

Develia's Strategy

for 2021-2025



With a view of the future...



Agenda

- Strategy Components and Objectives
- Develia in Market Context
- Strategy

This document aims to present Develia's potential for growth based on an analysis of the company, market and competitors.

This publication identifies long-term objectives and presents the potential for building value for shareholders to 2025.

Strategy Components and Objectives

Key Strategic Components Include:

- The concentration of most of the company's resources on dynamic growth of the housing market (strengthening the position in existing markets and entering new ones through organic growth and M&A);
- The principal segment for housing operations will still include the popular segment, however, it is envisaged that the housing product will be distinguished to a greater degree (ecology, functionality, modernity and friendly environment), at the same time, the company will carry out selected projects in the 'Standard-Plus' and 'Higher-Standard' segments;
- The reorganisation of the commercial segment entailing the sale or disinvestment of assets in the balance sheet, which relate to the office and retail segment;
- Entering the PRS segment (flats for rental), which offers long-term prospects;
- Commencing co-operation on a JV basis in the warehousing sector, using land owned in Malin and partial disinvestment;
- The utilisation of commercial resources to build a new PRS line, supporting the results of the housing segment, among other things, through attractive mixed-use projects and supporting the warehousing project.

Objectives include:

- Increasing the housing market share to 5% – refers to the markets in which the company operates;
- Achieving an 18% increase in the sale of flats annually (CAGR) in the period from 2020 to 2025, namely, generating yearly sales of 3,100 premises;
- Increasing the current ROE of 7% to 15% annually;
- Expanding the scale and improving ROE will make it possible to improve the company's performance considerably;
- Potential for the payment of 75% of adjusted net profit and additionally PLN 100m in the period from 2021 to 2025;
- Maintaining debt at a level corresponding to industry benchmarks;

The growth plan aims to increase the company's value and achieve a dividend potential of more than PLN 650m available for payment between 2021 and 2025.

Management Board



Andrzej Oślizło, President

Andrzej Oślizło graduated from the Academy of Economics in Katowice (where he studied Economics) and the Silesian University of Technology in Gliwice (where he studied Information Technology). He completed the MBA programme at the European University in Montreux, Switzerland. For more than twenty years he has been in charge of business undertakings. His area of specialisation includes enterprise management, investments, mergers and take-overs, and specifically foreign expansion. Throughout his career, he has successfully served as president and member of management boards at companies operating in the following industries: ICT, transport, forwarding & logistics, finance and banking (Schenker, LOT, Aviva, Expander Advisors, Burietta - the Inelo Group, and many others). His professional experience also includes working with Private Equity funds.



Paweł Ruszczak, Vice President

Paweł Ruszczak graduated from the Warsaw School of Economics (SGH). He specialises in corporate financial management. He has been involved in the development business for more than 15 years, serving, among other things, as Finance Director at Orco Poland, Polish company Orco Property Group and as Finance Director and Management Board Member at Archicom.



Mariusz Poławski, Vice President

Mariusz Poławski graduated from the University of Warsaw (the Faculty of Management). He also completed courses in project economics, management, psychology of leadership and corporate governance. He has almost 20-years' experience of working in managerial positions. From 2003, he was engaged in the Marvipol Group, acting in the capacity of Managing Director, Operations Director, Member and Vice President of the Management Board. Throughout the past seven years, he has been responsible mainly for the housing and warehousing sector, including the implementation and commercialisation of development projects.



Tomasz Wróbel, Management Board Member

Tomasz Wróbel graduated from the University of Wrocław (the Faculty of Law). He worked for many years in the banking sector, acting in a managerial capacity. He also gained experience in international projects. For more than 25 years he has been specialising in the development of new strategies and projects in the banking and real property sector. Since 2010, he has been serving as Develia's Management Board Member, and since 2018, he has been in charge of all commercial projects. He carried out and supervised transactions resulting in the sale of assets of EUR 215m, with a total floor space of approx. 85,000 GLA.

1.

