



Wrocław, 08 April 2021

Dear Sir or Madam,

the previous year 2020 was very demanding for Develia, which was also the case with the vast majority of companies in Poland and all over the world. The beginning of that year was very promising for our company, as we closed the sale of the “Wola Center” building in Warsaw for EUR 101,900,000 and in January and February received a record number of queries from customers willing to buy a flat. However, following the outbreak of the COVID-19 pandemic in March, we had to wake up to a completely new reality, which required us to demonstrate greater flexibility in the consecutive months and verify our plans.

H1 2020 saw a decline in the sale of flats, which stemmed from customers’ considerable uncertainty over the development of the pandemic. Unpredictability, restriction on the operations of sales offices and administration-related delays were a challenge. We also had to deal with restrictions on the operations of retail facilities, which resulted in a drop in lease revenues. Following weaker performance in H1 2020, a gradual rise in the sales of flats could be seen in the consecutive months, accompanied by the reversal of the negative trend reported in the previous quarters YoY. We were able to achieve this by taking active steps and adapting both commercial real property and the offer of residential premises to the new situation. Furthermore, we could see every month that the real property market was stable even during the crisis.

Last year, we made 1,278 premises available for sale, extending our offer in all the cities where we are present, namely in Gdańsk, Cracow, Warsaw, Katowice and Wrocław. Despite difficult conditions, we managed to meet work schedules of residential projects under construction, and for some projects we were even able to run ahead of the schedule. As at the end of 2020, the land bank held by the Company comprised more than 7,100 premises – being the level which ensures comfort and gives us opportunities for launching new projects in the consecutive quarters. At the same time, we have expanded the role of the Land Acquisition Department within the organisation and are making ongoing efforts to increase it even more.

In 2020, Develia sold 1,361 premises, compared with 1,510 in 2019, of which almost 70% in H2. 2020 saw the delivery of 1,153 premises, compared with 1,964 premises in the preceding year – the difference in the number of flats delivered stems from project schedules. Q3 and Q4 figures demonstrated that the situation in the residential segment had stabilised and the market recovered to its previous level before the pandemic. Taking into account also sales figures for

the last months, we may have an optimistic outlook on the situation of the housing market and its prospects. The market growth is manifested mainly through demand exceeding supply, a low interest rate policy having a positive impact on the prices of flats and creditworthiness, as well as the transfer of capital from term deposits to the real property sector.

Despite the situation caused by the pandemic, we paid shareholders PLN 0.1 per share. Consequently, shareholders received a total of PLN 44.8m last year.

The COVID-19 pandemic heightened pressure on the commercial segment, which translated into a decrease in revenue generated by buildings owned by the Develia Group. A change in the evaluation of the prospects of the segment in question led to higher capitalisation rates and fewer transactions on the commercial market. As a consequence, the value of the investment property held in our company's portfolio declined. The Group made a loss on investment property of PLN 213.5m, which stemmed from non-cash write-downs. The adjusted net profit, i.e. without the impact of changes in the investment property valuation, amounted almost to PLN 100m. The Group's financial standing and liquidity is very good, with the primary business operations generating stable, positive cash flows, which provides sound foundations for future growth.

In February 2021, we unveiled a new strategy for the years 2021-2025, under which it is assumed that the Company's value will be increased by extending the range of its operations. We are planning to focus on the housing segment and substantially lower our commitment in the office and retail segments, as well as reinvest funds thus recovered in the market areas which – in our opinion – offer best prospects, including flats and the institutional lease segment. We have set ambitious goals, which include, among other things, generating yearly sales of 3,100 premises in 2025, carrying out disinvestment of the office and retail portfolio and contemporaneous development of the residential units segment for institutional customers, achieving the level of 300-400 premises per year. We want to actively create and participate in significant, new market trends, also through entering into partnerships, alliances and M&A, as well as actively build the brand of a solid employer, a business partner and a modern property developer. An important goal also includes the improvement of effectiveness – we strive to increase ROE from 7% now to 15% annually;

I am convinced that the achievement of the development plan will enable us to increase the Company's value and achieve dividend potential of PLN 650m, which sum will be available for payment to shareholders in the period from 2021-2025.

This is my first letter, which I am addressing to you as the person who is in charge of Develia. I would like to extend sincere gratitude to Employees for hard work during the last very demanding 12 months, as well as to Shareholders and the Supervisory Board for confidence. I believe that being persistent in pursuing the new strategy will allow us to gradually strengthen our position on the Polish property development market and build the value of Develia.

Andrzej Oślizło,

President of Management Board of Develia SA