

REPORT OF THE MANAGEMENT BOARD ON THE OPERATION OF J.W. CONSTRUCTION HOLDING S.A. CAPITAL GROUP

for the first half of 2019



Ząbki, 29 August 2019

1. Introduction

J.W. Construction Holding S.A. with its registered office in Ząbki (Dominant Entity) registered in the Register of Entrepreneurs of the National Court Register under no. 0000028142, whose registration files are kept by the District Court for the Capital City of Warsaw in Warsaw, XIV Commercial Division of the National Court Register, is the parent company of the J.W. Construction Holding S.A. ("Group")

The Group's history begins in 1993. The Company was established as a result of transformation of Towarzystwo Budowlano Mieszkaniowe Batory Sp. z o.o. with its registered office in Ząbki, which was established on February 10th 1994 and registered on March 7th 1994. The registration of the transformation of the limited liability company into a joint-stock company was made on the basis of a notarial deed dated 28 December 2000 by the District Court for the capital city of Warsaw in Warsaw, XVI Commercial and Registration Department on 15 January 2001.

The registration of the Company in the Register of Entrepreneurs of the National Court Register took place on 16 July 2001, together with the registration of the change of the company name from the former Towarzystwo Budowlano - Mieszkaniowe Batory S.A. to the current one of J.W. Construction Holding S.A.

The Company's share capital amounts to PLN 17,771,888.60 and is divided into 88,859,443 ordinary bearer shares

with a nominal value of PLN 0.20 each. The capital is divided into 54,073,280 series A and B shares and 34,786,163 series C shares.

There are four branches within the Company:

- J.W. Construction Holding S.A. Hotel 500" Branch in Ząbki - within the framework of which three Hotel 500 chain facilities located in Zegrze Południowe near Warsaw, in Stryków near Łódź and Tarnów Podgórny near Poznań operate.

- J.W. Construction Holding S.A. "Czarny Potok" Branch in Ząbki - where the Czarny Potok resort & spa in Krynica Zdrój operates.

- J.W. Construction Holding S.A. FIRST FLOOR Branch in Ząbki - within which the restaurant located at 31 Kasprzaka Street in Warsaw operates - branch established on 16 January 2019.

- J.W. Construction Holding S.A. Branch of Porta Szczecin in Ząbki - within the framework of which activity is conducted on the assets of the acquired company Porta Transport Sp. z o.o. in Szczecin and the Company's properties adjacent to them - branch established on 16 January 2019.

2. Composition of the Issuer's Capital Group

The composition of the Issuer's Capital Group together with information on entities subject to consolidation is presented in the Condensed Consolidated Financial Statements.

3. The principles of preparation of the interim consolidated financial statements

The principles of preparation of the consolidated financial statements are described in the Financial Statements under "Adopted accounting principles (policy)".

Statement of the Management Board on the activity of Capital Group of
J.W. Construction Holding S.A. for the first half of 2019

4. Selected financial data containing basic items of the condensed financial statements for the period of 6 months

Below are presented selected financial data from both the consolidated and unconsolidated financial statements (also converted into EUR).

Consolidated balance sheet item	30-06-2019		31-12-2018	
	PLN	EUR	PLN	EUR
Total assets	1 841 833	433 169	1 795 582	417 577
Fixed assets	781 623	183 825	753 510	175 235
Current assets	1 060 210	249 344	1 042 072	242 342
Total liabilities and equity	1 841 833	433 169	1 795 582	417 577
Equity	691 616	162 657	693 704	161 327
Non-current liabilities	373 040	87 733	367 488	85 462
Current liabilities	767 870	180 590	734 390	170 788
Future long-term discounted lease payments	8 098	1 905	0,00	0,00
Future short-term discounted lease payments	1 208	284	0,00	0,00

Consolidated profit and loss account item	01-01-2019 to 30-06-2019		01-01-2018 to 30-06-2018	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	172 078	40 130	89 750	21 170
Costs of products, goods and materials sold	136 253	31 775	85 344	20 131
Gross profit (loss) from sales	35 826	8 355	4 406	1 039
Costs of sales	11 303	2 636	10 328	2 436
Overheads	16 036	3 740	11 732	2 767
Profit (loss) from sales	7 662	1 787	-21 706	-5 120
Profit (loss) on operations	5 445	1 270	-24 667	-5 818
Gross profit (loss)	1 484	346	-27 569	-6 503
Income tax	83	19	-6 134	-1 447
Net profit (loss)	1 402	327	-21 435	-5 056

Issuer's balance sheet item	30-06-2019		31-12-2018	
	PLN	EUR	PLN	EUR
Total assets	1 667 292	392 119	1 668 191	387 951
Fixed assets	810 933	190 718	799 851	186 012
Current assets	856 359	201 401	868 340	201 940
Total liabilities and equity	1 667 292	392 119	1 668 191	387 951
Equity	737 432	173 432	753 958	175 339
Non-current liabilities	248 722	58 495	253 330	58 914
Current liabilities	672 714	158 211	660 903	153 698
Future long-term discounted lease payments	7 228	1 700	0,00	0,00
Future short-term discounted lease payments	1 195	281	0,00	0,00