Develia in Market Context



Current Situation

Finances

ROE* approx. 7%
(substantially below the
current industry benchmark)

**A plan for refinancing
or repayment of nearly
PLN 400m bonds
in the upcoming
three years**

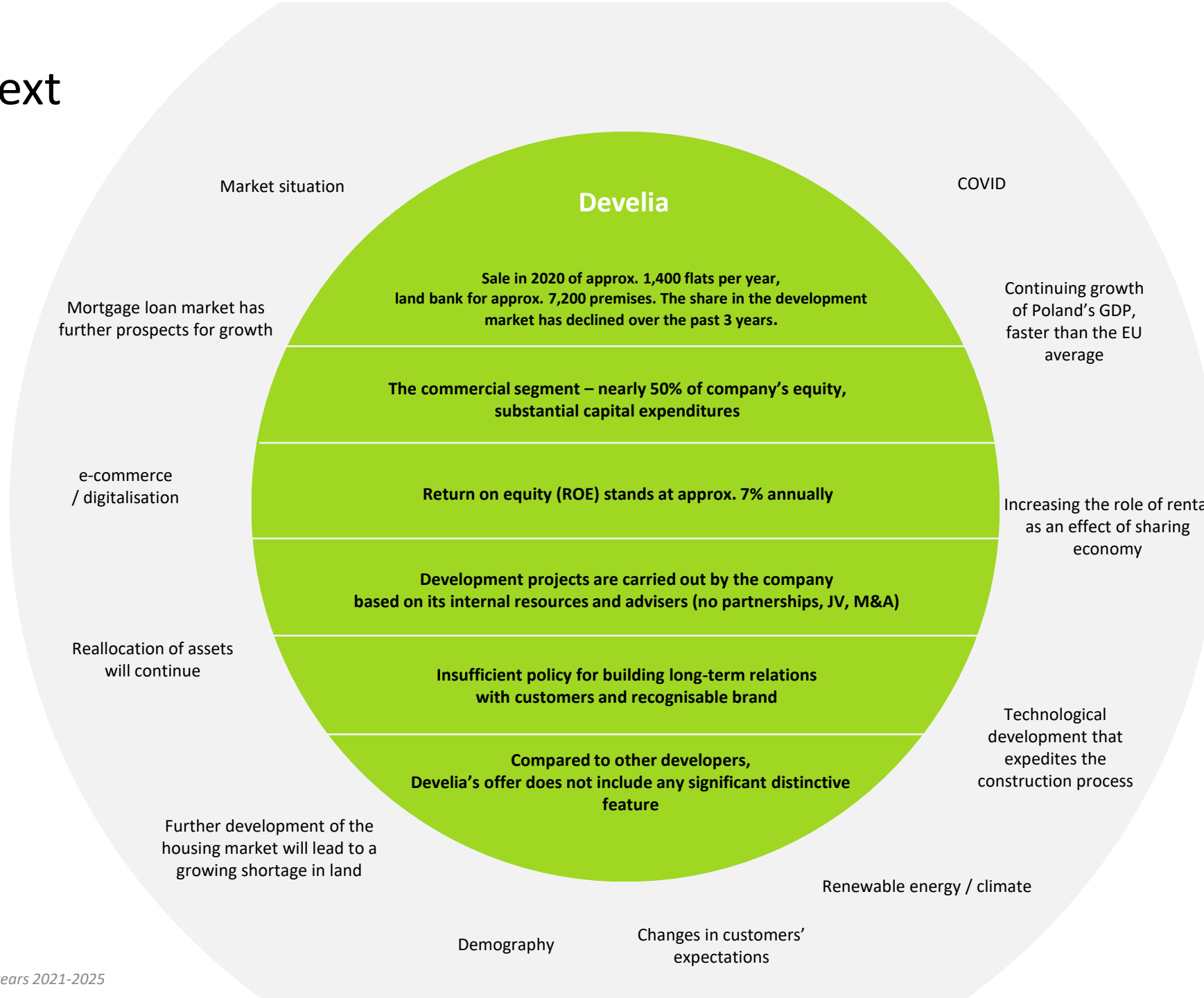
**The company's total
debt level is below
industry benchmarks
(23% vs 35% net
debt/equity)**

