On 09 November 2022, the Company and PKO BP S.A. made Amendment No. 3, under which loan repayment security was altered and financial and registered pledges of up to PLN 75,000,000.00 were created on the Company's bank accounts maintained with PKO BP S.A.

On 24 November 2022, the Company and PKO BP S.A. made Amendment No. 4, under which loan repayment security was extended, namely joint mortgaged was established on another real properties which Develia owns or to which it holds the right of perpetual usufruct.

On 01 March 2023, the Company and PKO BP S.A. made Amendment No. 5, under which the loan utilisation period was extended to 28 April 2024.

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

On 02 December 2022, the Company and mBank S.A. made Amendment No. 2, under which the loan sum was increased up to PLN 50,000,000 and the loan utilisation period was extended to 28 November 2024. On 01 February 2023, the Company made Amendment No. 3 to the revolving loan agreement concluded with mBank S.A., under which the loan repayment security list was extended and contractual mortgage was established on another real property to which the Company holds the right of perpetual usufruct, allowing thus for utilising the maximum possible loan sum of up to PLN 50,000,000. On 07 March 2023, the Company made Amendment No. 4 to the revolving loan agreement concluded with mBank S.A., under which the loan security list was altered, with the maximum possible loan utilisation sum of PLN 50,000,000 remaining unchanged.

Amendment to Revolving Loan Agreement for Loan Taken out by the Company with Alior Bank S.A.

On 23 December 2022, the Company and Alior Bank S.A. made an agreement for non-revolving loan of up to PLN 79,830,000 designated for the financing or refinancing of costs relating to the construction of a property development project called "Aleje Praskie Stage 2 Phase 6" in Warsaw. Loan security includes: power of attorney granted to a bank by the Company to draw down cash deposited in the borrower's bank accounts; a blank promissory note; mortgage of up to PLN 119,745,000 on real property; assignment of debts from real property insurance agreement; assignment of debts from sales agreements; assignment of receivables released from a housing trust account; financial and registered pledges relating to the Company's accounts maintained with the bank; registered pledge on debts from a housing trust account; assignment of debts arising from a contract made with the general contractor; a power of attorney in the form of a notarial deed to sell in the event of a default in repayment of the loan; the subordination of the existing and future borrowings to loan repayment; a declaration on voluntary submission to enforcement pursuant to Article 777(1)(5) of the Code of Civil Procedure for a sum of up to PLN 159,660,000.

Amendments to Bank Loan Agreement for Loan Taken out by Arkady Wrocławskie S.A. with Santander Bank Polska S.A. and Partial Repayment

On 8 June 2022, Arkady Wrocławskie S.A. and Santander Bank Polska S.A. executed an amendment to the loan agreement of 28 February 2008, including further modifications thereto, under which the bank decided to refrain from the verification of WALT until the end of Q3 2022. On 30 June 2022, the principal of EUR 875,000 was paid off.

On 29 December 2022, Arkady Wrocławskie S.A. and Santander Bank Polska S.A. made an amendment to the 28 February 2008 loan agreement, including further modifications thereto, pursuant to which the period of financing provided under the agreement was extended to 31 December 2023 and a loan portion of EUR 1,000,000 was repaid. In connection with the amendment, Develia S.A., as the sole shareholder in the company, granted surety on 23 January 2023 to the bank for the repayment of the loan for the Company up to PLN 10,812,500.00 and made a declaration on the submission to enforcement up to the sum mentioned above.

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.

On 22 December 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 December 2022 to 31 December 2023.

Santander Bank Polska S.A. Bank Loan Repaid and Closed by the Issuer

On 31 January 2022, a loan agreement with Santander Bank Polska S.A. designated for the financing or refinancing of costs relating to the construction of a property development project called "Prestovia House" in Warsaw was closed. The Company repaid the loan in the amount of PLN 84,000 prior to the contractual date, as the consequence of which all obligations arising from it were extinguished.

Bank Ochrony Środowiska S.A. Loan Repaid and Closed by the Issuer

On 22 December 2022, a loan agreement with Bank Ochrony Środowiska S.A. designated for the financing or refinancing of costs relating to the construction of a property development project called "Kaskady Różanki" in Wrocław was closed. The Company repaid the loan in the amount of PLN 13,358,000 prior to the contractual date, as the consequence of which all obligations arising from it were extinguished.

Full Repayment of Bank Loan by Sky Tower S.A. to Syndicate of Banks: Alior Bank S.A. and Getin Noble Bank S.A.

On 15 March 2022, the bank loan taken out under the 29 December 2012 agreement made between Sky Tower S.A. and a syndicate of banks comprised of Alior Bank S.A. and Getin Noble Bank S.A., 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.

Repayment of Bank Loan by Arkady Wrocławskie S.A.

In the year ended 31 December 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 6,731,000. As at 31 December 2022, the total outstanding amount after conversion into Polish Zlotys was PLN 50,634,000.

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

In the year ended 31 December 2022, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k., in accordance with a loan agreement of 20 December 2017 with mBank Hipoteczny S.A., concerning a loan taken out in EUR and designated for the partial financing of the Wola Retro project in Warsaw, drew down funds in the total amount of PLN 9,044,000 and repaid loan instalments in the amount of PLN 4,869,000. As at 31 December 2022, the total outstanding amount in respect of the loan of 28 October 2020 after conversion into Polish Zlotys was PLN 131,756,000.

FX Forward and CAP 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 conjunction with 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 into, pursuant to a framework agreement of 8 February 2018, a foreign exchange forward transaction which included forward and derivative operations relating to the performance of a loan agreement and extended the settlement period of the unsettled transaction to its maturity, i.e. 30 June 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 into, pursuant to a framework agreement of 8 February 2018, a foreign exchange forward transaction which included forward and derivative operations relating to the performance of a loan agreement and extended the settlement period of the unsettled transaction to its maturity, i.e. 30 June 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 into, pursuant to a framework agreement of 8 February 2018, a foreign exchange forward transaction which included forward and derivative operations relating to the performance of a loan agreement and 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.

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

1. 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.
2. On 31 March 2022, Develia S.A. partially redeemed bonds of PLN 19,000,000 before the bond maturity date.
3. On 05 June 2022, Develia S.A. redeemed on maturity five-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 31,000,000.
4. On 19 October 2022, Develia S.A. redeemed on maturity four-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 20,000,000.
5. On 15 December 2022, the Issuer conditionally allocated, and on 20 December 2023, issued and conditionally allocated, 15,442 P2022A series unsecured bonds having the nominal value of PLN 1,000 each and the total nominal value of PLN 15,442,000, which were registered in KDPW (the Central Securities Depository of Poland) on 20 December 2023 and issued under the Public Bond Issue Scheme.

In the period of 12 months ended 31 December 2022, no other bonds – except for those mentioned above – were issued or redeemed. All proceeds from bonds issued within the reporting period were used for the corporate purposes associated with the Issuer's principal activity.

3.3. Payment of Dividend by Develia S.A.

On 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.

3.4. Payment of Dividends by Subsidiary Undertakings

- 1) Under the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. carried on 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.
- 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 Management Board 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.
- 17) Under the Resolution of the Management Board of Kraków Zielony Złocień z o.o. carried on 19 August 2022, an advance on dividend in the amount of 5,893,000 was paid to Develia S.A. on 19 August 2022.

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

1. On 20 October 2021, in pursuance of the conditional joint-venture cooperation agreement of 13 August 2021 made by the Issuer with Grupa Lar Holding Polonia sp. z o.o., with its registered office in Warsaw, and CGLS sp. z o.o. sp.k., with its registered office in Warsaw, upon satisfying all conditions stipulated therein, the Issuer acquired from Grupa Lar Holding Polonia sp. z o.o., as the seller:
 - a) 80 shares in Projekt Ciszewskiego Sp. z o.o. giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of the total Company's shares; as a result of the above acquisition of shares by the Issuer, the Issuer became a partner in the joint venture in the company Projekt Ciszewskiego Sp. z o.o.;
 - b) 80 shares in Projekt Myśluborska Sp. z o.o. giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of the total Company's shares; as a result of the above acquisition of shares by the Issuer, the Issuer became a partner in the joint venture in the company Projekt Myśluborska Sp. z o.o.;
 - c) 80 shares in Projekt Lizbońska Sp. z o.o. giving in aggregate 80% of votes at the general meeting of the said company and representing in aggregate 80% of the total Company's shares; as a result of the above

acquisition of shares by the Issuer, the Issuer became a partner in the joint venture in the Projekt Lizbońska Sp. z o.o.;

- d) The Issuer joined the partnership Projekt Ciszewskiego Sp. z o.o. Sp. k. as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 8,230,950; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Projekt Ciszewskiego Sp. z o.o. Sp. k.;
- e) The Issuer joined the partnership Projekt Myśluborska Sp. z o.o. Sp.k. as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 2,449,538; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Projekt Myśluborska Sp. z o.o. Sp.k.;
- f) The Issuer joined the partnership Projekt Lizbońska Sp. z o.o. Sp.k. as the limited partner, with the fixed amount of its liability amounting to PLN 1,000, making cash contribution in the amount of PLN 45,490,834.00; by reason of the foregoing acquisition of shares by the Issuer, the Issuer became a partner in the joint venture of Projekt Lizbońska Sp. z o.o. Sp.k..

The above actions established organisational and equity relationships between the Issuer and Grupo Lar Holding Polonia Sp. z o.o.

- 2. On 23 November 2022, under the 25 July 2022 joint-venture co-operation agreement between the Issuer and The Heart S.A., with its registered office in Warsaw, an amendment was made to the Articles of Association of Flatte Sp. z o.o., a company established by the Issuer, pursuant to which its share capital was increased up to PLN 10,000 and 40 shares with the total nominal value of PLN 2,000 were taken up by Develia S.A., 50 shares with the total nominal value of PLN 2,500 by The Heart S.A. and 10 shares with the total nominal value of PLN 500 by a natural person. The company's amended Articles of Association were registered in the National Court Register (KRS) on 10 February 2023. Under the amendment to the company's Articles of Association of 21 December 2022, its share capital was increased up to PLN 12,500 and all the new shares (50 shares with the total nominal value of PLN 2,500) were taken up by Develia S.A. The company's amended Articles of Association were registered in the National Court Register (KRS) on 13 February 2023. The above actions established organisational and equity relationships between the Issuer and The Heart S.A., based in the Warsaw.
- 3. On 20 January 2023, as stipulated in the investment agreement of 24 October 2022, Develia S.A. acquired from Hillwood Malin Development Logistics, LLC, based in the USA, 25% of shares having the total nominal value of PLN 1,250 in a company Malin Development 1 Sp. z o.o., based in Warsaw, with the share capital of PLN 5,000. The above actions established organisational and equity relationships between the Issuer and Hillwood Malin Development Logistics, LLC, based in the USA.

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

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

In 2022, neither the Company nor the Group's companies entered into transactions on conditions other than arm's length conditions.