Statement of the Management Board on the activity of Capital Group of
J.W. Construction Holding S.A. for the first half of 2019

Issuer's profit and loss account item	01-01-2019 to 30-06-2019		01-01-2018 to 30-06-2018	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	158 625	36 992	80 321	18 946
Costs of products, goods and materials sold	122 896	28 660	77 226	18 216
Gross profit (loss) from sales	35 729	8 332	3 095	730
Costs of sales	10 492	2 447	9 752	2 300
Overheads	14 145	3 299	10 109	2 385
Profit (loss) from sales	10 268	2 395	-20 819	-4 911
Profit (loss) on operations	8 468	1 975	-23 980	-5 656
Gross profit (loss)	4 460	1 040	-24 899	-5 873
Income tax	653	152	-5 785	-1 365
Net profit (loss)	3 807	888	-19 114	-4 509

5. Description of the Group's activities and key events in the first half of 2019

In the period covered by the report, the following significant events occurred:

Corporate affairs:

Extraordinary General Meeting

On 15 March 2019, an Extraordinary General Meeting of Shareholders was held, which adopted a resolution on determining the conditions under which the Management Board of the Company may conduct the buy-back of its own shares. In the adopted resolution, the General Meeting authorized the Management Board of the Company for a period of 5 years to acquire not more than 20% of the Company's own shares traded on the Warsaw Stock Exchange. within the price limit between PLN 2.18 and PLN 3.40 per share. The purchase may be carried out as part of: transactions on the regulated market, in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council, or by way of invitations to submit an offer for the sale of shares in transactions outside the regulated market.

Purchase of own shares

On 5 April 2019 The Management Board of the Company, acting on the basis of the authorisation granted in Resolution No. 4 by the Extraordinary General Meeting of 15 March 2019, adopted a resolution on determining the terms and conditions of the programme of buy-back of own shares for the purpose of their redemption. The Management Board made an offer to the Company's Shareholders to purchase 11,000,000 shares, proposing a price of PLN 2.70 per share. The Shareholders had the time between 8 April and 18 April 2019 to submit subscriptions for the sale of shares. As a result of the submitted subscriptions, the Company purchased, on 26 April 2019, 1,413,861 shares constituting approximately 1.59% of the share capital corresponding to 1,413,861 votes at the General Meeting, which constitutes approximately 1.59% of the total number of votes, for the total price of PLN 3,817,425.

On 26 June 2019 The Company purchased 93,000 own shares at a price of PLN 2.70 per share in an over-the-counter transaction. The acquisition was made in connection with a call addressed to the Company pursuant to Article 83 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. The price paid corresponded to the price proposed in the invitation to tender for the sale of shares of 5 April 2019, the purchased shares will be allocated for redemption.

Changes to the Management Board

On 29 April 2019 the Company received a statement on exercising the personal right vested in the entitled Shareholder to dismiss Piotr Suprynowicz from the Management Board of the Company as of 30 April 2019.

Ordinary General Meeting

On 18 June 2019, the Ordinary General Meeting of Shareholders was held, which adopted resolutions on matters provided for by law concerning approval of individual and consolidated financial statements for 2018, reports of the Management Board of the Company on the activities of the Company and its Capital Group in 2018, distribution of profit for 2018, granting discharge to members of the Company's governing bodies, and in addition changed the remuneration of one of the members of the Supervisory Board.

Credits:

Credit agreement

On 7 February 2019 Hanza Invest S.A, subsidiary of the Issuer, with its registered office in Ząbki, as an investor, concluded an agreement with Bank Ochrony Środowiska S.A. on the basis of which the Bank granted a revolving credit in the amount of PLN 48,000,000,000. The loan was granted to finance and refinance expenses related to the implementation of the Hanza Tower project at Wyzwolenia Av. and Odzieżowa St. in Szczecin. The repayment date of the loan was set at 31 March 2021.

On 27 March 2019 the Company concluded an agreement with Bank Ochrony Środowiska S.A. on the basis of which the Bank granted a working capital loan in the amount of PLN 28,400,000. The repayment date of the loan was set at 20 March 2024. (finally PLN 4.270.394 was used.).

Annex to the credit agreement

On 25 April 2019 the Company concluded an Annex to a credit agreement in the current account granted by PKO BP S.A. Under the Annex, the amount of credit limit was increased from PLN 10,000,000 to PLN 15,000,000 and the date of credit usage and repayment was postponed. The new loan repayment date was set at 25 April 2020.