**A market profitability level,
despite operations in several
locations**

- Develia is one of the top ten developers operating in the housing segment (6 cities, including Warsaw, in 2020 the company built approx. 1,400 flats per year) and in the commercial segment (1-2 projects per year), employing 150 staff, with no general contractor within the Group. The company does not have any majority shareholder.
- The share in the housing market, in recent years considered the most attractive, fell -10% vs -4% for the 12 top players in 2020.
- The stable pre-sale of flats on the current market is limited by the number of projects owned and land acquired.
- The land bank owned (for approx. 7,200 premises) provides security for about 4 years of growth at an operating level envisaged for 2021, that is to say, without ambitious growth targets (competitors' benchmark around 5 years).
- The company's balance sheet is at the level of the top developers, which results, among other things, from the fact that its assets include a legacy portfolio (Sky Tower, Arkady Wrocławskie), which generates very low return on capital (in view of the pandemic and future growth, there is a strong need for in-depth verification of the carrying value of these assets).
- Legacy portfolio, due to its capitalisation and savings achieved in relation to CAPEX in recent years, requires huge replacement investments.

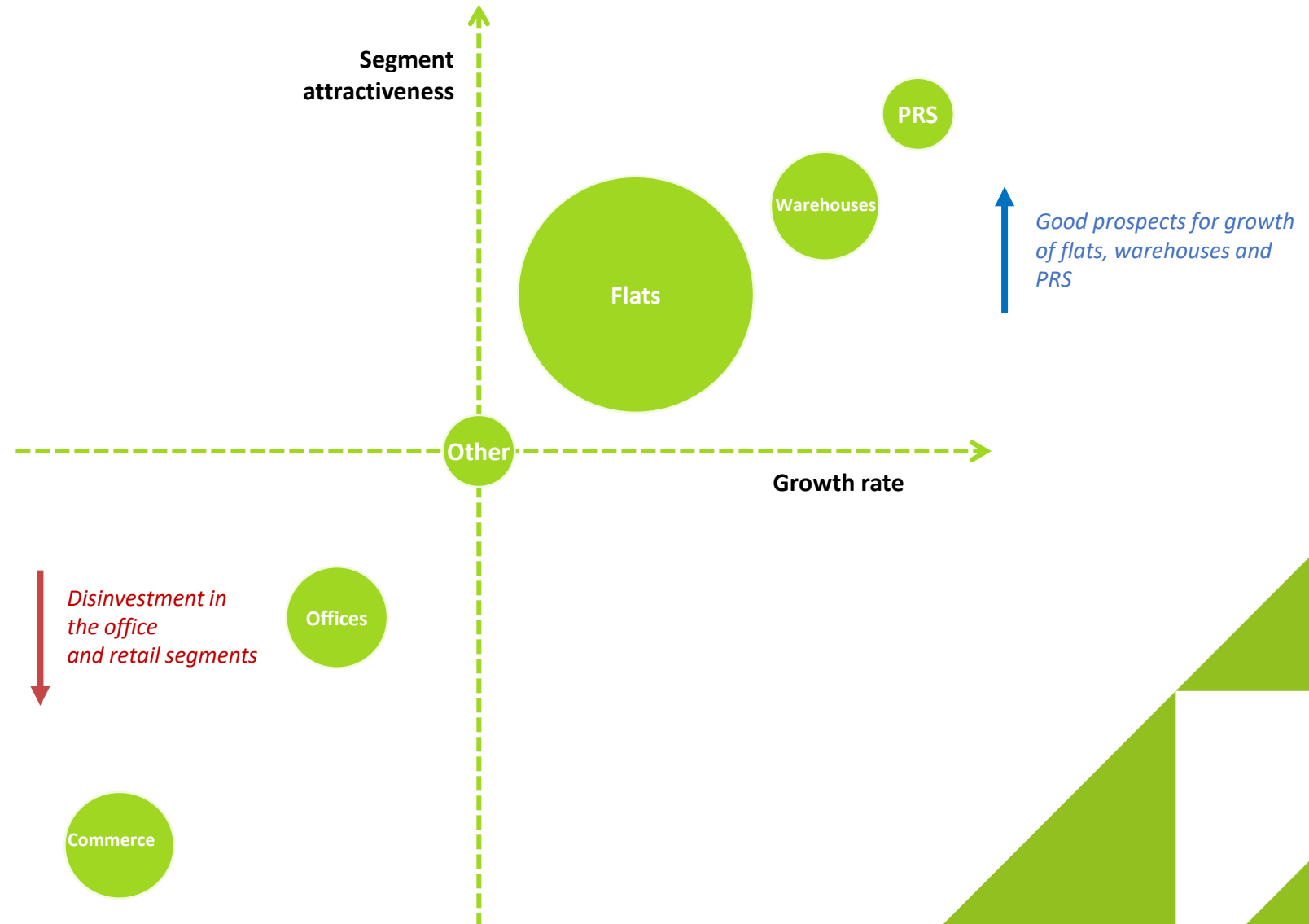


Context



- **Housing segment** – demand exceeds supply (a housing gap of approx. 2.4m flats), good prospects for growth until 2028, low interest rate policy has a positive impact on flat prices and creditworthiness, transfer of capital from term deposits to the real property sector as thesaurisation (safe haven).
- **Warehouses** – the warehousing market is the fastest growing segment of the commercial market having good prospects for the further growth of demand for state-of-the-art warehouses, sorting hubs and parcel machines, which stems from the development of the logistics sector and the diversification of supply chains.
- **PRS** – the sector is at an early stage of development in Poland, but it has prospects for rapid growth, considerable interest of Western funds, opportunities for recurring income.
- **Commerce** – distribution channels continue to switch from traditional to online trade.
- **Offices** – a sudden slump caused by COVID, a greater role of remote work, looking for rental savings.

Growth rate and attractiveness of segments



2.

Strategy



Strategy – idea

Develia plans to focus on the housing segment and substantially lower capital commitment in the office and retail segments, and reinvest funds recovered in the market areas which offer the best prospects, including flats and PRS.