3.7. Borrowing Agreements Concluded by Group Companies in 2022 with Related Parties

Lender	Borrower	Agreement Conclusion Date	Interest rate*	Contractual Amount of Borrowing in PLN '000	Repayment date
Develia S.A.	Sky Tower S.A.	2022-03-14	5.57%	4,000	Indefinite
Develia S.A.	Projekt Myśluborska Sp. z o.o. Sp. k.	2022-04-27	8.76%	1,388	2022-07-27
LC Corp Invest VIII Sp. kom.	Develia S.A.	2022-05-30	9.08%	17,500	Indefinite
LC Corp Invest III Sp. kom.	Develia S.A.	2022-05-30	9.22%	2,700	Indefinite
LC Corp Invest I Sp. kom.	Kraków Zielony Złocień	2022-06-27	10.25%	3,000	Indefinite
Develia S.A.	Develia Invest Sp. z o.o.	2022-06-29	10.64%	2,000	Indefinite
LC Corp Invest X Sp. kom.	Develia S.A.	2022-07-27	10.46%	10,000	Indefinite
LC Corp Invest X Sp. kom.	Develia S.A.	2022-09-20	10.57%	10,000	Indefinite
LCC Invest XII	Develia S.A.	2022-09-20	10.57%	30,000	Indefinite
Develia Wrocław S.A.	Develia S.A.	2022-10-18	10.25%	20,000	Indefinite
Develia S.A.	LC Corp Invest II Sp. z o.o.	2022-11-03	10.89%	500	Indefinite
Develia S.A.	Develia Invest Sp. z o.o.	2022-11-16	10.89%	10,000	Indefinite
Develia S.A.	4Residence Sp. z o.o.	2022-12-07	11.52%	200	Indefinite
Develia S.A.	Arkady Wrocławskie S.A.	2022-12-29	11.52%	5,000	Indefinite

* average value for 2022

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

1. In pursuance of the sale and purchase agreement for the disposal of 79.55% share in the ownership right to developed land located in Wrocław, on which a multi-purpose building called "Sky Tower" is built, entered into on 15 March 2022 between an Issuer's subsidiary, Sky Tower S.A., as the seller, and Olimp Investment Sp. z o.o., with its registered office in Warsaw, as the purchaser, the Issuer granted corporate guarantee up to the amount of EUR 2,438,481.95, to be used as security for the seller's, i.e. Develia Wrocław S.A.'s (formerly Sky Tower S.A.), performance of its obligations arising from the said agreement.
2. 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.
3. On 27 December 2022, in connection with the loan agreement made between a jointly controlled company, Projekt Lizbońska Sp. z o.o. Sp. k., and Alior Bank S.A., Develia S.A. furnished, along with Grupo Lar Polonia Sp. z o.o., a guarantee covering budget cost overrun for the project implemented by the borrower at Lizbońska Street in Warsaw, up to the maximum amount of PLN 12,770,985.68 and created registered pledges on the rights and debts owed to the limited partner and the general partner of the borrower's company.

Performance bonds and warranty bonds that the Group companies were provided with in 2022 are presented in the following table:

Subsidiary provided with guarantee	Entity obliged to provide guarantee	Type of guarantee	Guarantee amount	Date of guarantee	Validity date of guarantee
DEVELIA S.A.	Tectum Group sp. z o.o.	Amendment no. 1 to Bank guarantee no. GW/002306/21 of 14/05/2021	PLN 89,000.00 – non-performance or improper performance of the contract PLN 46,189.55 – failure to	20/01/2022	from 16/08/2021 to 21/11/2028

			remedy faults or defects or remedying them improperly		
LC Corp Invest XII Sp. z o.o.	SWIETELSKY Sp. z o.o.	Bank guarantee No. GW/000402/22	performance bond amounting to PLN 700,000.00	26/01/2022	to 31/03/2022
DEVELIA S. A.	KONE Sp. z o.o.	Performance bond as Bank Guarantee	covering warranty for defects and removal of defects and failures, amounting to PLN 6,825.00	07/02/2022	from 07/02/2022 to 19/04/2027
DEVELIA S. A.	KONE Sp. z o.o.	Performance bond as Bank Guarantee	covering warranty for defects and removal of defects and failures, amounting to PLN 6,825.00	07/02/2022	from 07/02/2022 to 19/04/2027
DEVELIA S. A.	KALTER Sp. z o.o.	Performance bond as Bank Guarantee	amounting to PLN 2,878,982.95	14/03/2022	22/02/2024
DEVELIA S. A.	KALTER Sp. z o.o.	Performance bond as Bank Guarantee	amounting to PLN 2,585,517.05	14/03/2022	24/03/2024
DEVELIA S. A.	KALTER Sp. z o.o.	Performance bond as Bank Guarantee	amounting to PLN 2,585,517.05	14/03/2022	24/03/2024
DEVELIA S. A.	Strabag Sp. z o.o.	Performance bond as Group Guarantee	4,508,193.30	30/03/2022	10/10/2023
DEVELIA S. A.	Strabag Sp. z o.o.	Performance bond as Group Guarantee	4,508,193.30	30/03/2022	to 10/10/2023
LC Corp Invest XII Sp. z o.o.	SWIETELSKY Sp. z o.o.	Amendment no. 1 to Guarantee no. GW/000402/22 of 26/01/2022	PLN 350,000.00	28/03/2022	from 01/04/2022 to 31/05/2022
LC Corp Invest XII Sp. z o.o.	SWIETELSKY Sp. z o.o.	Amendment to Bank guarantee No. GW/004763/21	covering removal of defects and failures, amounting to PLN 700,000.00 – 31/01/2022-30/07/2022 covering removal of defects and failures, amounting to PLN 350,000.00 – 31/07/2022-30/09/2027	10/06/2022	from 31/01/2022 to 30/07/2022 from 31/07/2022 to 30/09/2027
DEVELIA S. A.	Mota – Engil Central Europe S. A.	Bank guarantee no. CPLGTF2200368	performance bond of PLN 3,262,500.00 warranty bond of PLN 1,137,500.00	20/04/2022	from the date of issue to 30/09/2023 from 01/10/2023 to 30/03/2029
DEVELIA S.A.	TK-BUD sp. z o.o. sp.k.	Bank guarantee No. BOFH21024829GP/K	amounting to PLN 1,162,422.10	29/04/2022	to 30/10/2022
DEVELIA S. A.	TK-BUD Sp. z o.o. Sp.k.	Performance bond no. BFH22027823GP/K	PLN 3,039,384.32	13/05/2022	to 31 December 2023
DEVELIA S.A.	AWM Budownictwo S.A.	Amendment no. 1 to performance and warranty bond no. RW/GW/46/949/10077/2021 of 06/08/2021.	performance bond of PLN 796,354.70 warranty bond of PLN 398,177.35	08/06/2022	28 February 2023 01 March 2023 to 01 July 2028
DEVELIA S.A.	Przedsiębiorstwo Budowlane Arkop So.z o.o. Sp.k.	Performance and warranty bond no. 32GG13/0405/22/001 issued by an insurance company	performance bond of PLN 3,990,000.00 warranty bond of PLN 997,500.90	15/06/2022	from 06/06/2022 to 31/03/2024 01/04/2024 to 30/09/2029
DEVELIA S. A.	AWM BUDOWNICTWO SPÓŁKA AKCYJNA	Amendment no. 1 to Bank guarantee no. DOK1518GWB21AR of 10/06/2021	PLN 672,694.05	23/06/2022	from 10/06/2021 to 01/07/2023
LC Corp Invest XV sp. z o.o. Projekt 7 sp.k	Expres-Konkurent sp. z o.o. sp.k.	Guarantee no. COR300907 issued by an insurance company	PLN 2,204,109.35 – performance bond PLN 2,062,421.05 – warranty bond	20/07/2022	from 20/07/2022 to 31/01/2024 inclusive from 01/02/2024 to 30/07/2029 inclusive
LC Corp Invest X Sp. z o.o.	Przedsiębiorstwo Budowlane Arkop sp. z o.o. sp.k.	Warranty bond No. 998056180276 issued by an insurance company	warranty for physical defects and contract quality guarantee, amounting to PLN 1,442,500.00	20/07/2022	from 20/07/2022 to 22/08/2027 inclusive
DEVELIA S. A.	TECHBAU Budownictwo Sp. z o.o.	Amendment no. 1 to Performance Bond No. COR230860 issued by an insurance company on 28/10/2021.	PLN 1,053,595.90 as performance bond; PLN 526,797.95 as warranty bond	21/07/2022	28/10/2021 - 16/06/2023 (performance); 31/05/2023 - 30/12/2028 (warranty)
DEVELIA S. A.	TECHBAU Budownictwo Sp. z o.o.	Amendment No. 1 to Performance and warranty bond No. 280000188702 of 27/10/2021	PLN 1,053,595.90 as performance bond; PLN 526,797.95 as warranty bond	21/07/2022	27/10/2021 - 16/06/2023 (performance); 31/05/2023 - 31/12/2028 (warranty)
Kraków Zielony Złocięń Sp. z o.o.	Euro-Stahlservice Sp. z o.o.	Amendment no. 1 to Performance bond no. S/30/01/2021/1115/K/LW/01 of 21/04/2021	PLN 1,978,000.00	29/07/2022	to 30/11/2022
DEVELIA S.A.	TK-BUD sp. z o.o. sp.k.	Performance bond no. BFH22028530GP/K	performance bond amounting to PLN 1,304,536.29	01/08/2022	to 31/10/2023
LC Corp Invest VII Sp. z o.o.	Mota – Engil Central Europe S. A.	Bank guarantee No. 923/2022/FIN	PLN 5,943,750.00 securing the Employer's non-performance or improper performance of works covered by the Contract or other obligations	11/10/2022	30/11/2022

LC Corp Invest XV Sp. z o.o. Investments S.K.A.	KALTER Sp. z o.o.	Bank guarantee No. MT05115KPB22 – performance bond for general contracting agreement	PLN 3,640,000.00	19/10/2022	to 31/07/2024
Develia SA	Consortium – NDI SOPOT S.A. and NDI S.A.	Amendment no. 2 to Warranty bond no. 04GG09/0995/21/0004	PLN 1,647,717.17	14/11/2022	to 31/01/2023
Develia SA	Consortium – NDI SOPOT S.A. and NDI S.A.	Amendment no. 2 to Warranty bond no. 06GG09/0995/21/0005	PLN 494,315.16	14/11/2022	to 01/08/2028
Develia SA	Consortium – NDI SOPOT S.A. and NDI S.A.	Amendment to Performance bond no. D5/1006/2021/00210/00	PLN 494,315.15	15/11/2022	to 01/08/2028
Develia SA	Consortium – NDI SOPOT S.A. and NDI S.A.	Amendment to Performance bond no. D3/1006/2021/00209/00	PLN 1,647,717.17	15/11/2022	to 31/01/2023
Kraków Zielony Złocień Sp. z o.o.	KALTER Sp. z o.o.	Amendment no. 1 to Performance Bond No. MT05078KPB21 of 15/06/2021	The sum of security increased to PLN 2,683,725.25	29/11/2022	Guarantee validity period extended to 31/03/2023
LC Corp Invest VII Sp. z o.o.	Mota – Engil Central Europe S. A.	Amendment no. 1 to Bank Guarantee no. 923/2022/FINn of 11/10/2022	PLN 5,943,750.00 – performance bond	30/11/2022	31/01/2023
LC Corp Invest XV sp. z o.o. Projekt 7 sp.k	Expres-Konkurent sp. z o.o. sp.k.	Performance and warranty bond no. 32GG35/0375/22/0003 issued by an insurance company	PLN 1,870,000.00 – performance bond; PLN 817,820.12 – warranty bond	05/12/2022	01/12/2022 - 29/07/2024 (performance); 30/07/2024 - 31/01/2030 (warranty)
Kraków Zielony Złocień Sp. z o.o.	KALTER Sp. z o.o.	Bank guarantee as warranty bond No. 02102013320000179604761401	47,752.24	19/12/2022	to 31/12/2027

Apart from the aforesaid guarantees, the Group companies, namely, Arkady Wrocławskie S.A, Sky Tower S.A. and LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. have (or had – in relation to Sky Tower office and retail building, which was sold by Sky Tower S.A. on 15 March 2022) bank guarantees securing the payment of rents and other charges due for premises leased by tenants at the following commercial buildings: Arkady Wrocławskie, Sky Tower and Wola Retro in Warsaw.

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

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

4. COMPANY'S INCOME, ECONOMIC AND FINANCIAL STANDING

General Economic and Financial Figures	As at	As at
	31 December 2022 PLN'000	31 December 2021 PLN'000
Fixed assets	989,221	988,321
Current assets	1,496,766	1,384,957
Equity	1,228,017	1,129,605
Liabilities and provisions for liabilities	1,257,970	1,243,673
Balance-sheet total	2,485,987	2,373,278
Revenue from sale of services, products, goods	557,339	447,947
Revenue from interest and discounts	2,603	6,102
Revenue from dividend	209,734	122,669
Other financial income	3,482	7364
Other operating income	1,956	1161
Total operating expenses	(441,766)	(417,889)
Net profit/(loss)	296,698	157,843

In 2022, Develia S.A. earned revenues from the sale of goods and services of PLN 557,339,000, from interest and discounts of PLN 2,603,000 and from dividends of PLN 209,734,000.