On 25 April 2019 J.W. Construction Spółka z o.o., subsidiary of the Issuer, concluded an annex to the overdraft in the current account agreement, granted by PKO BP S.A., in the amount of PLN 7,000,000,000. The new loan repayment date was set at 25 April 2020.

On 10 May 2019 The Company concluded an Annex to the overdraft in the current account agreement granted by Bank Millennium SA in the amount of PLN 16,830,000. Under the Annex, the use and repayment of the loan was postponed. The new loan repayment date was set at 31 May 2020.

Annex to the credit agreement

On 7 February 2019, Hanza Invest S.A., subsidiary of the Issuer, terminated the agreement of 10 February 2017 with Alior Bank S.A. with its registered office in Warsaw on granting the following loans to the Investor: investment in the amount of PLN 138,789,712 and VAT in the amount of PLN 3,000,000. Credits have never been launched.

Building permits, occupancy permits, other significant transactions:

Occupancy permit

On 4 April 2019, the Company obtained an occupancy permit for a complex of multi-family residential buildings and semi-detached buildings at Sochaczewska Street in Gdynia. The permit is final

Within the complex of terraced houses - "Alicja Stage D" located in Kręczki Kaputy, Ożarów Mazowiecki commune, the Company was granted occupancy permits for 4 single-family terraced houses. The permit is final

Amendment to a material agreement

On 12 April 2019 subsidiaries of the Company: Hanza Invest S.A. with its registered office in Ząbki, as Investor, and J.W. Construction Sp. z o.o., with its registered office in Ząbki, as General Contractor concluded an annex to the agreement of 28 February 2017 for the execution of the Hanza Tower investment in Szczecin. On the basis of the concluded annex the following have been changed:

- scope of works: by increasing the scope of works in relation to additional works agreed between the parties inside the building, as well as in relation to the development of the external area, including the road system;
- due to the change (increase) of the agreed scope of works, the remuneration agreed between the parties was increased by PLN 18,162,500 to PLN 191,162,500 net plus VAT at the applicable rate.

Purchase of real estate

On 25 January 2019, the Company concluded an agreement for the acquisition of the ownership right to real estate located in Szczecin at Celna St., constituting a plot of land No. 5/1 with an area of 0.8219 ha, for the amount of PLN 8,900,000 net plus VAT at the applicable rate. The Company intends to build approx. 48,800 m² of usable area on its land plots at Celna Street (purchased in December 2018 and January 2019).

On February 5, 2019, in performance of the contingent agreement of December 19, 2018, the Company concluded an agreement for the purchase of perpetual usufruct right to undeveloped plots with numbers 28/8 and 28/9 with a total area of 0.7471 ha, located in Łódź at Jana Kilińskiego Street, for the amount of PLN 4,725,000 net plus VAT at the applicable rate. The Company intends to build approx. 10,400 m² of usable area of flats on the plots.

On 22 March 2019 the Company concluded agreements under which it acquired ownership rights to plots located in the Białołęka district of Warsaw, near Modlińska and Zakątna Streets, with a total area of 11,718 m² and shares in a road plot for a total gross amount of PLN 14,330,422 (including VAT of PLN 1,635,422). The Company intends to build approx. 12,500 sq. m. of usable area of the apartments on the said plots.

Statement of the Management Board on the activity of Capital Group of
J.W. Construction Holding S.A. for the first half of 2019

Sales of real estate

On 31 January 2019, in performance of the concluded preliminary and contingent agreements, the Company concluded an agreement for the sale of the ownership right to properties located in Łeba, constituting plots of land No. 78/11 with an area of 1.7405 ha, 78/12 with an area of 3.6367 ha, a share of 546/3822 in plot 78/4 and a share of 1613100/1014909090 in plot 79 (road plots) for the net amount of PLN 9,486,000.

Information on the issue, purchase and redemption of debt and equity securities

Interest paid

On 5 April 2019 the Company paid interest on series JWX0116 bonds.

On 15 May 2019 the Company paid interest on bonds marked with the PLJWC0000126 code

On 30 May 2019 the Company paid interest on bonds marked with the PLJWC0000118 code

Bond redemption

On 30 May 2019 the Company partially redeemed, in accordance with the terms of the bond issue, 40% of the original nominal value of series JWC0520 bonds, coded ISIN PLJWC0000118, issued pursuant to the Resolution of the Management Board of the Company of 15 May 2017 with the maturity date of 29 May 2020 in the total number of 70,000, in the initial nominal value of PLN 1,000 each bond and in the total issue value of PLN 70,000,000. After the redemption, the value of each bond is equal to PLN 500 and the total value is PLN 35,000,000.

Information on the paid (or declared) dividend in total and per share, broken down into ordinary and preference shares.

N/A.