We are interested in satisfying demand on the housing market for individual customers who buy real property for their own use and individual customers who make a purchase for investment purposes. We intend to strengthen our position on current local markets.

If there are insufficient prospects for the expected growth, entering another big city and entering 1-2 markets in smaller cities. We do not exclude the possibility of carrying out projects/products in the higher segment and increasing the share in it.



Develia intends to enter the market of residential units for rental, including to satisfy demand of institutional clients (PSR) and expand this operating segment.

For PRS, the preferred option includes a partnership with one of the chosen strategic players.



In the office and retail area, Develia intends to make disinvestment of its real property portfolio. Resources from this area will be used to support the principal business, including the development of PRS. We only opt for mixed-use projects that support the housing component in line with the strategy: build, commercialise, sell, after recovering capital invested in buildings currently owned. This area will be concentrated on increasing the value of existing buildings and their sale or transformation of land to the principal business, including PRS.

We also consider implementing projects in a different formula than projects carried out so far, e.g. in the profit-share formula or as partnerships.



Strategy – long-term objectives



Substantial expansion of the scale of operations in the housing segment **to the sales level of 3,100 flats** in 2025 (CAGR 18%).



Disinvestment of the office and retail portfolio and concurrent development of the residential units segment for institutional customers (PRS), and consequently, increasing capital committed to the housing segment of 85% of equity.



Return on equity (ROE) stands at **15% annually**.



The company plans to actively create and participate in significant, new trends through **entering into partnerships, alliances and M&A**.



The company will actively **build the brand** of a solid employer and partner and a **modern developer**, while nurturing positive references and loyalty from employees and clients.



The company will considerably direct its operations to a **positive impact on the environment** and will adapt selected projects to the city context.



Commencing JV co-operation in the warehousing sector, using land owned in Malin and partial disinvestment.

2021 Targets



The **sale** under development and preliminary sales agreements of **1,750 – 1,850 premises**
i.e. approx. 30% growth compared to 2020.



