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(Current Report No. 5/2023)

26/01/2023

Preliminary Sales and Purchase Agreement for "Wola Retro" Office Building Situated in Warsaw Concluded

Legal basis: Article 17(1) of MAR - inside information

The Management Board of Develia S.A. (the "Issuer" or the "Company") inform that on 26 January 2023, the Issuer's subsidiary – LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 spółka komandytowa ("P22"), acting as the seller, and WR Office spółka z ograniczoną odpowiedzialnością, based in Warsaw, as the purchaser (the "Purchaser") – a company related to Adventum Fund Management Ltd., based in Budapest, entered into a preliminary sales 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 Sales 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 sales 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.

Under the PSPA, P22 indemnified and held harmless the Purchaser from and against liability and made and gave representations and warranties to the Purchaser in that respect under rules which are commonly applied to this type of transactions.

The parties may withdraw from the PSPA in the cases stipulated in the PSPA, namely, where the provisions set out therein are not performed. The PSPA provides for contractual penalties, which may be imposed both on the Purchaser and P22 should the conditions precedent be not satisfied respectively through P22's or the Purchaser's fault.

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.

The Real Property was disclosed in the consolidated quarterly report prepared as at 30 September 2022 as an investment property, and its balance-sheet value was EUR 73,290,000. Due to the fact that the final Price is conditional on variables, the Issuer will notify of the effect of the disposal of the Real Property on the Issuer's consolidated profit or loss in a report concerning the FSPA.

According to the Management Board of the Issuer, the information contained in this report constitutes inside information within the meaning of Article 7 of the MAR.

Legal basis: Article 17(1) in conjunction with Article 7(1a), (2), (3) and (4) of the Regulation of the European Parliament and of the Council (EU) No. 596/2014 of 16 April 2014 on market abuse (the Market Abuse Regulation) repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "MAR") in conjunction with Article 2 and 3 of the Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016 laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council.