Ongoing investments:

In the first half of 2019, the Group was developing 12 housing and commercial investments for a total of 3,782 premises (including: aparthotels and terraced houses) with an area of over 177,000 m². The front of the works carried out included investments throughout the country: the Bliska Wola housing estate in the area of Kasprzaka Street and Prymasa Tysiąclecia Av. Stage D (residential and aparthotel stages) and Stage E (residential and commercial stages), Osiedle Wrzosowa Aleja and Willa Wiślana in Warsaw, Osiedle Nowe Tysiąclecie Stage III in Katowice, Osiedle Kamerata in Gdynia, Hanza Tower project in Szczecin and 3 stages of terraced houses - Villa Campina near Ożarów Mazowiecki.

Below are presented investments carried out by the Group in the first half of 2019

Statement of the Management Board on the activity of Capital Group of
J.W. Construction Holding S.A. for the first half of 2019

Investment	Number of units	useable area	Commercial area	% of units sold as at 30 June 2019	% advancement of construction works as at 30 June 2019
Bliska Wola - stage D (residential-commercial), Warsaw - J.W. Construction Holding S.A.	1 059	25 417	17 078	24%	11%
Bliska Wola - stage D (residential), Warsaw - J.W. Construction Holding S.A.	418	19 178		94%	5%
Bliska Wola - stage E (residential), Warsaw - J.W. Construction Holding S.A.	671	30 452		99%	100%
Bliska Wola - stage E (residential-commercial), Warsaw - J.W. Construction Holding S.A.	433	4 535	10 074	99%	100%
Hanza Tower, Szczecin - Hanza Invest S.A.	508	21 950	11 034	63% *	51%
Nowe Tysiąclecie - stage III, Katowice - J.W. Construction Holding S.A.	346	18 261		59%	44%
Willa Wiślana, Warsaw - J.W. Construction Holding S.A.	140	5 847		23%	15%
Wrzosowa Aleja, Warsaw - J.W. Construction Holding S.A.	81	2 958		98%	70%
Kamerata, Gdynia - J.W. Construction Holding S.A.	55	3 435		100%	100%
Villa Campina Houses - Alicja (rank F), Ożarów - J.W. Construction Holding S.A.	30	2 857		43%	28%
Villa Campina Houses - Alicja (rank D), Ożarów - J.W. Construction Holding S.A.	21	2 017		100%	100%
Villa Campina Houses - Alicja (rank E), Ożarów - J.W. Construction Holding S.A.	20	2 003		70%	64%
Total	3 782	138 910	38 186		

*residential units

Statement of the Management Board on the activity of Capital Group of
J.W. Construction Holding S.A. for the first half of 2019

Construction commenced in the first half of 2019

In the first half of 2019, a total of 140 units out of the above mentioned investments were started:

Investment	Number of units	Useable area (m2)
Willa Wiślana, Warsaw – J.W. Construction Holding S.A.	140	5 847
TOTAL	140	5 847

Construction completed in the first half of 2019

In the first half of 2019 investments for a total of 1 180 units were completed:

Investment	Number of units	useable area	Commercial area
Bliska Wola - Stage E - residential part, Warsaw– J.W. Construction Holding S.A.*	671	30 452	
Bliska Wola - stage E – commercial-residential part, Warsaw – J.W. Construction Holding S.A.	433	4 535	10 074
Kamerata, Gdynia– J.W. Construction Holding S.A.	55	3 435	
Villa Campina Houses - Alicja (rank D), Ożarów – J.W. Construction Holding S.A.	21	2 017	
Total	1 180	40 439	10 074

* Construction completed in the first half of 2019, occupancy permit obtained in the third quarter of this year.

**Construction completed in the first half of 2019, occupancy permit in the process of obtaining

*** Construction completed in the first half of 2019, 17 terraced houses were granted occupancy permit (4 houses in the second quarter, 13 houses in the third quarter of this year.)

Sales

The number of development contracts, preliminary sales contracts (i.e. concerning completed investments, contracts with entities other than individual customers and service premises) and paid bookings was 488, concluded by all companies from the Capital Group of the Issuer in the 1st half of 2019.

Transferred units

Between 1 January 2019 and 30 June 2019 the Company transferred and recognized 380 units in its revenues. The total number of units in the offer to be recognized as a result of developments and completed projects in subsequent quarters is 3,782, including 2,442 units sold but not yet transferred to customers, and 1,340 units in the offer for sale.

6. Planned investments and perspectives

Planned investments

In the upcoming years, the Group is preparing 19 new residential and commercial developments based on its land bank, for a total of 5,131 premises with a total area of 417,000 m².

In the case of all planned development and warehouse projects, the Capital Group is the owner or perpetual usufructuary of the land or has signed preliminary purchase agreements. In a significant part of the planned projects, the Capital Group has also carried out design and preparation works. The implementation of the investment will be financed from own funds, proceeds from customers in the case of an open trust account and from a bank loan.

The planned projects to be implemented in the upcoming years are presented in the table below.