Sale of the building (2021/2022):
Wola Retro



The **delivery** of **1,800 – 1,900 premises**
i.e. approx. 55 % growth compared to 2020.



Preparing for the sale of the building:
Sky Tower



Adding to the offer of **1,500 – 1,700 premises**
i.e. approx. 20% growth compared to 2020.



Commencing the first housing project in the **institutional rental segment (PRS)**

Key Strategic Components

Organic growth based on the current model

- Strengthening position on current markets**
 - Increasing land bank
 - JV projects with land owners
 - Launching new projects including in Katowice
 - Fostering relations with external partners, including local governments
- Geographical expansion**
 - Entering another big city
 - Entering 1-2 markets of smaller cities (partnership)
- New related products**
 - Modern standardised housing product
 - Strengthening the offer in the higher segment
 - Investment product, e.g. commercialised business premises built in parallel with housing projects
- Commercial activities**
 - Focus on boosting the value of existing assets and their sale
 - Support to expedite the development of owned land for commercial purposes or for its disinvestment
 - Endorsing new development initiatives, including PRS and warehouses

Additional opportunities for development and growth

- PRS (optionality a platform for rental)**
 - A new line based on land bank and new acquisitions
 - Creating a medium- and long-term rental platform and operator (outside the company's own portfolio)
 - Setting up a fund/JV with a partner generating steady demand (including an option of regular disinvestments and new projects)
 - Warehouses**
 - Malin – seeking a partner
 - Developing new projects in relation with a partner
 - Creating an innovation/ a distinctive feature to support “last commerce” and enter this segment
- Support through M&A

Purchases focused on land bank, geographical expansion and cost synergy

 - M&A as a platform for quicker entry to a new market.
 - M&A as a means of strengthening position on current markets,
 - It has been assumed that ROE and margins in M&A transactions will guarantee a higher level than in the case of traditional land acquisition (we purchase land bank + cost synergy / new competencies or new markets)
 - M&A may improve multipliers achieved at Develia's level as a result of scale expansion.

Principal areas of operation

Purchase of new land

Effectiveness of sales & marketing/PR

Process design, implementation and automation

Seeking partnerships

Offering more options /strengthening resources for land bank expansion
Improving relations with partners /agents, local governments etc.

Enhancing the quality of customer service and satisfaction

Introducing a product standards manual
Standardisation, new quality, application of state-of-the-art technologies, prefabricated elements, green and customer-oriented solutions

Joint Venture – partnership for PRS projects and to support land bank expansion

Expanding the role of Land Acquisition Department within the organisation
Increasing the share of preliminary and conditional agreements

Ensuring greater digitalisation of sales process
Introducing Customer e-Service
Employing state-of-the-art tools to support sales

Introducing procedures, standard processes
Streamlining the processes for designing, implementing modifications requested by residents and repairing defects

Projects on a partnership and JV basis

Active brand promotion

Enhancing the effectiveness of organisation based on IT tools and improved company management system,

Developing a platform for rental (PRS) handling

Assets – specification

In terms of standard, the **vast majority** of housing projects carried out by Develia falls within the **popular** segment.

Taking into account plots of land owned by the company, its projects include also the lower-middle developments segment.

Key advantages include:

- Good quality,
- Affordable price,
- Attractive location,
- Compact layouts.

Develia also erects state-of-the-art A-class office buildings.

It also owns a diversified land bank.

Residential assets amount to PLN 1,256m, while commercial real property totals PLN 1,127m.

As for the housing segment, the offer includes 1,468 and the land bank 7,206 premises.

The land bank in respective cities (number of premises): Warsaw – over 1,600; Wrocław – almost 1,000; Kraków – almost 1,900; Gdańsk – over 1,500; Łódź – almost 300 and Katowice – almost 1,000.



Assets – product expansion

Adapting the residential real property portfolio to customers' current expectations, Develia also develops new products by introducing additional elements to selected projects:

- State-of-the-art green solutions (e.g. photovoltaic panels, smog-eating pavements, solar lamps),
- Graduation towers,
- Electric vehicle charging stations,
- Increased green areas with oxygen plants,
- Developed accessory structures and facilities,
- Parcel machines scattered around entire housing estates,
- Attractive playgrounds.



