

(Current Report No. 17/2023)

27/04/2023

Making of Final Sale and Purchase Agreement for Wola Retro Office Building in Warsaw and Repayment of Bank Loan

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

With reference to Current Report No. 5/2023 of 26/01/2023, the Management Board of DEVELIA S.A. (the "Issuer") inform that on 27/04/2023, 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 a real property fund company managed by Adventum Fund Management Ltd., based in Budapest, entered into the final sale and purchase agreement (the "Sale and Purchase Agreement") 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 total transaction price was EUR 69,285,918.82 net (plus an applicable rate of VAT) and includes all variable components communicated by the Issuer in the Current Report No. 5/2023 of 26/01/2023 (the "Price"). The Price will be paid in full on the date of making the Sale and Purchase Agreement. The Price fixed already includes sums deducted in respect of: (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 Sale and Purchase Agreement is entered into, (ii) the net value of unpaid rent discounts given under lease agreements made before or on the date the Sale and Purchase Agreement is entered into and (iii) the value of costs related to arrangements arising from due diligence.

Under the Sale and Purchase Agreement, the Parties made and gave representations and warranties to each other and P22 indemnified and held harmless the Purchaser from and against liability under rules which are commonly applied to this type of transactions. The other terms and conditions of the Sale and Purchase Agreement are not different from those commonly set out in agreements of this type.

As part of the transaction, a rent guarantee agreement (the "Rent Guarantee Agreement") was concluded. 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 (except for one floor area to which the rate of EUR 819.15 per sq. m will apply) 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 Sale and Purchase Agreement, such floor areas for new tenants need to be prepared.

With the conclusion of the Sale and Purchase Agreement, the Issuer provided the Purchaser with security in the form of a corporate guarantee up to the amount of EUR 6,000,000 for P22's performance of obligations arising from the Rent Guarantee Agreement, where the principal portion of security is a deposit of EUR 4,000,000, to be paid from the Price and released to P22 in three instalments over annual periods, and which will not raise the limit of the corporate guarantee sum referred to in the preceding sentence.

The Issuer's Management Board further inform that the transaction Price will be designated for the full repayment of the bank loan, i.e. in the aggregate amount of EUR 27,710,908.05, taken out under an agreement made between P22 and mBank SA, based in Warsaw on 28/10/2020 as amended, which the Issuer mentioned in Current Report No. 58/2020 of 28/10/2020.

In the last financial statements for 2022, published on 30 March 2023, Wola Retro was presented as a non-current asset held for sale, and its balance-sheet valuation was EUR 69,790,713, less a reserve amounting to EUR 4,086,015 (i.e. including the price adjustment mainly for the envisaged utilisation of the Rent Guarantees and tenant contributions, unpaid rent discounts, costs related to arrangements arising from due diligence).

The final transaction result will be affected, in addition to the aforesaid factors, by transaction costs and FX differences, on the one hand, and lease revenue earned by P22 from the Real Property in 2023 until the date the Sale and Purchase Agreement is made, on the other hand, which will be communicated by the Issuer separately.

This report has been published due to the fact that the event in question is of relevance to the Issuer's business.

According to the Issuer, this Current Report constitutes inside information within the meaning of Article 7 of the MAR.

Legal basis: Article 17(1) 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 (MAR”).