The Company disclosed a net profit of PLN 296,698,000.

Major factors considerably affecting the performance of Develia S.A. in 2022 include a rise in sales revenue from the property development activity, and consequently, higher profit made on the segment in question – the effect of a significant growth in premises delivered, dividends received and the verification of write-downs of shares in subsidiaries.

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

Develia S.A. did not publish any forecast relating to financial results in 2021.

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

Detailed information on off-balance sheet items is contained in Note 9.16 and 27.2 of the Accounting Principles (Policies) and Additional Explanatory Notes to the 2022 financial statements of Develia S.A.

4.3. Structure of Assets and Liabilities in Separate Balance Sheet

	31 December 2022		31 December 2021	
Assets				
A. Fixed assets	989,221	40%	988,321	42%
1. Intangible assets	420	0%	315	0%
2. Property, plant and equipment	7,179	0%	6,006	0%
2.1. Fixed assets	6,050	0%	5,803	0%
2.2. Fixed assets under construction	1,129	0%	203	0%
3. Non-current loans and receivables	87,350	4%	95,839	4%
4. Non-current investments	892,998	36%	879,233	37%
5. Non-current prepayments	1,274	0%	465	0%
6. Deferred tax assets	0	0%	6,463	0%
B. Current assets	1,496,766	60%	1,384,957	58%
1. Inventory	1,290,299	52%	1,116,530	47%
2. Trade and other receivables	11,104	0%	75,072	3%
3. Income tax receivable	614	0%	0	0%
4. Short-term securities	35,049	1%	27,053	1%

5. Other financial assets	44,448	2%	89,960	4%
6. Cash and cash equivalents	112,786	5%	73,792	3%
7. Current prepayments	2,466	0%	2,550	0%
C. Non-current assets classified as held for sale	0	0%	0	0%
Total assets	2,485,987	100%	2,373,278	100%
Equity and liabilities				
A. Equity	1,228,017	49%	1,129,605	48%
1. Share capital	447,558	18%	447,558	19%
2. Called-up share capital not paid	0	0%	0	0%
3. Supplementary capital	457,973	18%	417,696	18%
4. Other reserve funds	16,369	1%	100,205	4%
5. Other capitals	9,419	0%	6,303	0%
6. Retained profit/(Loss carried forward)	296,698	12%	157,843	7%
B. Non-current liabilities	499,841	20%	603,175	25%
1. Non-current financial liabilities	482,775	19%	599,954	25%
2. Non-current lease liabilities	1,690	0%	2,776	0%
3. Provisions	420	0%	445	0%
4. Deferred tax liability	14,956	1%	0	0%
C. Current liabilities	758,129	30%	640,498	27%
1. Current financial liabilities	242,862	10%	151,359	6%
2. Current lease liabilities	42,669	2%	40,642	2%
3. Trade and other payables	120,568	5%	177,342	7%
4. Income tax payables	0	0%	671	0%
5. Provisions	436	0%	107	0%
6. Accruals and deferred income	351,594	14%	270,377	11%
Total equity and liabilities	2,485,987	100%	2,373,278	100%

Most crucial factors that had a bearing on changes of certain balance-sheet items in the year ended 31 December 2022:

- A change in non-current investments following from an increase in the shares held in Flatte Sp. z o.o. and an increase in the share capital of the companies: Projekt Ciszewskiego sp. z o.o. sp.k and Projekt Myśluborska Sp. z o.o. sp.k., as well as from the disposal of shares in the companies: LC Corp Invest III Sp. z o.o. and LC Corp Invest VIII Sp. z o.o., as described in Note 1.1 and 1.2, section 9. The change in that item stemmed also from revaluation write-downs of shares.
- The changes in the value of inventory results from the transactions effected during the year, namely, the purchase and disposal of the real property and the property development projects carried out by the Company.
- A decline in trade and other receivables results mainly from the refund of the excess of input over output VAT obtained by the Company, relating to the acquisition of land, as well as the payment of sums blocked in deposit accounts, designated for the acquisition of real property.
- The change in the value of supplementary capital follows from the allocation of a portion of the 2021 profit to the supplementary capital and from the payment to shareholders.
- A decline in other reserve funds results from the allocation of the portion thereof to payments to shareholders.
- An increase in the value of Accrued Expenses and Deferred Income stems mainly from payments made by buyers for premises purchased in the projects being implemented.

4.4. Assessment of Finance Management

Selected Financial Ratios:

Profitability Ratios		2022	2021
1	Return on Assets (ROA) (Net profit / total assets)	11.9%	6.7%
2	Return on Equity (ROE) (Net profit / Equity)	24.2%	14.0%
Liquidity Ratios			
1	Current Ratio Current assets / (current liabilities)	3.7	3.7
2	Quick Ratio Current assets – Inventory / (current liabilities)	0.5	0.7
Debt Ratios			
1	Debt-to-Equity ratio (total liabilities / equity)	72.4%	85.8%
2	Debt-to-Equity ratio (net) (total net liabilities / equity)	55.8%	62.3%
3	Total Debt Ratio (total liabilities / total assets)	35.8%	40.8%

The 2022 financial ratios imply that the Company has maintained financial liquidity at a stable level. The Company reduced also the total debt ratio, with profitability ratios rising.

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

5. GROUP'S INCOME, ECONOMIC AND FINANCIAL STANDING

General Economic and Financial Figures	As at	As at
	31 December 2022	31 December 2021
	PLN'000	PLN'000
Fixed assets	246,685	525,450
Current assets	2,167,349	2,155,860
Non-current assets classified as held for sale	534,898	568,530
Equity	1,434,923	1,400,409
Liabilities and provisions for liabilities	1,486,111	1,849,431
Balance-sheet total	2,948,932	3,249,840
Sales revenue	1,067,919	911,934
Gross profit on sales	361,025	281,268
Operating profit/(loss)	289,361	219,809
Pre-tax profit/(loss)	273,241	201,697
Net profit/(loss)	231,831	153,946
Adjusted net profit /(loss) (*)	238,778	156,754

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

Factors and events that had a significant impact on the Develia Group's performance in 2022, include, but are not limited to:

1. A considerable increase in sales revenue from the housing segment and profits on this operating segment – the effect of a significant growth in premises delivered;
2. In 2022, the Group reported high profitability for the property development segment;
3. Change in the value of investment property, including the buildings Arkady Wrocławskie and Wola Retro and the land located in Malin. The Group made a profit of PLN 17,100,000 on account of the said revaluation changes. When rent linearisation, capital expenditures and provisions for disposal of investment property were taken into account, a loss on investment property was PLN 1,200,000.
4. The 2022 adjusted net profit amounted to PLN 238,800,000, whereas in 2021 totalled PLN 156,800,000.

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

The Company did not publish any forecast relating to the 2022 financial results.

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

Detailed information on off-balance sheet items is contained in Note 30.2 of Additional Explanatory Notes to the 2022 consolidated financial statements of the Group.

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

	31 December 2022		31 December 2021	
Assets				
A. Fixed assets	246,685	8.37%	525,450	16.17%
1. Intangible assets	1,127	0.04%	433	0.01%
2. Property, plant and equipment	5,959	0.20%	5,098	0.16%
3. Non-current receivables	9,674	0.33%	2,576	0.08%
4. Land classified as fixed assets	83,688	2.84%	55,122	1.70%
5. Investment property	129,791	4.40%	451,660	13.90%
6. Non-current prepayments	1,340	0.05%	509	0.02%
7. Deferred tax assets	15,106	0.51%	10,052	0.31%
B. Current assets	2,167,349	73.50%	2,155,860	66.34%
1. Inventory	1,657,216	56.20%	1,569,632	48.30%
2. Trade and other receivables	21,387	0.73%	97,286	2.99%
3. Income tax receivable	2,464	0.08%	4,791	0.15%
4. Derivatives assets	770	0.03%	49	0.00%
5. Short-term securities	35,049	1.19%	27,053	0.83%
6. Other financial assets	94,420	3.20%	118,539	3.65%
7. Cash and other monetary assets	352,119	11.94%	332,754	10.24%
8. Current prepayments	3,924	0.13%	5,756	0.18%
C. Non-current assets classified as held for sale	534,898	18.14%	568,530	17.49%
Total assets	2,948,932	100.00%	3,249,840	100.00%
Equity and liabilities				
A. Equity	1,434,923	48.66%	1,400,409	43.09%
I. Equity attributable to shareholders of the parent	1,434,570	48.65%	1,400,409	43.09%
1. Share capital	447,558	15.18%	447,558	13.77%
2. Other capitals	755,180	25.61%	798,905	24.58%
3. Net profit/(loss)	231,832	7.86%	153,946	4.74%
II. Minority interest	353	0.01%	-	0.00%
B. Non-current liabilities	480,656	16.30%	574,475	17.68%
1. Non-current loan and bond liabilities	390,636	13.25%	497,850	15.32%

2. Non-current derivatives liabilities	-	0.00%	-	0.00%
3. Non-current lease liabilities	4,888	0.17%	17,618	0.54%
4. Provisions	14,592	0.49%	6,217	0.19%
5. Accruals and deferred income	-	0.00%	4,856	0.15%
6. Deferred tax liability	70,540	2.39%	47,934	1.47%
C. Current liabilities	1,005,455	34.10%	1,260,673	38.79%
1. Current loan and bond liabilities	192,604	6.53%	350,759	10.79%
2. Current derivatives liabilities	-	0.00%	736	0.02%
3. Current lease liabilities	63,902	2.17%	75,150	2.31%
4. Current trade and other payables	194,668	6.60%	245,829	7.56%
5. Income tax payables	5,619	0.19%	4,092	0.13%
6. Provisions	9,579	0.32%	6,007	0.18%
7. Accruals and deferred income	539,083	18.28%	578,100	17.79%
D. Liabilities arising from assets held for sale	27,898	0.95%	14,283	0.44%
Total equity and liabilities	2,948,932	100.00%	3,249,840	100.00%

Most crucial factors that had a bearing on changes in balance-sheet items in the year ended 31 December 2022:

- A decrease in the value of Investment Property resulting from the reclassification of the Wola Retro building to Non-current Assets Classified as Held for Sale, which followed from the conclusion of a preliminary sale and purchase agreement;
- A decrease in the value of financial liabilities on account of loans, resulting mainly from the full repayment of the loan associated with the disposal of Sky Tower real property

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

5.4. Assessment of Finance Management

Selected Financial Ratios:

Profitability Ratios		2022	2021
1	EBITDA (kPLN) (operating profit or loss + depreciation and amortisation)	291,387	221,363
1'	EBITDA (kPLN) (without valuation adjustments) (adjusted operating profit or loss + depreciation and amortisation)	292,556	218,080
2	Operating profit margin (EBITDA / net sales revenue)	27.3%	24.3%
2'	Operating profit margin (without valuation adjustments) (adjusted EBITDA / net sales revenue)	27.4%	23.9%
3	Gross margin on sale of services (Gross profit on sale of services / revenue from sale of services)	49.7%	50.2%
4	Gross margin on sale of goods and products (Gross profit on sale of goods and products / revenue from sale of goods and products)	33.0%	28.8%

5	Net profit margin ratio (Net profit / net sales revenue)	21.7%	16.9%
5'	Adjusted net profit margin (Adjusted net profit / net sales revenue)	22.4%	17.2%
6	Return on Assets (ROA) (Net profit / total assets)	7.9%	4.7%
6'	Return on Assets (ROA), adjusted (Adjusted net profit / total assets)	8.1%	4.8%
7	Return on Equity (ROE) (Net profit / Equity)	16.2%	11.0%
7'	Return on Equity (ROE), adjusted (Adjusted net profit / Equity)	16.6%	11.2%
Liquidity Ratios			
1	Current Ratio Current assets / (current liabilities)	4.8	3.2
2	Quick Ratio Current assets – Inventory / (current liabilities)	1.1	0.9
Debt Ratios			
1	Debt-to-Equity ratio (total liabilities / equity)	59.0%	84.8%
2	Net Debt to Equity ratio (variant 1)* (interest-bearing net debt / equity)	22.8%	44.5%
3	Net Debt to Equity ratio for bonds (variant 2)** (interest-bearing net debt / equity)	13.0%	34.9%
4	Net Debt to Equity for bonds (variant 3)*** (interest-bearing net debt / equity)	6.3%	27.2%
5	Total Debt Ratio (total liabilities / total assets)	28.7%	36.6%

(*) Variant 1 according to the dividend policy

(*) Variant 2 – Financial liabilities under issue conditions for bonds issued on 22/05/2019 (i.e. along with liabilities defined in IFRS 16– charges for perpetual usufruct)

(*) Variant 3 – Financial liabilities in line with issue conditions for bonds issued on 07/10/2020, 11/05/2021, 08/10/2021 and bonds issued under the Public Bond Issue Scheme on 20/12/2022.