Assets – housing estates



Aleje Praskie
Warsaw, Praga-Południe
■ under preparation: 1,226



Bajkowe
Gdańsk, Maćkowy
■ under preparation: 799



Ceglana Park
Katowice, Brynów
■ available for sale: 114
■ under preparation: 956



Osiedle Latarników
Gdańsk, Letnica
■ available for sale: 190
■ under preparation: 169



Słoneczne Miasteczko
Kraków, Bieżanów-Prokocim
■ available for sale: 59
■ under preparation: 500



Między Parkami
Wrocław, Krzyki
■ available for sale: 111

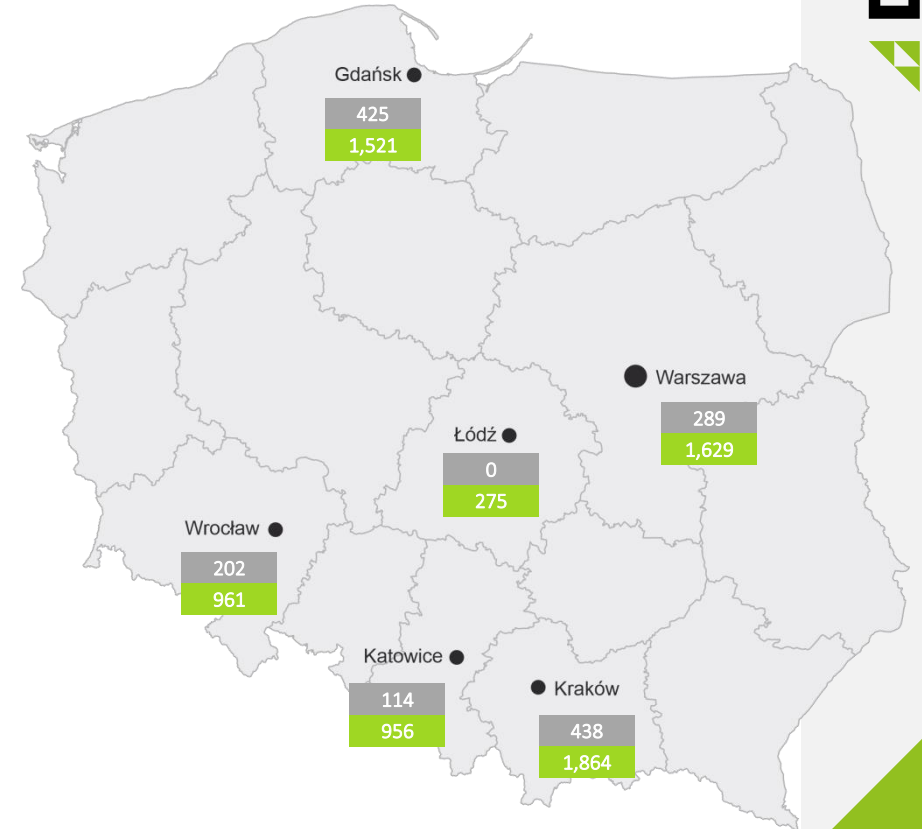


Centralna Park
Kraków, Czyżyny
■ available for sale: 122
■ under preparation: 856



other projects in 6 cities
■ available for sale: 850
■ under preparation: 2,616

The current land bank gives the company a basis for achieving a sale volume of 1,700-1,800 premises, while based on the development plan it devised, a rise in sales to 3,100 premises has been envisaged. Therefore the land bank expansion is necessary (min. 10,000 premises in 2025).



