

Wrocław, 12 March 2020

Dear Sir/Madam,

The previous year 2019 was significant to the Develia Group for various reasons. For the first time in its history, Develia earned a record high adjusted net financial result of PLN 193.3m, providing thus shareholders with strong foundations for the payment of dividend. This is also further implementation of the dividend policy introduced in 2017, under which 2019 saw the highest distribution of dividend of PLN 0.27 per share in the Group's history.

In 2019, objectives set before were successfully attained. As regards the housing segment, the Develia Group was focused on expanding its operations in Warsaw, Cracow, Gdańsk and Wrocław. Furthermore, in response to an upswing in an economic situation, it was decided to launch the project at Ceglana street in Katowice, whose potential is greater than 1,100 premises. To the Develia Group this means entering a new market. In the previous year, the Group sold a total of 1,510 residential premises and retail units, and signed at the same time 227 reservation agreements that are expected to convert into development agreements in the current year. In that period, the Group delivered 1,964 premises under notarial deeds. The land bank which the Group had at the end of 2019 makes it possible to build 7,745 flats. What deserves attention here is a transaction made in December last year, under which real estate at Podskarbińska street in Warsaw was purchased for a gross amount of PLN 163.6m. The land is designated for the construction of 1,266 flats. It is also the highest value of transaction in the housing segment in the Group's history.

Moreover, the preceding year saw several deals in the commercial segment, giving grounds for celebrating success. The Develia Group completed the first transactions under which two office buildings "Silesia Star" in Katowice and an office building "Retro Office House" in Wrocław were sold for a total net price of EUR 113.2m. Furthermore, in September 2019, a preliminary sales and purchase agreement for the disposal of an office building "Wola Center" in Warsaw was signed. The value of the agreement was EUR 101.9m net, and the building was successfully disposed of in January of the current year. In addition, a right of perpetual usufruct to real estate located at Kolejowa street in Wrocław was acquired, where a new office project with GLA of more than 30,000 sq m is planned to be carried out. The aforesaid actions result from a new strategy for the commercial segment, which entails the transformation of the Group's profile from the owner of office buildings to an entity engaged in the construction, commercialisation and sale thereof to external investors.

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We are going to face further challenges in this year. On the one hand, we are experiencing positive signs of demand, such as growing prices of flats, declining capitalisation rates of commercial real property, which – to a large extent – is due to a continuously low level of interest rates. On the other hand, we encounter more and more serious barriers, as a result of which access to land is limited and administrative procedures relating to the commencement of new projects require more time, which consequently has a negative bearing on the profitability of projects being carried out.

Objectives which we have set have to ensure a stable growth of the Develia Group, with an adequate level of risk being maintained. To this end, it is essential to sustain the highest standards for our customers, business partners and institutions providing funding to our operations, to which standards we assign a high priority. It would not be possible to pursue our strategy without the involvement of our Shareholders, the Supervisory Board and Employees, and I would like to extend sincere gratitude to all of you for that.

Michał Hulbój

acting President of Management Board

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