The ratio analysis has revealed that the Develia Group has maintained a stable financial position. The Group is able to meet its liabilities on an ongoing basis.

Financial risk management, financial instruments and capital management are described in Notes 36, 37 and 38 of the consolidated financial statements.

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

In 2022 and now, there are currently no proceedings before the court or arbitration or public administration authorities with regard to liabilities of or amounts owing to Develia S.A. or its subsidiaries, whose value would be significant for the financial standing of the Group companies. Subsidiary undertakings of Develia S.A. are parties to court and public administration proceedings whose value is insignificant for their operations or financial standing. The vast majority of other cases relate to claims lodged by subsidiaries of Develia S.A. against their debtors.

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

7.1. Acquisition of Shares in Malin Development 1 Sp. z o.o.

On 20 January 2023, as stipulated in the investment agreement of 24 October 2022, Develia S.A. acquired from Hillwood Malin Development Logistics, LLC, based in the USA, 25% of shares having the total nominal value of PLN 1,250 in a company Malin Development 1 Sp. z o.o., based in Warsaw, with the share capital of PLN 5,000.

7.2. Decision to Close Arkady Wrocławskie Building

On 17 January 2023, the Management Board of Arkady Wrocławskie S.A., on account of the market situation, decided to close "Arkady Wrocławskie" Retail Centre and take actions designed to terminate all effective lease agreements, setting the final date of the retail centre's operations for 29 February 2024, and subsequently, to shut down the facility.

7.3. Preliminary Sale and Purchase Agreement for Wola Retro Building in Warsaw

On 26 January 2023, the Issuer's subsidiary – LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. ("P22"), acting as the seller, and WR Office Sp. z o.o., based in Warsaw, as the purchaser (the "Purchaser") – a company related to Adventum Fund Management Ltd., based in Budapest, entered into a preliminary sale and purchase agreement (the "PSPA") for the disposal of the right of perpetual usufruct to a real property located in Warsaw at Skierniewicka street and Siedmiogrodzka street, along with the ownership right to the buildings and structures comprising an office development called Wola Retro (the "Real Property") and the ownership right to tangible and intangible assets associated with the Real Property (the "Transferred Assets"). The parties fixed a total estimate selling price at EUR 69,790,713.34 net, plus goods and services tax (VAT) due, which may be adjusted for (i) the net value of tenant contributions for carrying out fit-out works or covering the costs of fit-out works pursuant to lease agreements made before or on the date the PSPA is entered into, (ii) the net value of unpaid rent discounts given under lease agreements made before or on the date the PSPA is entered into and (iii) the value of costs related to arrangements arising from due diligence (the "Price"). The Price will be paid in full on the date of making the Final Sale and Purchase Agreement. The estimate selling price determined in the letter of intent (LoI) made by the parties on 13 October 2022 was adjusted, as agreed, among other things, for the costs of extending lease agreements with key tenants, which were extended in the period between the signature of the LoI and the PSPA, which costs the Purchaser undertook to incur and which were deducted from the selling price.

The final sale and purchase agreement is expected to be made on 30 April 2023 (the "FSPA"), however, the said date may be postponed. Entering into the FSPA is contingent on fulfilling conditions precedent, which are standard for a transaction of this type and include:

- a) The receipt of a letter concerning the repayment of loan, issued by the bank making the loan for P22;
- b) The issuance of tax interpretations concerning the goods and services tax (VAT) to be imposed on the transaction;

And obtaining additional documents (statements) required by the Purchaser, which are standard for a transaction of this type:

- c) Obtaining an acknowledgement of the General Contractor of the building in respect of the assignment of quality guarantee and implied warranty for defects under a general contracting agreement and a statement of the general contractor concerning the transfer of licence rights;
- d) Obtaining the insurer's consent to the assignment of insurance guarantee securing the general contracting agreement for the building;

- e) Making an agreement with the building designer, among other things, to acknowledge the transfer of copyrights.

There are also plans to conclude, as part of the transaction, a rent guarantee agreement (the "Rent Guarantee Agreement"). The basic provisions of the Rent Guarantee Agreement include a guarantee to be given to the Purchaser in relation to P22's obligation to cover the costs of fit-out works in vacant premises up to the amount calculated by multiplying the square metres of a leased unit by EUR 600 and a guarantee to be given to the Purchaser by P22 regarding specific net operating income from the lease of the Real Property. The guarantee period under the Rent Guarantee Agreement will be three years (not later than 30 April 2026), however, the aforesaid costs will be due to the Purchaser only if, within three years of making the FSPA, such floor areas for new tenants need to be prepared. Under the provisions of the PSPA and the Rent Guarantee Agreement, the Issuer will give to the Purchaser, upon making the FSPA, a corporate guarantee up to the amount of EUR 6,000,000. The Rent Guarantee Agreement will be secured by a deposit of EUR 4,000,000, to be paid from the Price and released to P22 in three instalments over annual periods.

7.4. Borrowing Agreements Concluded by Group Companies

On 30 January 2023, LC Corp Invest XI Sp. z o.o. entered into a borrowing agreement with LC Corp Invest I Sp. z o.o. under which a sum of EUR 2,000,000 was borrowed under arm's length conditions for an indefinite period of time.

On 30 January 2023, LC Corp Invest I sp. z o.o. entered into a borrowing agreement with LC Corp Invest XVII sp. z o.o. Projekt 22 Sp. k., as the borrower, under which a sum of EUR 2,000,000 was borrowed on arm's length conditions for an indefinite period of time.

On 10 March 2023, an Issuer's subsidiary, LC Corp Invest II sp. z o.o., as the borrower, entered into a borrowing agreement with Develia S.A., under which a sum of PLN 1,000,000 was borrowed on arm's length conditions for an indefinite period of time.

7.5. Surety Granted by Issuer to Subsidiary Arkady Wrocławskie S.A.

In connection with the 29 December 2022 Amendment to Loan Agreement made on 28 February 2008 between Arkady Wrocławskie S.A. and Santander Bank Polska S.A., Develia S.A., as the sole shareholder in Arkady Wrocławskie S.A., granted surety on 23 January 2023 to the bank for the repayment of the loan for the Company up to PLN 10,812,500.00 and made a declaration on the submission to enforcement up to the sum mentioned above.

7.6. Expiry of Surety Granted by Issuer to Kraków Zielony Złocień Sp. z o.o.

31 January 2022 saw the expiration of the surety granted by Develia S.A. to 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 the contract of 02 November 2020 for the completion of a road project relating to the Katowice Ceglana project.

7.7. Modification to Bond Issue Scheme and Issue of Bonds under Scheme

- 1) On 14 March 2023, the Issuer and mBank S.A. made an amendment to the 2 October 2018 scheme agreement (as amended) (the "Scheme Agreement"), under which the amount of the bonds multiple issue scheme established pursuant to the Scheme Agreement was increased from PLN 400,000,000.00 to PLN 600,000,000.00 (the "Issue Scheme"). Pursuant to the aforesaid amendment, a brokerage office, Biuro Maklerskie mBank S.A., joined the Programme Agreement as another dealer, in addition to mBank S.A. The amendment to the Scheme Agreement is designed also to adapt both the Scheme Agreement and documentation relating to the Issue Scheme to amended provisions of law that apply to Bonds issued under that Scheme. Bonds issued under the amended Issue Scheme will be tendered for purchase pursuant to Article 33(1) or (2) of the Bonds Act of 15 January 2015.
- 2) On 20 March 2023, the Management Board of the Company adopted a resolution on the issue of 180,000 DVL0326OZ7 series unsecured ordinary bearer bonds, having a nominal value of PLN 1,000 each and the maximum total nominal value of PLN 180,000,000, issued under the Bond Issue Agreement signed with mBank S.A. and a brokerage office Biuro Maklerskie mBank S.A. up to the total amount (nominal value) of issued and outstanding bonds totalling PLN 600,000,000. On 27 March 2022, the Company issued 180,000 three-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 180,000,000, with the redemption date being set at 27 March 2026.

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

- 1) On 01 February 2023, the Company made Amendment No. 3 to the revolving loan agreement concluded with mBank S.A., under which the loan repayment security list was extended and contractual mortgage was established on another real property to which the Company holds the right of perpetual usufruct, allowing thus for utilising the maximum possible loan sum of up to PLN 50,000,000.
- 2) On 01 March 2023, the Company and PKO BP S.A. made Amendment No. 5, under which the loan utilisation period was extended until 28 April 2024.
- 3) On 07 March 2023, the Company made Amendment No. 4 to the revolving loan agreement concluded with mBank S.A., under which the loan security list was altered, with the maximum possible loan utilisation sum of PLN 50,000,000 remaining unchanged.
- 4) On 14 March 2023, the Issuer acquired, in order to redeem, 8,200 three-year unsecured dematerialised LCC1023OZ4 series coupon bonds, assigned the code ISIN PLO112300010 and having a nominal value of PLN 1,000 each, of 70,000 bonds issued on 07 October 2020, maturing on 06 October 2023, as determined in the terms and conditions of the issue.
- 5) On 16 March 2023, the Issuer acquired, in order to redeem, 29,690 three-year unsecured dematerialised LCC1023OZ4 series coupon bonds, assigned the code ISIN PLO112300028 and having a nominal value of PLN 1,000 each, of 150,000 bonds issued on 11 May 2021, maturing on 10 May 2024, as determined in the terms and conditions of the issue.

7.9. Additional Rights to Take up A Series Subscription Warrants Granted As Part of 2nd Tranche of Incentive Scheme for 2022 and Rights to Take up A Series Subscription Warrants Granted As Part of 2nd Tranche for 2022 to Management Board Members and Company Key Personnel

By virtue of the Supervisory Board Resolution No. 2 adopted on 31 January 2023, approving the Management Board Resolution No. 3/2023 adopted on 23 January 2022 (amending the Management Board Resolution No. 36/2022 adopted on 01 June 2022), additional 693,857 rights to warrants were preliminarily granted. The said warrants were allocated from the 2022 reserve pool and from the rights granted previously to persons whose employment contracts were terminated and who consequently forfeited the entitlement to participate in the scheme. Accordingly, a total of 5,467,238 rights to A series subscription warrants were granted as part of the 2nd tranche of the scheme for 2022. There are 127,240 rights under the 2nd tranche, which have not been allocated (including expired rights).

By virtue of the Supervisory Board Resolution No. 1 of 31 January 2023 and the Supervisory Board Resolution No. 2 of 31 January 2023 approving the Management Board Resolution No. 4/2023 adopted on 23 January 2023, rights to take up A series subscription warrants granted as part of the 3rd tranche for 2023 were vested in eligible persons (including Management Board members), and one additional person joined the scheme.