List of planned development investments - as at 30.06.2019:

Investment	Number of units	useable area	Commercial area
Myślenice near Cracow	1 223	63 120	
Celna St., Szczecin	810	34 000	14 796
Starowiejska St., Gdańsk- Letnica	638	32 550	589
Waryńskiego St., Pruszków	446	19 709	1 929
Poznańska St., Skórczewo near Poznań	280	14 500	
Modlińska St., Warsaw	280	12 500	
Radosława St., Nowogard	275	14 710	
Berensona St., Warsaw	264	11 855	
Kilińskiego St., Łódź	245	10 300	100
Antoniewska St., Warsaw	221	13 763	
Houses stage VI and further, Ożarów Mazowiecki	150	15 675	
Wrzosowa Aleja III, stage II, Warsaw	146	4 709	
Aluzyjna St., stage II, Warsaw	68	3 670	
Wrzosowa Aleja III, stage I, Warsaw	40	1 631	
Aluzyjna St., stage I, Warsaw	32	1 850	
Nowodworska St., Warsaw	13	1 180	
Małopole (warehouses), near Warsaw			80 000
Port (warehouses), Szczecin			53 000
Wielopole/Dietla St., Cracow			10 899
Total	5 131	255 722	161 313

Development objectives and prospects

The Group diversifies its revenues and, apart from the residential offer, conducts hotel operations and manages hotels, using the most effectively purchased land. The Group manages aparthotels with the use of knowledge and experience related to the development, hotel and property management markets, where it has operated for many years. The Group dedicates its residential offer primarily to the customers from the group of middle-class, hence the planning and execution of investments in price attractive locations - adjusted to the financial capabilities of potential buyers, such as the Wrzosowa Aleja and Willa Wiślana residential estates in the Białołęka district of Warsaw. In addition, the Group offers prestigious locations such as Bliska Wola Stage D in Warsaw or Hanza Tower in Szczecin. The Group offers assistance in obtaining mortgage loans. The financing offer includes programmes tailored to the financial capabilities of the customers. Thanks to many years of fruitful cooperation with the largest banks, it has a diversified credit offer based on preferential terms, dedicated only to Customers.

The Group plans to maintain sales levels in the coming and following years at the level of approx. 1,500 units per year. It will be possible mainly due to the sale of premises currently being offered by the Company, such as premises from Bliska Wola phase D investment, and thanks to newly introduced investments in Warsaw, Gdańsk, Szczecin, Łódź, near Poznań, near Cracow and Katowice

Despite the focus mainly on property development activities, the Group intends to continue the diversification of its revenues started in previous years by investing in the hotel and aparthotel segment, in which it generates good financial results. An example are the hotels owned by the Group, which successively work out a surplus using their potential and diversifying their sales. Opened in 2018, the Varsovia Aparthotel Varsovia Apartamenty Kasprzaka is the second building of its kind in Warsaw built by the Company, which manages 308 apartments in this complex, combining the comfort of a hotel, standard of luxurious apartments and the atmosphere of a house. In addition, a restaurant "First Floor" was opened at the aparthotel, owned by the dominant entity JWCH S.A.

At the same time, the Company is consequently preparing the previously announced strategy for the construction of office and warehouse projects. The projects will be developed near Warsaw (near Radzymin) and in Szczecin. Near Warsaw the Company will construct a complex of approx. 80,000 m². In Szczecin, meanwhile, the modern complex will ultimately consist of 2 facilities with a total area of 53,000 m², the construction of which will be staged as commercialisation progresses.

Another example of the Group's revenue diversification is the commencement of production of wooden elements using a fully automated, computer-controlled line. Own production of prefabricated elements will reduce costs and shorten the lead time.

To sum up, regardless of the market situation, the Group diversifies the risk through:

- execution of commenced residential projects,
- expanding the offer with the sale of aparthotel units - apartments for rent,
- geographical diversification of investments,
- continuation of hotel operations and management of hotels,
- real estate management,
- preparations related to the use of land held for the construction of logistic parks.

- preparation of prefabricated production

7. Indication of factors which, in the Company's opinion, will affect the results achieved in the perspective of at least the next quarter

The most important factors that may affect the Company's results:

- Adherence to construction completion schedules, which conditions the possibility of transferring premises on investments in the coming quarters, in particular: Bliska Wola EK and EM stages (residential and aparthotel part) in Warsaw.
- Maintaining the pace of sales, despite the difficult market due to problems related to the acquisition of subcontractors, along with the expansion of the offer, conditional, among others, on:
 - Commencing new investments,
 - Availability of mortgage loans on the real estate market - according to AMRON-SAR-FiN analysis centre, in the second quarter of 2019, banks granted 59,3 thousand of mortgages worth PLN 16,44 billion. This is an increase of 17.2 percent and 21 percent, respectively, compared to the previous quarter. A similarly high sales result was registered recently in 2008.
 - Low interest rates - reduced cost of credit service for the Company and the buyers of apartments, which may have a positive impact on the pace of sales, According to the President of the National Bank of Poland, low interest rates are to be maintained, and even there is room for their reduction.
 - expanding the offer with the sale of aparthotel units - apartments for rent,
 - Commencement of the investment according to the schedule.
- The economic situation in the economy, and in particular the situation on the real estate market - good economic situation in Poland: high economic growth, low unemployment rate, growing average wages and high tendency to consumption and investments.
- Shrinking employees' resources in construction and difficulties in acquiring contractors for construction works may lead to deadlines in commencing and completing investments.
- In the longer perspective, maintaining the assumed margins will depend on the elasticity of demand for housing price increases related to higher costs of work and land purchase.
- Maintaining the growth in demand for hotel and aparthotel services.