Premises on offer	1,468
Premises in land bank	7,206

Assets – commercial facilities

Wola Retro

- Warsaw, Wola, ul. Skierniewicka
- Delivery date: 2019
- Leasable area: 25,628 sq. m
- Occupancy rate: 74%
- Vacant space: 6,776 sq. m
- Asset falling within a top investment category
- Sale in 2021/2022



Sky Tower

- Wrocław, Krzyki, ul. Powstańców Śląskich
- Delivery date: 2013
- Leasable area: 53,932 sq. m
- Occupancy rate: 84%
- Vacant space: 8,685 sq. m
- Preparation for sale in 2021



Arkady Wrocławskie

- Wrocław, Krzyki, ul. Powstańców Śląskich
- Delivery date: 2007
- Leasable area: 39,089 sq. m
- Occupancy rate: 95%
- Vacant space: 1,935 sq. m
- Very limited opportunities for revitalisation to market standards
- Considerable business pressure resulting from the company's small engagement in retail activities

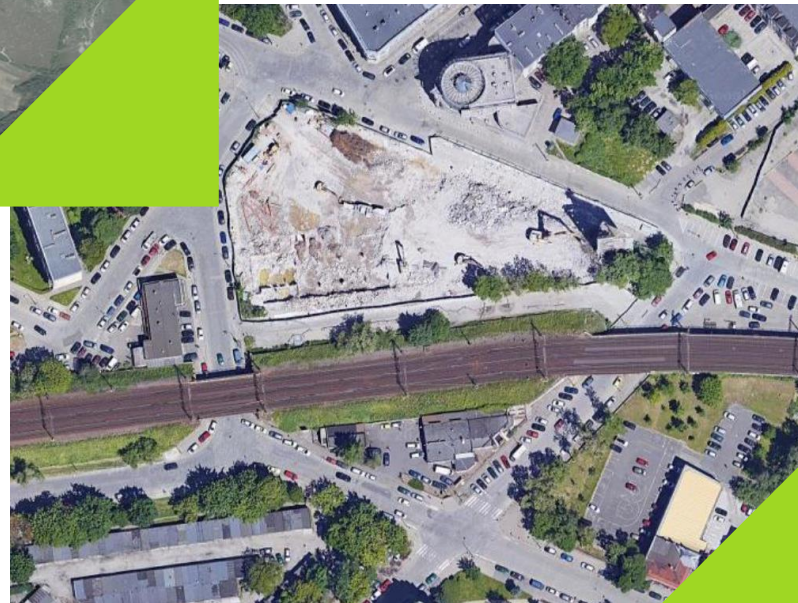




Malin

Land for new project developments

- Area of 169 ha
- Real property is awaiting amendments to land use and land development plans – completion scheduled for 2022.
- Seeking a JV partner to construct warehouse areas or disinvestment
- A very interesting project for partial disinvestment and commercialisation in the area for which the Company has not developed business competencies yet



Wrocław, ul. Kolejowa

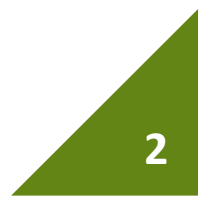
Land for new project developments

- Area of 5,428 sq. m
- Conversion to a mixed-use project – PRS/flats with a commercial component
- Disinvestment if no interest in PRS has been attracted and/or proper office pre-let has been secured.

Key KPIs – summary



Increasing the scale of operations from nearly 1,400 to 3,100 (in 2025) in the housing segment (**CAGR 18% y/y**), increasing the share **up to 5%** in the markets on which the company operates



Relocating capitals from commercial activities to housing business – the share of flats from 50% (2020) to 85% (2025).

The remaining portion, including PRS and commercial activities max. 15%



Boosting effectiveness – increase in ROE from 7% to 15%



Average annual budget for land acquisition and M&A PLN 350m. Developing land bank for more than **10,000 premises** in 2025, ensuring further profitable growth of the company for years to come.



Dividend potential of over PLN 650m for payment in the period from 2021 to 2025



Carrying out repeatable **PRS projects – 300-400 premises per year**, providing support through the development of an operating platform for rental management, if necessary.



Maintaining secure financing structure at a level corresponding to industry benchmarks (net debt/equity 0.30-0.49)



The **Malin Project** – first **profits** to be made in **2024-2025**

The strategy put forward assumes maximising the company's value and at the same time providing foundations for DEVELIA's further growth.

Develia S.A.

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