7.10. 2023 Targets Approved by Management Board

On 15 February 2023, the Company's Management Board have approved, pursuant to the "2021-2025 Develia's Strategy" published in the Current Report no. 12/2021 of 18 February 2021, the Develia S.A. Management Board objectives for 2023. The aforesaid objectives are as follows:

- The number of premises to be sold in 2023 (developer agreements or preliminary sales agreements): 1,450 – 1,650 units and the number of new premises to be added to the 2023 offer: 1,850-2,050 units;
- Residential premises to be delivered in 2023: 1,900 – 2,050 units;
- The disposal of the Wola Retro building in Q2 2023;
- The signature of a preliminary conditional sale and purchase agreement for Arkady Wrocławskie;
- As regards PRS – entering into contracts for the construction of 600-800 units.

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

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

Risk Associated with Armed Conflict in Ukraine.

At the end of February 2022, Russian armed forces invaded Ukraine, Poland's neighbouring country. As a result of the conflict, European countries, the USA, Australia and certain Asian countries (Japan, South Korea, Singapore, to name but a few) imposed financial and trade sanctions on Russia and partially on Belarus. Consequently, trade with these countries and Ukraine, which is fighting in the war, may collapse. According to 2021 Eurostat data, Russia's, Ukraine's and Belarus's share in Polish imports accounted for 5.7%, 1.5% and 0.5% respectively. The products which are mainly imported from these countries include: timber, chemicals (Belarus), semi-finished iron and steel products, plant products (Ukraine), energy resources, steel, industrial metals (Russia). The foregoing may lead to short-term shortages of these products and/or prices for these goods may go up rapidly. A large portion of these products is used in the construction industry, which may translate into a rise in the Group's project implementation costs. Furthermore, the war also increases the political risk in Eastern Europe and Central and Eastern Europe, which adversely affects Poland's currency, fuels inflation and intensifies pressure on interest rate rises. On the other hand, the conflict in the east means a greater influx of immigrants to Poland, which, in a long-term perspective, increases the workforce potential and GDP, as well as lowers salary and inflation pressure.

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 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 was the state of COVID-19 epidemic, which had continued since March 2020 and on 16 May 2022 was changed to the state of epidemic threat. A possible rise in the number of people being sick with COVID-19 in Poland and restrictions that may be potentially 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 led to a delay in the process of issuing administrative decisions, e.g. decisions on building permit, which stemmed from the fact that time limits for administrative authorities to give such decisions were suspended and the working behaviour of offices changed on account of the epidemic. At the same time, low interest rates stimulated demand for flats, encouraging not only those purchasing to satisfy their own residential needs, but also investors intending to buy a flat for rental purposes. The Issuer's 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 epidemic had also a considerable impact on the Group's operations in the commercial segment, it was reflected in revenue and cash flows generated by commercial buildings, specifically those with a significant

share in commercial floor space - these changes resulted in a lower value of investment real property in 2020 – Arkady Wrocławskie, Sky Tower and Wola Retro, which declined by a total of EUR 52,490,000.

Apart from the aforesaid impact, the fact of announcing the COVID-19 pandemic has not affected the liquidity of the Group companies dramatically and it has had no significant bearing on the valuation of major financial items (such as inventory, receivables and provisions). The COVID-19 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 Issuer's Management Board are of the opinion that it is not possible to assess the effects of the epidemic on the Group in subsequent months. The Issuer's Management Board are not able to determine future unknown consequences of the continuing COVID-19 epidemic, however, actions are being taken to reduce this risk by providing proper security for the Issuer'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 Issuer'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. Stringent criteria applied by banks when assessing clients to calculate their credit score caused difficulties for prospective buyers of flats, whose creditworthiness is poor. A lack of new credit solutions and the scarce availability of loans may be a factor behind lower demand for new flats and houses.

The situation on the property development market ensuing from the foregoing (fluctuations in supply/demand) has also a significant impact on the Group's operations, which is also the case with the situation on the commercial real property market, shaping the levels of obtained lease rents and the level of commercial real property valuations (through capitalisation (yield) rates effective on the market). Unfavourable changes on the aforesaid markets may negatively affect the Issuer's financial position and its debt service capability.

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 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 31 December 2022 and the date of preparing the statements, all the Company's bonds and loans bear interest at a floating WIBOR and EURIBOR rate. In the case of the Group, the reform will concern the WIBOR rate. 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. P2022A series bonds of PLN 15,442 mature after the planned WIBOR publication date. In such a case, the WIBOR rate will be replaced with an alternative index WIRON.

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

A property development project cycle is lengthy (above 24 months), requires substantial financial expenditures and delivers full return on expenditures made, however, not earlier than after three years at the soonest. As per the strategy adopted, the Issuer acquires also plots of land for multi-stage projects. Further project stages are usually launched at six- to twelve-month intervals. Generally, the Issuer must provide full funds for the acquisition of a given parcel of land, whereas its complete development takes even up to several years from the acquisition date. Long-term delays in sale, in particular, when combined with an unfavourable macroeconomic situation, may result in the possibility that the whole or a part of funds invested will not be recovered. Accordingly, the moment when revenue is earned may take place a long time after expenditures are incurred on a given project.

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

Contracts for construction works are put up by the Group to tender, to make sure that only general contractors and service providers that made the most favourable proposals have been selected. The Group's property development projects were carried out mainly on a general contracting basis and only a few smaller projects were implemented without a general contractor, in which case the Group contracts contractors for individual works on its own.

The Group entered into contracts which clearly set out remuneration payable to contractors and service providers and which allow for completing projects under construction in full and within budgets set by the Group. Contractors

and 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, and consequently, in a worst scenario, translate into a deferment of payments resulting from Bonds or impossibility to make such payments.

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. Certain contracts with general contractors provide for price indexation (the maximum increase by 5-10%). The Group has partially renegotiated existing contracts to increase remuneration for construction works.

The Group is not dependent on specific service providers – construction works are provided by a large variety of different businesses that compete with each other on the developed construction market in Poland, and Group companies use 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 of 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 JV agreement creates the possibility to extend co-operation in respect of further property development projects in Warsaw.

Furthermore, the Issuer and companies of the group to which Hillwood Polska belongs signed a co-operation agreement to carry out a common project on the Group's real property located in Malin, Wisznia Mała municipality.

The Project will entail the 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 JV, 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, results worse than expected, a different marketing policy), which may occur in the course of joint venture activity. Despite the fact that experienced partners are selected and 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.

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.

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. That share will decrease with further disinvestment in the commercial segment.

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 2022	+ 0.20	11,197	11,197
(audited)	- 0.20	(11,197)	(11,197)
31 December 2021	+ 0.20	17,835	17,835
(audited)	- 0.20	(17,835)	(17,835)

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 concludes transactions with renowned companies of good credit capacity. Moreover, owing to the current monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is negligible. However, one cannot rule out possible delays in payments by business partners or deterioration of business partner's financial standing over time, which could have a negative impact on the financial position and liquidity of the Issuer. With regard to the Company's other financial assets, such as cash and cash equivalents, the Group deposits its funds in banks of good and stable financial standing and invests in other current financial assets. There is no significant concentration of credit risk in the Group.

Administration and Construction Risk

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

Risk Associated With Legislative Changes

The operations carried on by the Issuer and the Group are subject to numerous provisions of law and regulations, such as planning and spatial development requirements, provisions of construction law, requirements for real property sale and seller's liability, as well as limitations to land use. The past ten years or so have witnessed the process of introducing extensive changes to the Polish law system, as well as the growth of EU legislation. The vast majority of modifications to the legal system may have a significant impact on the manner in which businesses operate and profits they reap. This also applies to the operations of the Issuer and the Group, as the project development process in the construction sector entails the need to satisfy many requirements laid down in the civil and administrative law.

Introducing legislative changes that impose substantial obligations (including financial ones) on the Issuer and Group companies may have a negative bearing on the Issuer's business, and consequently, may affect its debt service capability.

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 of Fines Arising from MAR

Pursuant to the Market Abuse Regulation (MAR), in the event of the Issuer's manipulation, insider dealing or unlawful disclosure of inside information, state authorities may impose on it administrative pecuniary sanctions, the maximum amount of which should be the corresponding value of at least EUR 15,000,000 (or 15% of the total annual turnover of the Issuer's ultimate parent undertaking). Furthermore, the MAR stipulates that the Issuer's breach of the obligation to keep insider lists or the obligation relating to transactions conducted by persons discharging managerial responsibilities should create the possibility of imposing on it a fine amounting to at least the corresponding value of EUR 1,000,000.

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

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

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

- Substantially expand the scale of operations in the housing segment to the sales level of 3,100 flats in 2025 (CAGR 18%);
- Carry out disinvestment of the office and retail portfolio and contemporaneous development of the residential units segment for institutional customers (PRS), and consequently, increase capital committed to the housing segment of 85% of equity;
- Considerably improve return on equity (ROE), achieving the yearly level of 15%;
- Actively create and participate in significant, new market trends, also through entering into partnerships, alliances and M&A;

- Actively build the brand of a solid employer and a business partner and a modern developer, while taking care of positive relations with and loyalty from employees and clients;
- Direct its operations to a positive impact on the environment and adapt selected projects to the city context. Another objective is to strengthen the position of a reliable local community partner, which assumes responsibility for natural environment. As for the housing products, the Group plan also to extend the scope of such products and distinguish them to a greater extent in terms of ecology, functionality, modernity and friendly environment;
- Commence co-operation with a selected partner on a JV basis in the warehousing sector, using land owned in Malin and partial disinvestment.

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

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

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

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

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.

On 15 February 2023, the Company's Management Board have approved, pursuant to the "2021-2025 Develia's Strategy" published in the Current Report no. 12/2021 of 18 February 2021, the Develia S.A. Management Board objectives for 2023. The aforesaid objectives are as follows:

- The number of premises to be sold in 2023 (developer agreements or preliminary sales agreements): 1,450 – 1,650 units and the number of new premises to be added to the 2023 offer: 1,850-2,050 units.
- Residential premises to be delivered in 2023: 1,900 – 2,050 units.
- The disposal of the "Wola Retro" building in Q2 2023.
- The signature of a preliminary conditional sale and purchase agreement for Arkady Wrocławskie.
- As regards PRS – entering into contracts for the construction of 600-800 units.

Dividend Policy:

Under a dividend policy adopted by the Supervisory Board of Develia S.A., dividend will be paid at a level of 25-75% of Group's adjusted consolidated net profit. Pursuant to the dividend policy, when setting the value of recommended dividend, the Management Board will consider, first and foremost, the level of ND/E ratio, that is to say, the ratio of interest-bearing net debt to equity. Taking into account the said ratio at the end of 2022, the Management Board have assumed that dividend for 2022 will be paid.

The Management Board's recommendation as to the amount of dividend will be conditional on whether the Company's separate performance allows for such a payment out of profit, whether the Company has an opportunity for raising funds and if its financial plans can be executed and furthermore, whether the said payment out of profit

is in line with terms and conditions of bonds issued by the Company or terms and conditions of loans taken out by the Company.

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

10.1. Structure of Employment at Develia S.A.

In the year ended 31 December 2022, average employment at the Company was as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Management Board	3	3.5
White-collar / administration workers	171.61	164.62
Blue-collar workers	-	0.0
Total	174.61	168.12

10.2. Structure of Employment at Group

In the year ended 31 December 2022, average employment in the Group was as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Management Board of Parent Undertaking	3	3.5
Management Boards of Group's Undertakings (*)	0	0
Administration	140.61	124.20
Sales Department	33	43.92
Others	0	0
Total	176.61	171.62

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

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

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

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

meeting the financial criterion (75%) – namely reaching the minimum specified value of adjusted consolidated net profit and meeting the market criterion (25%). The scheme will expire on 31 December 2026.

In 2022, the Management Board and the Supervisory Board adopted an amendment to the incentive scheme rules following modifications to General Meeting resolutions. Initially, the right to take up A series subscription warrants was granted to the Members of the Management Board of Develia S.A. by the Supervisory Board under the Resolution No. 6 of 17 September 2021 and to 28 Develia S.A.'s employees by the Management Board under the Resolution No. 1 of 17 September 2021 approved by the Supervisory Board under the Resolution No. 7 of 17 September 2021.