Forecasts of the Company's core business development for the following years assume the occurrence of the aforementioned factors in the future. Threats to the Company's sales market are seen primarily in the difficult and long-term process of obtaining the necessary administrative decisions for current and planned projects and the Development Act, which still hinders the rapid procedure for obtaining financing and forces an increase in financial costs. The Company's activity may also be affected by legal changes concerning conducting business activity, in particular on the real estate market.

8. Events that occurred after the day of preparation of this interim financial report, not included in the report and which could significantly affect the future financial results of the Issuer

Corporate Affairs

Resignation from the Supervisory Board

On 19 July 2019, the Company received a statement from Mr. Jacek Radziwinski, a member of the Supervisory Board, on his resignation, as of 22 July 2019 from the position on the Supervisory Board, the reasons for his resignation were not given.

Share buy-back programme

On 26 July 2019 The Management Board of the Company adopted a resolution on the commencement of the programme of buy-back of own shares through the programme of buy-back of shares and stabilisation in accordance with Article 5 of the MAR Regulation. The Programme will be executed in the period from 29 July 2019 to 31 July 2020. under the programme, the Company intends to purchase up to 1,000,000 shares, at a price of PLN 2.18 per share up to PLN 3.40 per share, in order to implement the programme, an applied agreement was signed with Dom Maklerski Banku Ochrony Środowiska S.A. in Warsaw.

Real estate

Disposal

On 16 July 2019 the Company concluded a preliminary contract of sale of the right of perpetual usufruct of developed land plots located in Szczecin at Drucki-Lubeckiego Street with the total area of 6.4545 ha for the total net price of PLN 9,256,300 plus VAT at the applicable rate. It is a part of the area owned by the Company in this region not intended for the construction of warehouses. The deadline for concluding the final agreement was set by the parties by 31 December 2019.

Purchase

On 28 August 2019, in performance of the conditional agreement, the Company acquired the ownership right to the undeveloped plots of land with a total area of 1,2208 ha located in Chorzów, between Krakowska and Tadeusz Kościuszki Streets, for the net amount of PLN 3,950,000 plus VAT at the applicable rate. The Company intends to build approx. 12,000 m² of usable area of flats on the plots.

Preliminary purchase agreements

On 19 August 2019 the Company concluded a preliminary agreement for the purchase of an undeveloped plot of land located in Małopole, with an area of 2.71 ha. The final agreement is to be concluded after the adoption of the local development plan, but not later than by 31 December 2020. The price was agreed between the parties for the amount of PLN 2,140,900. The Company intends to realize warehouse projects on the purchased property.

Construction permit

On 22 August 2019 The Company received the final decision confirming the decision of 18 April 2017 on the building permit for a complex of multi-family buildings constituting a part of the Lewandów III (Wrzosowa Aleja) housing estate in Warsaw, covering 5 multi-family buildings together with land development.

Occupancy permit

Within the complex of terraced houses - "Alicja Stage D" located in Kręczki Kaputy, Ożarów Mazowiecki commune, the Company was granted occupancy permits for 13 single-family terraced houses. The permit is final

On 27 August 2019 a decision was issued on the occupancy permit for a multi-family residential building marked with the symbol "Em" from the residential and service complex Stage E in the area of the investment Bliska Wola in Warsaw in the area of Kasprzaka Street and Prymasa Tysiąclecia Avenue.

9. Significant risk factors and threats

The risks recognised by the Group include: liquidity risk, interest rate risk, currency risk, credit risk, breach of covenants and termination of financing agreements, legislative risk, risk related to administrative and legislative decisions, risk related to the general macroeconomic situation, risk related to the construction market and risk related to support programmes for the apartment purchasers.

Liquidity risk

The Group pays particular attention to the balance between financing its investment activities and timely repayment of liabilities. Liquidity is conditioned by the banks' credit policy with respect to granting both mortgage and investment loans. Lack of financing from banks, especially in connection with the requirements of the Development Act and trust accounts in the case of developers and individual customers may have an impact on: Initiation of new investments, demand for flats, timeliness of payments and thus cash flows.

