



Wroclaw, 30 March 2023

Dear Sir or Madam,

the previous year was a very demanding time in the real property industry, specifically, given the fact that one year before – 2021 – was the best year that the Polish real property sector has ever seen.

The housing market was adversely affected mainly by the limited availability of mortgage loans, which resulted, first and foremost, from high interest rates and restrictive provisions of the amended S Recommendation. Despite a more difficult situation on the market, Develia performs very well. Compared to 2021, when Develia sold 1,921 flats, in 2022, the Company reported a further increase in its market share, selling 1,636 residential units. 2022 saw the delivery of 2,016 premises, which in contrast with 2021, meant a 6% rise. Consequently, we have met both the sales and delivery target.

The war in Ukraine, a dire geopolitical situation and uncertainty over legislative issues have also led to a slowdown in the Private Rented Sector (PRS), which is an essential direction of our growth and offers development prospects. The first transaction with the fund needs more time to be finalised than we originally assumed. We hope for considerable progress in the development of this segment.

Last year, we introduced for sale and commenced the construction of 1,749 premises – we launched new projects selectively, depending on customer interest. Due to considerable and diversified land bank, allowing for the construction of approx. 8,000 flats, in the consecutive quarters, we will introduce for sale selected projects to meet current demand.

In 2022, we continued a strategy for disinvestment of commercial assets. In March 2022, we effected a transaction related to the disposal of all Develia Group's shares in the Sky Tower project in Wroclaw. The transaction sum totalled EUR 82,400,000. We considered the finalisation of Sky Tower sale one of the key elements of the 2021-2025 strategy, as it opened up greater investment opportunities to us and allowed for the payment of record high dividend which the company has ever paid. The last year saw us continue also negotiations on the disposal of the Wola Retro building in Warsaw, which resulted in the signature of a preliminary sale and purchase agreement in January 2023. The estimate selling price was fixed at EUR 69,800,000 net. The value of unsettled tenant incentives and contributions and the value of costs related to arrangements arising from due diligence will be deducted from the said price. We are striving to finalise that transaction by the end of April 2023. Last year, we continued also negotiations on the disposal of Arkady Wrocławskie and our target is to sign a preliminary sale and purchase agreement for the building this year. Funds obtained from the disposal of commercial property will be allocated for housing and PRS projects, which ensure greater profitability.

In 2022, we also signed a joint venture co-operation agreement with Hillwood. Under that agreement, a special purpose vehicle was set up, which plans to build a logistics park of 400,000 GLA on land in Malin

near Wrocław, which is owned by our company. We do not expect any additional financial commitment of Develia and strive to maximise the value in the course of the disinvestment process for this asset, which was acquired by the Company as early as in 2007.

In 2022, Develia had consolidated revenue of PLN 1,068,000,000, which was 17% more than in the previous year. Last year, the Group made operating profit of PLN 289,400,000 against a loss of PLN 219,800,000 in 2021. The analysed period saw the net profit of PLN 231,800,000, compared to PLN 153,900,000 in the preceding year.

Last year, we distributed the dividend of PLN 0.45 per share to investors, the payment of which did not affect adversely the Group's financial position or investment opportunities.

In 2022, the Company effected the first public issue of bonds under a scheme intended for retail investors. The said issue allowed us to place three-year bonds of PLN 15,400,000. It was a sort of market exploration for us and constituted a form of the diversification of funding sources. Should market conditions be favourable, we will consider further issues for this group of investors.

In March 2023, the Company was highly successful at another record issue of bonds under a corporate bond issue scheme, the amount of which was PLN 180,000,000.

Finally, I would like to draw attention to the non-financial aspect of our operations. As a property developer, we have an impact on and assume co-responsibility for space we create, as well as for those who use it. At the same time, sustainable development is nowadays becoming a business indicator for the companies which desire to be competitive in a dynamically changing environment. We are aware of that, hence in 2022, we provided our stakeholders with the first ever Develia Group's Sustainable Development Report. Every year, we will perfect each area of activity, while ensuring the growth of value, not only in a financial, but also non-financial dimension.

I would like to extend gratitude to Develia employees for hard work during the previous, particularly demanding year, as well as to Shareholders and the Supervisory Board for their confidence. I would like to emphasise that I perceive the present situation in the real property sector as an opportunity for increasing the market share for entities which in terms of capital are the biggest and most resilient, such as Develia, and which have know-how and proper resources for that purpose. I am sure that the Company is prepared well to grow and attain targets it has made.

Andrzej Oślizło

President of Management Board of
Develia S.A.