By virtue of the Supervisory Board Resolution No. 6/2022 adopted on 17 March 2022, approving the Management Board Resolution No. 16/2022 adopted on 10 March 2022 (amending the Management Board Resolution No. 1 of 17/09/2021 and the Management Board Resolution No. 1 adopted on 08/03/2022), another three persons were included in the scheme and additional 738,677 rights to warrants were preliminarily granted. The said warrants were allocated from the 2021 reserve pool and from the rights granted under the Management Board Resolution No. 1 of 17/09/2021 to persons whose employment contracts were terminated and who consequently forfeited the entitlement to participate in the scheme. Accordingly, a total of 4,922,238 rights to A series subscription warrants were granted as part of the 1st tranche of the scheme for 2021. There are: 672,240 rights under the 1st tranche, which have not been allocated (including expired rights).

By virtue of the Management Board Resolution No. 36/2022 adopted on 01 June 2022 and the Supervisory Board Resolution No. 1 adopted on 21 June 2022, financial and market criteria for 2021 as part of the 1st tranche of the scheme were acknowledged.

By virtue of the Management Board Resolution No. 37/2022 adopted on 01 June 2022 and the Supervisory Board Resolution No. 2 of 21 June 2022, rights to take up A series subscription warrants granted as part of the 2nd tranche for 2022 were vested in eligible persons (including Management Board members), and five more persons joined the scheme.

By virtue of the Supervisory Board Resolution No. 2 adopted on 31 January 2023, approving the Management Board Resolution No. 3/2023 adopted on 23 January 2022 (amending the Management Board Resolution No. 36/2022 adopted on 01 June 2022), additional 693,857 rights to warrants were preliminarily granted. The said warrants were allocated from the 2022 reserve pool and from the rights granted previously to persons whose employment contracts were terminated and who consequently forfeited the entitlement to participate in the scheme. Accordingly, a total of 5,467,238 rights to A series subscription warrants were granted as part of the 2nd tranche of the scheme for 2022. There are 127,240 rights under the 2nd tranche, which have not been allocated (including expired rights).

By virtue of the Supervisory Board Resolution No. 1 of 31 January 2023 and the Supervisory Board Resolution No. 2 of 31 January 2023 approving the Management Board Resolution No. 4/2023 adopted on 23 January 2023, rights to take up A series subscription warrants granted as part of the 3rd tranche for 2023 were vested in eligible persons (including Management Board members), and one additional person joined the scheme.

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

The Company made the valuation of the incentive scheme in accordance with the rules laid down in IFRS 2. The scheme cost, as revealed by a valuation made as at 31/12/2022, totalled PLN 3,116,000, and was recognised in the Company's 2022 profit.

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

The scheme is controlled by the Company's Supervisory Board, both at the decision-making stage referring to the allocation of rights to warrants by eligible persons, as well as through the verification of the fulfilment of the financial and market criterion necessary for the allocation of warrants giving the entitlement to take up shares under the scheme.

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

11.1. Amount of Remuneration, Rewards, Benefits, Including Under Equity-Based Incentive and Bonus Schemes, Paid or Due to Management Board and Supervisory Board Members and Information

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

Remuneration for members of Management Board of Develia S.A. from 01/01/2022 to 31/12/2022:

Andrzej Oślizło – remuneration along with bonuses totalled PLN 2,559,000; no share-based payment was made;
Paweł Ruszczak – remuneration along with bonuses totalled PLN 1,875,000; no share-based payment was made;
Mariusz Poławski – remuneration along with bonuses totalled PLN 1,842; no share-based payment was made;

Remuneration for members of the Supervisory Board of Develia S.A. from 01/01/2022 to 31/12/2022:

Jacek Osowski – remuneration totalled PLN 144,000; no share-based payment was made;
Paweł Małyska¹⁾ – remuneration totalled PLN 68,000; no share-based payment was made;
Artur Osuchowski²⁾ – remuneration totalled PLN 29,000; no share-based payment was made
Piotr Kaczmarek – remuneration totalled PLN 123,000; no share-based payment was made
Robert Pietryszyn – remuneration totalled PLN 99,000; no share-based payment was made;
Piotr Pinior – remuneration totalled PLN 99,000; no share-based payment was made;
Piotr Borowiec – remuneration totalled PLN 99,000; no share-based payment was made;
Michał Hulbój³⁾ – remuneration totalled PLN 53,000; no share-based payment was made;
Filip Gorczyca⁴⁾ – remuneration totalled PLN 54,000; no share-based payment was made

(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.

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

Persons responsible for supervision, who hold Issuer's shares

Full name	Function in the body	Holding of the Issuer's shares as at 31/12/2021		Holding of the Issuer's shares as at 31/12/2022	
		Decrease	Increase	Decrease	Increase
Jacek Osowski	Chairman of Supervisory Board	-	-	-	-
Paweł Małyska ¹⁾	Vice Chairman of Supervisory Board	-	n/a	n/a	n/a
Artur Osuchowski ²⁾	Member of Supervisory Board	-	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	n/a	n/a	n/a	-
Filip Gorczyca ⁴⁾	Member of Supervisory Board	n/a	n/a	n/a	-

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

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

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

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

Persons responsible for management who hold Issuer's shares					
Full name	Function in the body	Holding of the Issuer's shares as at 31/12/2021			Holding of the Issuer's shares as at 31/12/2022
			Decrease	Increase	
Andrzej Oślizło	President of Management Board	-	-	-	-
Paweł Ruszczak	Vice President of Management Board	46,800	-	-	46,800
Mariusz Polawski	Vice President of Management Board	-	-	-	-

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

Non-competition agreements made between the Issuer and Management Board members provide for the payment to a Management Board Member of compensation in the amount of 100% of remuneration for a six-month period following the termination of employment. There are no other agreements providing for compensation for managers in the event of their resignation or removal from their post or dismissal on the grounds of the Issuer's merger through take-over.

12. CORPORATE GOVERNANCE STATEMENT

The Management Board of Develia S.A. (the "Issuer" or the "Company"), fulfilling the obligation set out in Article 70(6)(5) of the Regulation on Current and Periodic Information Published by Issuers of Securities and on Conditions for Regarding Information Required by Law of Non-Member State as Equivalent, publicly informs about the Company's observance of corporate governance principles in 2022.

12.1. Set of Corporate Governance Principles

This information has been made in accordance with the Resolution No. 13/1834/2021 adopted by the Board of the Warsaw Stock Exchange as of 29 March 2021 – "Best practices for WSE Listed Companies 2021", which has been effective since 01 July 2021. The text of the corporate governance principles is available on the WSE website at: https://www.gpw.pl/pub/GPW/pdf/Uch_13_1834_2021_DPSN2021.pdf.

12.2. Reasons for Deviation from Corporate Governance Principles

The Company has been applying, since 01 January 2022, all principles laid down in the Best practices for GPW (the Warsaw Stock Exchange) Listed Companies 2021, except for the following ten principles: 1.3.1., 1.3.2., 1.4., 1.4.1., 1.4.2., 1.5., 2.1., 2.2., 2.11.6., 4.1.

As the Issuer received on 16/05/2022 a notice from a shareholder putting forward a candidate for the Supervisory Board member, i.e. one day before the date of the Ordinary General Meeting, convened on 17/05/2022, the rule 4.9.2. of the 2021 Best Practices was violated incidentally.

1. INFORMATION AND COMMUNICATION POLICY WITH INVESTORS

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

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

This principle is not applied in full. The "Develia Group's Strategy for the years 2021-2025", which was published by the Company, does not present environmental factors, including measures and risks relating to climate change and sustainable development. However, the Company emphasised that it was willing to direct its operations to a positive impact on the environment and adapt selected projects to the city context. As for housing projects, the Group also plans to extend the scope of its products and distinguish them to a greater extent in terms of ecology,

functionality, modernity and friendly environment. The Company develops new products by introducing additional elements to selected projects, taking into account state-of-the-art green solutions, e.g. photovoltaic panels, smog-eating pavements, solar lamps, electric vehicle charging stations or increased green areas with oxygen plants. In December 2022, the Company published the 2021 sustainable development report, in which the Company determined, among other things, the approach to environmental protection, the impact of the Company's operations on the climate and actions taken to mitigate the negative effect. The Company identified, among other things, climate-related risks and opportunities arising from the climate change, which may affect the Company's operations and/or costs.

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

This principle is not applied in full. The "Develia Group's Strategy for Years 2021-2025", which was published by the Company, does not present social and employee factors. However, the Company emphasises that it actively builds the brand of a solid employer and a business partner and a modern developer, while taking care of positive relations with and loyalty from employees and clients. The Company ensures equal treatment for men and women, decent working conditions and respect for employees' rights. The Company's strategy is focused on customer relations, among other things, by enhancing the customer service and satisfaction quality, introducing customer-oriented solutions and adjusting the Company's offer to meet customers' expectations. Another objective of the Company is to strengthen the position of a reliable local community partner, which assumes responsibility for natural environment. In December 2022, the Company published the 2021 sustainable development report, in which the Company described, among other things, actions it takes in relation to social responsibility, the proper arrangement of the workplace, relationships with stakeholders, respecting customer rights, attention given to respect human rights and the Company's approach to socially beneficial initiatives.

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

This principle is not applied in full. To ensure quality communications with stakeholders, as a part of the business strategy, the Company publishes on its website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. However, as mentioned in the note concerning the principle 1.3, the "Develia Group's Strategy for the years 2021-2025", which was published by the Company, does not contain information relating to the ESG area. In December 2022, the Company published the 2021 sustainable development report.

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

This principle is not applied. As mentioned in the notes concerning the principle 1.3 and 1.4, the "Develia Group's Strategy for the years 2021-2025", which was published by the Company, does not contain information relating to the ESG area, and consequently, issues concerning the change of climate in decision processes.

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

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

1.5. Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If

the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

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

2. MANAGEMENT BOARD AND SUPERVISORY BOARD

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

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

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

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

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

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

4. GENERAL MEETING AND SHAREHOLDER RELATIONS

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

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

12.3. Share Capital and Shareholding of Develia S.A. as at 31 December 2022

As at 31 December 2022 the share capital of Develia S.A. amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares carrying one vote at the General Meeting, with a par value of PLN 1.00 each.

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

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
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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 %
Drugi Allianz Polska Otwarty Fundusz Emerytalny, Allianz Polska Otwarty Fundusz Emerytalny and Allianz Polska Dobrowolny Fundusz Emerytalny ¹⁾	81,640,202	81,640,202	18.24 %	18.24 %
NNLife Otwarty Fundusz Emerytalny, NNLife Dobrowolny Fundusz Emerytalny, Generali Otwarty Fundusz Emerytalny, Generali Dobrowolny Fundusz Emerytalny ²⁾	45,927,819	45,927,819	10.26 %	10.26 %
PKO BP BANKOWY Otwarty Fundusz Emerytalny	24,712,198	24,712,198	5.52 %	5.52 %

¹⁾ of which 65,543,679 shares, accounting for 14.64%, are held by Drugi Allianz OFE

On 30 December 2021, Powszechne Towarzystwo Emerytalne Allianz Polska S.A. managing Allianz Polska Otwarty Fundusz Emerytalny, hereinafter referred to as Allianz OFE, notified of a merger with the company Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna managing Drugi Allianz Polska Otwarty Fundusz Emerytalny (Drugi Allianz OFE)

²⁾ of which 36,290,859 shares, accounting for 8.11%, are held by NNLife Otwarty Fundusz Emerytalny (formerly MetLife OFE)

On 01 February 2023, Generali Powszechne Towarzystwo Emerytalne S.A. (the Pension Fund Company) managing Generali Otwarty Fundusz Emerytalny (Generali OFE) and Generali Dobrowolny Fundusz Emerytalny (Generali DFE), took over the management of NNLife Otwarty Fundusz Emerytalny (NNLife OFE) and NNLife Dobrowolny Fundusz Emerytalny (NNLife DFE).