Interest rate risk

The Group has liabilities on account of loans, for which interest is calculated on the basis of a variable interest rate,

and therefore there is a risk of growth of interest in relation to the moment of the agreement conclusion. Due to the fact that the Group had, in the reporting period, both assets and liabilities bearing interest at a variable rate, which balanced the risk, and due to minor interest rate fluctuations in the past periods, as well as due to the lack of forecasts of rapid changes in interest rates in subsequent reporting periods, the Group did not use interest rate hedges as at 30 June 2019, considering that the interest rate risk is not significant.

Regardless of the current situation, the Group monitors its exposure to interest rate risk and interest rate projections and does not preclude future hedging activities.

The table below shows the sensitivity of the gross financial result to reasonably possible changes in interest rates, assuming that other factors remain unchanged (in connection with variable interest rate liabilities) The impact on the Group's equity has not been presented. The analysis did not take into account the loan from TBS Marki Sp. z o.o., which is a preferential loan granted on other terms, where the risk is limited.

Statement of the Management Board on the activity of Capital Group of
J.W. Construction Holding S.A. for the first half of 2019

As at 30 June 2019		
	% Increase/decrease	Influence on gross profit in thousands of PLN PLN
PLN	1%	-2 057
PLN	-1%	2 057

Currency risk

The Group is exposed to the risk of changes in foreign exchange rates due to loans granted in EUR to a subsidiary which is not subject to consolidation.

The table below shows the sensitivity of the gross financial result to possible changes in the exchange rates of these currencies, assuming that other factors remain unchanged (in connection with receivables and loans in foreign currencies).

Change of EUR/PLN currency rate	Fair value as at 30.06.2019 (thousand of PLN)	Asset's value in relation to initial value	Financial asset value	Change (thousand of PLN)
a 20% decrease	39 352	80%	31 481	7 870
a 10% decrease	39 352	90%	35 417	3 935
no change	39 352	100%	39 352	0
a 10% increase	39 352	110%	43 287	-3 935
a 20% increase	39 352	120%	47 222	-7 870

Credit risk

The Group is exposed to credit risk, understood as the risk that creditors will not meet their obligations and thus cause the Company to incur losses.

In the case of a loan to the Capital Group, this risk is considered immaterial due to the ongoing monitoring of financial standing and control.

The maximum exposure to credit risk is PLN 18,981 thousand as at the balance sheet date and was estimated as the carrying amount of trade receivables from other companies.

In the opinion of the Group's Management Board, credit risk has been recognized in the financial statements through the creation of revaluation write-offs. Credit risk related to bank deposits is considered immaterial as the Group has entered into transactions with well-established financial institutions.

Risk of breach of covenants and termination of financing agreements

The concluded loan and bond issue agreements contain financial indicators (covenants), which the Company is obliged to meet. The Company analyses the level of debt and covenants on an ongoing basis, and is also in contact with financing institutions. In the Company's opinion, there is no threat of termination of the aforementioned agreements.

Legislative risk

The planned amendment to the Act on the protection of rights of the purchaser of an apartment or single-family house, providing, among other things, for the introduction of obligatory contributions to the Developer Guarantee Fund, constitutes a risk which may affect the Group's operations and its financial results.

Administrative decisions risk

Development activities are based on administrative decisions required in connection with current or future projects. Failure to obtain permits, approvals or consents, or failure to obtain them on time, may adversely affect the Company's ability to commence, conduct or complete current and new development projects. All of these factors may therefore affect the Company's financial flows and all of its operations.

General macroeconomic situation risk

The Group's operations and financial results largely depend on the economic situation on the domestic market. Factors shaping the economic situation include: GDP growth rate, average gross salary level, unemployment rate, inflation rate, exchange rates, interest rates, credit availability, household debt level. Despite the ongoing economic upturn in Poland, there is no certainty about the sustainability of positive trends in the future. There is a risk that if the economic growth rate in Poland slows down, real gross wages and salaries may decrease and the availability of loans, including mortgage loans, may decrease. This will result in a reduction in demand for the products and services offered by the Company, and in particular for the primary product, i.e. flats. As a consequence, it may have a negative impact on the Company's sales and result in a deterioration of financial results.

Construction market

The Group's activity is closely related to the situation on the construction market. In the last quarters, prices of construction materials and services increased, which may be reflected in higher investment costs. The shortage of labour and low unemployment rate in Poland causes problems with finding employees and employing subcontractors of construction services, and this translates into increased risk of delays in the implementation of investment projects.

Risk related to support programmes for purchasers of residential units

The housing market in Poland may be affected by the government's "Mieszkanie Plus" programme. Although at the moment the programme is not being implemented as announced. At present, it is difficult to predict the scale of its impact on the development sector. On the one hand, the program is addressed to people who do not have the creditworthiness to purchase their own property, i.e. not to the Company's customers. Moreover, the beneficiaries of the programme are to be persons renting flats and not buying them. On the other hand, however, the programme may compete with popular flats, especially if it is to include attractive locations in large cities. Until now, the programme has been conducted on a limited scale without any significant impact on the residential market or the Company's operations.