Shareholders having directly or indirectly at least 5% of overall number of votes at general meeting of shareholders as at day 31 December 2021 pursuant to information obtained by Issuer

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	85,289,000	85,289,000	19.06 %	19.06 %
Nationale-Nederlanden Otwarty Fundusz Emerytalny	83,470,921	83,470,921	18.65 %	18.65 %
AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	64,644,083	64,644,083	14.44%	14.44%
MetLife Otwarty Fundusz Emerytalny	36,000,000	36,000,000	8.04%	8.04%
PKO BP BANKOWY Otwarty Fundusz Emerytalny	24,242,509	24,242,509	5.42%	5.42%

12.4. Changes in Ownership Structure of Issuer's Qualifying Holding in 2022

Powszechne Towarzystwo Emerytalne Allianz Polska S.A. managing Allianz Polska Otwarty Fundusz Emerytalny, hereinafter referred to as Allianz OFE, managing Allianz Polska Dobrowolny Fundusz Emerytalny, informed that following the merger on 30 December 2022 with Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna, managing Drugi Allianz Polska Otwarty Fundusz Emerytalny (Drugi Allianz OFE), the share in the share capital and in the total number of votes of Develia S.A., as recorded in accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE, increased, exceeding 15%. Prior to the merger, in aggregate, 16,096,523 shares representing 3.60% share in the company's share capital were recorded on the accounts of Allianz OFE and Allianz

DFE; the above shareholding entitled to cast 16,096,523 votes attaching to the said shares, representing 3.60% share in the general number of votes at the company's General Meeting. 65,543,679 shares representing 14.64% share in the company's share capital were recorded on the account of Drugi Allianz OFE; the above shareholding entitled to cast 65,543,679 votes attaching to the said shares, representing 14.64% share in the general number of votes at the company's General Meeting. After the merger, in aggregate, the shareholding recorded on the accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE increased to 81,640,202 shares representing 18.24% share in the company's share capital; the above increased shareholding entitles to cast 81,640,202 votes attaching to the said shares, representing 18.24% share in the general number of votes at the Issuer's General Meeting.

Generali Powszechne Towarzystwo Emerytalne S.A. (the Pension Fund Company) managing Generali Otwarty Fundusz Emerytalny (Generali OFE) and Generali Dobrowolny Fundusz Emerytalny (Generali DFE) informed that following the Pension Fund Company's take-over of management of NNLife Otwarty Fundusz Emerytalny (NNLife OFE) and NNLife Dobrowolny Fundusz Emerytalny (NNLife DFE) on 01 February 2023, the share in the share capital and in the total number of votes of Develia S.A., as recorded in accounts of the fund companies: Generali OFE, Generali DFE, NNLife OFE and NNLife DFE exceeded the 10% threshold. Prior to the take-over of management, Generali OFE and Generali DFE held, in aggregate, 9,636,960 shares, which accounted for a 2.15% share in the Company's share capital and 9,636,960 votes at the Company's General Meeting, which comprised a 2.15% share in the total number of votes. In aggregate, NNLife OFE and NNLife DFE held 36,290,859 shares, which accounted for 8.11% share in the Company's share capital and 36,290,859 votes at the Company's General Meeting, which comprised 8.11% share in the total number of votes. After the take-over of management, Fund Companies: Generali OFE, Generali DFE, NNLife OFE and NNLife DFE held in aggregate 45,927,819 shares, which accounted for 10.26% share in the Company's share capital and 45,927,819 votes at the Company's General Meeting, which represented 10.26% share in the total number of votes. Of which NNLife OFE held 36,290,859 shares representing 8.11% share in the Company's share capital and 36,290,859 shares at the Company's General Meeting, which accounted for 8.11% share in the total number of votes.

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

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

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

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

12.7. Supervisory Board of Develia S.A.

As at 01 January 2022, the Supervisory Board was comprised of the following persons:

- Jacek Osowski – Chairman of the Supervisory Board
- Paweł Małycka – Vice Chairman of the Supervisory Board
- Artur Osuchowski – Member of the Supervisory Board
- Piotr Kaczmarek – Member of the Supervisory Board
- Robert Pietruszyn – Member of the Supervisory Board
- Piotr Pinior – Member of the Supervisory Board
- Piotr Borowiec – Member of the Supervisory Board.

Artur Osuchowski tendered his resignation from the Supervisory Board, effective as of 12 May 2022. On 17 May 2022, by virtue of the resolution of the Ordinary General Meeting, Michał Hulbój was appointed to the Supervisory Board. Paweł Małycka tendered his resignation from the Supervisory Board, effective as of 30 June 2022.. On 01 July 2022, by virtue of the resolution of the Extraordinary General Meeting, Filip Gorczyca was appointed to the Supervisory Board.

As at 31 December 2022, the Supervisory Board was comprised of the following persons:

- Jacek Osowski – Chairman of the Supervisory Board
- Piotr Kaczmarek – Member of the Supervisory Board
- Robert Pietruszyn – Member of the Supervisory Board
- Piotr Pinior – Member of the Supervisory Board
- Piotr Borowiec – Member of the Supervisory Board

Michał Hulbój – Member of the Supervisory Board
Filip Gorczyca – Member of the Supervisory Board

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

Description of Supervisory Board's Operations

The Supervisory Board is comprised of five to seven members, who are appointed by the General Meeting for a three-year, joint term of office. No decrease in the number of Supervisory Board members, resulting from the removal, resignation or death of a member shall affect the Supervisory Board's capacity to adopt valid resolutions, provided that the number of Supervisory Board members is not lower than the minimum number prescribed by the provisions of the Commercial Partnerships and Companies Code. A resolution on appointing a member of the Supervisory Board may determine his or her function within the Board.

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

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

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

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

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

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

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

Pursuant to the Act on Auditors, Audit Companies and Public Oversight in Public Companies of 11 May 2017, it was absolutely mandatory to create the audit committee.

12.8. Develia S.A.'s Management Board

As at 01 January 2022, the Management Board of Develia S.A. was composed of the following persons:

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

Mariusz Poławski – Vice President of Management Board

In 2022, the composition of the Management Board remained unchanged and as at the date of these financial statements the same persons sat on the board.

Description of Management Board's Operations

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

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

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

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

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

12.10. Committees

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

Audit Committee

As at 01 January 2021, the Supervisory Board's Audit Committee was comprised of the following persons:

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

Artur Osuchowski tendered his resignation from the Audit Committee, effective as of 09 February 2022. On 17 February 2022, Paweł Małyska was elected the Chair of the Audit Committee. Paweł Małyska tendered his resignation from the Supervisory Board, effective as of 30 June 2022, which was tantamount to the termination of his term of office at the Audit Committee. On 01 July 2022, Filip Gorczyca was appointed to the Audit Committee. On 01 July 2022, Piotr Kaczmarek was elected the Chair of the Audit Committee. On 06 December 2022, Michał Hulbój was appointed to the Audit Committee.

As at 31 December 2022, the Supervisory Board was comprised of the following persons:

- Piotr Kaczmarek – Committee chairman
- Robert Pietryszyn – Committee Member
- Filip Gorczyca – Committee Member
- Michał Hulbój – Committee Member

On 31 January 2023, Robert Pietryszyn handed in his resignation from the Audit Committee and since then the Audit Committee has been composed of three persons.

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

Except for Michał Hulbój, all Audit Committee members sitting on the Audit Committee in 2022, including the persons serving in that period as Chairman, namely, Artur Osuchowski, Paweł Małyska and Piotr Kaczmarek, did and still do meet independence criteria.

Most members of the Audit Committee who sat on the Committee in 2022 have knowledge of accountancy and audit of financial statements:

Piotr Kaczmarek (a member of the Audit Committee, in addition, serving as the Committee Chair since 01 July 2022) has several years' experience gained while sitting on audit committees of listed companies (Robyg S.A., Grupa Kęty S.A., Ferro S.A., Harper Hygienics S.A., Erbud S.A., VRG S.A., Śnieżka S.A.), more than ten years' experience as a financial analyst and holds a CFA title and a licence of securities broker;

Filip Gorczyca (a member of the Audit Committee since 01 July 2022) has several years' experience gained while sitting on audit committees of listed companies: the Chair of the Audit Committee at CCC S.A. and Member of the Audit Committees at Ferro S.A. and Artifex Mundi S.A., whereas in the years 2017-2019, Member of the Audit Committee at Money Makers TFI. He worked in managerial capacity in the financial area, including as Vice President of Management Board of Alior Bank, being responsible for the finance division (CFO) in the years 2017-2019. He graduated from the Warsaw School of Economics (SGH), where he received a university degree in Finance and Banking. He holds an auditor's licence and an ACCA (FCCA) certificate.

Michał Hulbój (an Audit Committee member since 06 December 2022) graduated from the Warsaw School of Economics (SGH), where he received a university degree in Finance and Banking. He holds a licence of securities broker and passed two CFA exams. As regards his professional experience, he participated in a training aimed at staff occupying managerial roles at Bank Millenium, subsequently, he worked as share analyst at Millenium Dom Maklerski, PTE PZU and AIG PTE. He has more than ten years' experience as a supervisory board member, including as a member of audit committees at listed companies. Currently, he sits on the Supervisory Boards of the following companies: AC S.A., EMC Instytut Medyczny S.A., Libet S.A., Orzeł Biały S.A. and Onde S.A. As regards his professional experience, he participated in a training aimed at staff occupying managerial roles at Bank Millenium, subsequently, he worked as share analyst at Millenium Dom Maklerski, PTE PZU and AIG PTE. He was also a stock portfolio manager at PTE PZU S.A. and Skarbiec TFI, as well as a Management Board Member responsible for investment at Forum.

Paweł Małycka (Member of the Audit Committee until 30 June 2022 – and, in addition, the Chair in that Committee from 17 February 2022 to 30 June 2022) – has several years' experience gained while sitting on audit committees of listed companies (Alumental S.A., Amica S.A., Atende S.A.), many years' professional experience of analysing financial statements and completed a higher education programme in economics covering such subjects as accounting, financial & managerial accounting; obtained the Doctor of Economics degree conferred on him by the Warsaw School of Economics (SGH), holds a Professional Part 1 ACCA certificate and received IFRS training in financial statements;

Artur Osuchowski (Member of the Audit Committee from 01 January 2022 to 17 February 2022 and serving as the Chair of the Audit Committee) completed a higher education programme in economics, the field of study: finance and accounting, took ACCA and CFA courses; has two-years' professional experience gained while working in the Management Accounting Department at Raiffaisen Bank, Ernst&Young Corporate Finance (1997-2000), the Corporate Finance Department at CapGemini Ernst&Young (2000-2002), KPMG Advisory (2003-2008), extensive experience gained while sitting on Supervisory Board Audit Committees of listed companies: Benefit Systems (since 2013), Mediacap (since 2014), Poltreg (since 2020) and extensive managerial experience Vice President of CIECH S.A. (2008-2019). The Chairman of Supervisory Boards at companies in Poland (Polskie Towarzystwo Ubezpieczeń S.A., Soda Polska Ciech S.A., Janikosoda S.A., Ciech Nieruchomosci S.A.), in Germany (Soda Deutschland Ciech), Romania (Ciech Soda Romania), in Singapore (PolSin).

Out of the Audit Committee members serving their functions on the said committee, Artur Osuchowski, Piotr Kaczmarek, Paweł Małycka, Robert Pietryszyn and Michał Hulbój declared that they have knowledge and competencies necessary for the industry in which the Company operates.

Piotr Kaczmarek gained such knowledge in the years 2016-2018 while acting in his capacity as a member of the Supervisory Board and Chairman of the Audit Committee of Robyg S.A. – a listed property development company and since 15 October 2018, while sitting on the Supervisory Board of Develia S.A.

Robert Pietryszyn gained such knowledge while acting in his capacity as a member of the Supervisory Board of Develia S.A. from 31 August 2020.

Michał Hulbój gained the aforesaid knowledge while acting in his capacity as a member of the Supervisory Board of Develia S.A. from 27 April 2017 to 28 August 2020 and as from 17 May 2022, he was additionally delegated, as a Supervisory Board member, to act as the Issuer's Management Board President between 28 November 2019 and 29 May 2020.