Currently, work is underway on the Act on rental market companies, the so-called REIT - preliminary assumptions of the program are that they will encourage investment in real estate. However, the final shape of the bill is not known at this moment, so it is difficult to assess its impact on the market.

10. Description of changes in the structure of the business entity, including changes resulting from mergers, acquisitions or sales of the Issuer's capital group entities, long-term investments, division of restructuring and discontinuation of operations.

In the reporting period there were no changes in the composition of the Issuer's Capital Group.

11. The Management Board's position regarding the possibility of realisation of previously published result forecasts for a given year in the light of the results presented in the interim report

J.W. Construction Holding S.A. Management Board does not publish financial forecasts for the Company or the Capital Group.

12. Indicating shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the Issuer's General Meeting as at the day of publication of the quarterly report together with the number of shares held, their percentage share in the share capital, the number of votes arising therefrom and their percentage share in the total number of votes at the general meeting and an indication of changes in the ownership structure of significant shares of the Issuer in the period from the submission of the previous quarterly report

The share capital of the Company amounts to PLN 17,771,888.60 and is divided into 88,859,443 A, B and C series ordinary bearer shares with a nominal value of PLN 0.20 each, each of which entitles to one vote at the General Meeting of the Company.

As at 29.08.2018 (the date of submitting the report for the first half of 2019)

Shareholder	Number of shares held	% of capital share	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	32.094.963	36,12 %	32.094.963	36,12 %
EHT S.A.	47.846.225	53,84 %	47.846.225	53,84 %
Others	7.411.394	8,34 %	8.918.255	8,34 %

Mr. Józef Wojciechowski controls the Company EHT SA based in Luxembourg.

In the period from 30 May 2019 (the date of submission of the last periodic report, which was the report for the first quarter of 2019) until the date of submission of this report, there were no changes in significant blocks of the Issuer's shares.

In addition, the Company holds own shares purchased for redemption. As of the day of preparing this Report, it is 1,506,861 shares constituting 1.70 % of the total number of shares in the Company and entitle to 1,506,861 votes constituting 1.70 % of the total number of votes at the General Meeting of the Company.

13. The Issuer's shares or rights to them (options) held by managing persons and supervising the Issuer as at a specific date, separately for each person

Statement of the ownership of the issuer's shares by persons sitting on the company's governing bodies:

As at 29.08.2019

Name	Function	Number of shares held
Józef Wojciechowski	Chairman of the Supervisory Board	32.094.963

14. Significant issues in litigation

As at 30 June 2019 no proceedings to which the Company or any of its subsidiaries, either as plaintiff or defendant, were material to the Company's business.

However, with regard to the previously provided information concerning proceedings brought by the Capital City of Warsaw against the Company, for payment of annual fees (2009-2013) for perpetual usufruct of real estate designated in the local zoning plan for a public road, of which the Company informed in its reports for earlier periods. On 22 December 2018 cassation appeal was filed with the Supreme Court against the verdict of the Court of Appeals in Warsaw of 4 June 2018 issued as a result of re-examination of the case as a result of the above mentioned verdict of the Supreme Court of 9 March 2018, under which the Company's appeal against the verdict of the Court of First Instance was again dismissed. We are currently awaiting processing of the cassation complaint.

15. Information on the conclusion by the Issuer or its subsidiary of one or more transactions with related entities, if individually or jointly they are significant and have been concluded on other terms than market terms and conditions

Information on transactions with related parties is presented in the financial statements in Note 30 "Transactions with affiliates".

16. Information on granting credit or loan sureties or guarantees by the Issuer or its subsidiary - jointly to one entity or its subsidiary, if the total value of the existing sureties or guarantees is significant.

In the reporting period in question, the Issuer's subsidiary, Hanz Invest S.A. with its registered office in Ząbki, concluded with Bank Ochrony Środowiska S.A. with its registered office in Warsaw on February 7, 2019 a revolving credit agreement to cover the costs of execution of the Hanza Tower investment in Szczecin. One of the loan repayment collaterals is a surety granted by the Issuer of the loan in question up to the amount of PLN 72,000,000 together with submission to the rigour of enforcement under art. 777 §1 item 1 of the Code of Civil Procedure.

17. Description of factors and events, in particular of unusual nature, having a significant impact on the financial results

In the reporting period, no unusual factors occurred that might have a material impact on the financial results.

Statement of the Management Board on the activity of Capital Group of
J.W. Construction Holding S.A. for the first half of 2019

Signatures of Members of the Management Board

Wojciech Rajchert Management Board Member	Signature
Małgorzata Ostrowska Management Board Member	Signature
Małgorzata Pisarek Management Board Member	Signature

Ząbki, 29 August 2019