Artur Osuchowski gained such knowledge while acting in his capacity as a member of the supervisory boards of Ciech Nieruchomości S.A., Develia S.A., since January 2020, and as regards advisory experience – while working in an advisory capacity at Ernst&Young and KPMG, where he participated in projects carried out for companies from the real property industry (such as: take-over of EXBUD S.A. by Skanska, the assessment of real property portfolio held by Ruch S.A.), while working for Ciech SA, he participated in several projects relating to the development of real property projects or disposal of real property (office buildings, warehouses, logistics centres, parcels of land).

Paweł Małyska gained such knowledge while acting in his capacity as a member of the Supervisory Board of Develia S.A. (since 2017) and performing, as a securities analysts, analyses of residential and commercial real property and the valuation of selected property developers listed on European stock exchanges.

The audit firm responsible for auditing the Company's financial statements, apart from audit services, provided also the Issuer, against separate payment, with non-audit services, namely an assurance service which entailed the assessment of the report on Management Board's and Supervisory Board's remuneration for the years 2019-2020 (pursuant to the Audit Committee's Resolution No. 2/2021 of 4 February 2021), for 2021 and 2022 (pursuant to relevant Audit Committee's Resolutions), which did not identify any risks that might affect the auditor's independence.

The Supervisory Board, acting through the Audit Committee, when choosing an audit firm in 2021 to audit the 2021-2022 statements, assessed the independence of the audit firm. A similar assessment was performed during the audit of the 2022 statements. Apart from permission for the audit firm's performance of the aforesaid assurance services, no consent was granted to render permitted non-audit services.

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

A policy adopted for the provision of extra services by an audit firm requires that neither the audit firm nor any of members of the chain render, directly or indirectly, to the Company, its parent undertaking and undertakings controlled by the Company any forbidden non-audit services throughout a period commencing on a date on which an audited period begins to a date when an audit report is issued, and as regards legal services (including general legal advice, negotiations on behalf of an audited undertaking and acting as an agent in dispute resolution proceedings) – also in a financial year directly preceding such a period. Before an audit firm is entrusted with the provision of services other than statutory audit, the Audit Committee assesses independence risk and security. The provision of services other than statutory audit is possible only to the extent which is not related to the Company's tax policy.

A recommendation on the selection of an audit firm for auditing 2021-2022 statements was free from influence by a third party and was formulated by the Committee in 2021 in accordance with the policy and procedure for selecting an audit firm with a view to auditing and reviewing annual and interim separate and consolidated financial

statements of Develia S.A. The said recommendation was made as a result of a bidding process run by the Issuer in line with applicable criteria. Requests for quotation were submitted to five audit firms. All audit firms which were invited to submit tenders for the audit made such proposals in a period preceding the Audit Committee's meeting. The meeting of the Audit Committee was held on 18 March 2021 with a view to evaluate the tenders, after relevant clarifications were given by duly authorised representatives of audit firms, who responded to the Company's call for tenders. Tenders were evaluated on the basis of an audit firm assessment questionnaire attached to a procedure in force. Audit firms which expressed their intention to participate in the bidding process assured of their independence, an objective approach and ethical conduct. It was assumed for the bidding process that all audit firms participating therein had been furnished with the same information, without compromising the principles of ethics and confidentiality. The Audit Committee verified auditing services and non-audit services rendered by the candidates before and analysed the conduct of their business relations with the Company and/or its Management Board.

On 12 December 2022, the Audit Committee made a recommendation for the Supervisory Board on selecting an audit firm to audit the 2023-2025 statements. Having analysed proposals submitted by seven audit firms and having met representatives of four audit firms selected by the Audit Committee for further discussions, it adopted by virtue of the Resolution No. 10/2022 of 12 December 2022 the recommendation on selecting an audit firm from two entities recommended by the Audit Committee, implying and suggesting that the Supervisory Board select Ernst&Young Audyt Polska Sp. z o.o. Sp.k. for audit to be conducted in the period from 2023-2025, and based on that recommendation, the Supervisory Board selected the proper audit firm under Resolution No. 25/2022 of 13 December 2022. The Audit Committee have acknowledged that the audit firm meets independence criteria in the reporting period.

While performing their duties in the financial year 2022, the Audit Committee held seven (7) meetings and two (2) meetings in 2023 by the date of preparing these statements. The day-to-day activities of the Audit Committee entailed ongoing monitoring of works associated with the process of drawing up and reviewing the Company's financial statements, therefore the Committee collaborated with an auditor in this regard on a daily basis. The representatives of the auditor, Deloitte Audyt Sp. z o.o. Sp. k., engaged to audit the 2021 financial statements, attended one meeting of the Audit Committee in 2022 (28 March 2022), and while reviewing the H1 2022 financial statements or auditing the 2022 statements – they participated in two meetings of the Audit Committee in 2022 (12 September 2022 and 12 December 2022) and one meeting in 2023 (28 March 2023) by the date of preparing this document. The Audit Committee Members were also in constant contact with the auditor during the period of auditing the 2021 and 2022 statements.

Appointment and Remuneration Committee

As at 01 January 2022, the Supervisory Board's Appointment and Remuneration Committee was comprised of the following persons:

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

Paweł Małyska tendered his resignation from the Supervisory Board, effective as of 30 June 2022, which was tantamount to the termination of his term of office at the Appointment and Remuneration Committee. Since then, until the end of 2022, the Appointment and Remuneration Committee was composed of the following persons:

- Jacek Osowski – Committee Chairman
- Piotr Kaczmarek – Committee Member
- Piotr Pinior – Committee Member
- Piotr Borowiec – Committee Member

On 31 January 2023, Robert Pietryszyn was appointed to the Appointment and Remuneration Committee, which has been composed of the following persons since the said appointment:

- Jacek Osowski – Committee Chairman
- Piotr Kaczmarek – Committee Member
- Piotr Pinior – Committee Member
- Piotr Borowiec – Committee Member
- Robert Pietryszyn – Committee Member

While performing their duties in the financial year 2022, the Appointment and the Remuneration Committee held 6 meetings. 12 resolutions were carried (both during committee meetings and by correspondence). Minutes were taken during the meetings of the Appointment and the Remuneration Committee, which are kept along with other documents at the registered office of the Company.

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

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

The General Meeting is convened by the Management Board. The General Meeting convened at the shareholders' request should be held on a date given in the request, however, if this date cannot be kept due to important reasons precluding the meeting or if the meeting date is contrary to the regulations governing the rules for convening General Meetings – on the earliest date allowing the General Meeting to settle the issues on its agenda.

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

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

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

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

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

The Chairman of the Supervisory Board opens a General Meeting, and in his absence, another member of the Supervisory Board. The Chairperson is elected by secret vote. A person who has received the largest number of votes becomes the Chair of a General Meeting. The Chairperson chairs the meeting according to an agenda adopted. The Chairperson of the General Meeting ensures that the meeting is conducted smoothly and that the rights and interests of all the shareholders are not infringed or threatened. The Chairperson should, in particular, counteract any abuse of rights by participants of the meeting and should guarantee that the rights of minority shareholders are respected. Without any good reason whatsoever, the Chairperson should neither resign from his function nor delay signing the minutes of the General Meeting.

Promptly after the selection of the Chairperson, he or she makes sure whether shareholders have signed the attendance list and submitted required powers of attorney or documents authorising them to represent shareholders at the General Meeting. After the attendance list has been signed and following consultation with a notary taking

the minutes, the Chairperson declares that the General Meeting is convened in a proper manner and has the capacity to adopt resolutions, and subsequently, announces this fact to the participants and presents the agenda of the General Meeting. A General Meeting should be attended by the Members of both the Supervisory Board and the Management Board. An auditor should also be present at a General Meeting if the Company's financial matters are to be discussed. The above persons should, within their competence and to an extent needed to settle issues discussed at the General Meeting, provide meeting participants with explanations and information about the Company. Every issue on the agenda is discussed by the Chairperson or a person he or she designates.

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

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

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

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

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

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

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

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

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

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

In order to amend the Articles of Association, the announcement convening the General Meeting shall refer to the existing provisions as well as the contents of the proposed amendments. If intended changes affect a considerable

portion of text, it may be justified to include a draft of the new consolidated text of the Articles of Association together with a list of new or amended provisions of the Articles of Association in the announcement.

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

13. ADDITIONAL INFORMATION

13.1. Major Achievements in Research & Development

In 2022, neither the Company nor the Group companies had any major achievement in the area of research and development.

13.2. Information on Acquisition of Own Shares by Group Companies

In 2022, neither the Company nor any of the Group Companies acquired the Issuer's own shares.

13.3. Branch Offices of Group Undertakings

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

14. SUMMARY AND CONCLUSION

Due to the difficult situation on markets, including on the financial one, caused, among other things, by the war in Ukraine, 2022 was a special year not only for the Group, but also for most markets all around the world. The Issuer also continued activities envisaged in the "2021-2025 Develia's Strategy", namely, disinvestment in the office and retail portfolio. Strong and effective actions designed to form partnerships for JV projects were taken (Myśluborska, Lizbońska and Cieszewskiego projects together with Grupo Lar Polonia Sp. z o.o., OpCo project with The Heart S.A., Malin project with Hilwood Malin Development Logistics, LLC, based in the USA). Activities aimed at the construction of the residential units segment for institutional client (PRS) were also carried out.

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 (the latter sold on 15 March 2022), and one office and retail centre – Wola Retro. In 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.

The Management Board are of the opinion that operating profit earned and the level of margins achieved in 2022 were very good, despite a difficult and special period which the Company had to face.

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

2022

In August 2021, a services agreement for auditing and other assurance services was concluded with Deloitte Audyt Sp. z o.o. Sp.k, with its registered office in Warsaw, covering an audit of the separate and consolidated financial statements of Develia S.A. for the years 2021-2022 and a review of interim financial statements covering the six-month periods ended 30 June 2021 and 2022. Remuneration to be paid in 2022 under the aforesaid agreement amounts to PLN 194,000, which price includes an audit of the annual separate and consolidated financial statements of Develia S.A. and PLN 117,000 for services relating to a review of semi-annual separate and consolidated financial statements for a six-month period ended 30 June 2022.

Moreover, 15 agreements were concluded in 2022 with Deloitte Audyt Sp. z o.o. Sp.k., with its registered office in Warsaw, for an audit of annual financial statements of subsidiaries of the Develia S.A. Group. The total remuneration under the above agreements in 2022 was PLN 347,000.

The audit firm responsible for auditing the Company's financial statements, apart from audit services, provides also the Issuer with non-audit services, namely an assurance service which entails the assessment of the report on Management Board's and Supervisory Board's remuneration for 2022 in the amount of PLN 10,000.

2021

In August 2021, a services agreement for auditing and other assurance services was concluded with Deloitte Audyt Sp. z o.o. Sp.k, with its registered office in Warsaw, covering an audit of the separate and consolidated financial statements of Develia S.A. for the years 2021-2022 and a review of interim financial statements covering the six-month periods ended 30 June 2021 and 2022. Remuneration to be paid in 2021 under the aforesaid agreement amounts to PLN 175,000, which price includes an audit of the annual separate and consolidated financial statements of Develia S.A., and PLN 118,000 for services relating to a review of semi-annual separate and consolidated financial statements for a six-month period ended 30 June 2021.

Moreover, 17 agreements were concluded in 2021 with Deloitte Audyt Sp. z o.o. Sp.k., with its registered office in Warsaw, for an audit of annual financial statements of subsidiaries of the Develia S.A. Group. The total remuneration under the above agreements in 2021 totalled PLN 350,000.

The audit firm responsible for auditing the Company's financial statements, apart from audit services, provides also the Issuer with non-audit services, namely an assurance service which entails the assessment of the report on Management Board's and Supervisory Board's remuneration for 2021 in the amount of PLN 10,000.

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

16. MANAGEMENT BOARD DECLARATION

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

Made: Wrocław, 30 March 2023

Andrzej Oślizło – President of Management Board

Paweł Ruszczał – Vice President of
Management Board

Mariusz Poławski – Vice President of Management Board