

# STATEMENT OF THE MANAGEMENT BOARD ON THE ACTIVITY OF CAPITAL GROUP OF J.W. CONSTRUCTION HOLDING S.A. FOR THE FIRST HALF OF 2021



Ząbki, 26 August 2021

Statement of the Management Board on the activity of Capital Group of  
J.W. Construction Holding S.A. for the first half of 2021

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## 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. Capital Group. ("Group").

The Group's history begins in 1993. The Company was established as a result of the transformation of Towarzystwo Budowlano Mieszkaniowego Batory Sp. z o.o. with its registered office in Ząbki, which was established (conclusion of the company agreement) on 10 February 1994 and registered on 7 March 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 the following 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.

## 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)".

## 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	30.06.2021		31.12.2020	
	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 919 567</b>	<b>424 608</b>	<b>1 962 142</b>	<b>425 185</b>
Fixed assets	700 742	155 004	765 031	165 778
Current assets	1 218 825	269 604	1 197 111	259 407
<b>Total liabilities and equity</b>	<b>1 919 567</b>	<b>424 608</b>	<b>1 962 142</b>	<b>425 185</b>
Equity	706 456	156 268	717 313	155 437
Non-current liabilities	261 315	57 803	301 953	65 431
Current liabilities	951 796	210 537	942 877	204 316

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Consolidated profit and loss account item	01-01-2021 to 30-06-2021		01-01-2020 to 30-06-2020	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	162 963	35 838	68 419	15 405
Costs of products, goods and materials sold	141 838	31 193	57 045	12 844
<b>Gross profit (loss) from sales</b>	<b>21 124</b>	<b>4 646</b>	<b>11 375</b>	<b>2 561</b>
Costs of sales	9 047	1 990	9 184	2 068
Overheads	12 557	2 762	11 932	2 687
Profit (loss) from sales	-3 554	-782	-13 040	-2 936
Profit (loss) on operations	-5 183	-1 140	-18 022	-4 058
<b>Gross profit (loss)</b>	<b>-8 510</b>	<b>-1 872</b>	<b>-23 726</b>	<b>-5 342</b>
Income tax	1 226	270	-8 297	-1 868
<b>Net profit (loss)</b>	<b>-9 736</b>	<b>-2 141</b>	<b>-15 429</b>	<b>-3 474</b>

Issuer's balance sheet item	30.06.2021		31.12.2020	
	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 584 292</b>	<b>350 445</b>	<b>1 669 198</b>	<b>361 705</b>
Fixed assets	697 326	154 248	747 314	161 938
Current assets	886 967	196 197	921 884	199 767
<b>Total liabilities and equity</b>	<b>1 584 292</b>	<b>350 445</b>	<b>1 669 198</b>	<b>361 705</b>
Equity	734 028	162 367	752 567	163 077
Non-current liabilities	123 140	27 239	159 770	34 621
Current liabilities	727 124	160 840	756 861	164 007

Profit and loss account item	01-01-2021 to 30-06-2021		01-01-2020 to 30-06-2020	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	156 877	34 500	57 695	12 991
Costs of products, goods and materials sold	139 481	30 674	44 969	10 125
<b>Gross profit (loss) from sales</b>	<b>17 396</b>	<b>3 826</b>	<b>12 726</b>	<b>2 866</b>
Costs of sales	8 604	1 892	8 482	1 910
Overheads	10 589	2 329	10 484	2 361
Profit (loss) from sales	-4 871	-1 071	-9 538	-2 148
Profit (loss) on operations	-5 469	-1 203	-17 926	-4 036
<b>Gross profit (loss)</b>	<b>-18 622</b>	<b>-4 095</b>	<b>-18 625</b>	<b>-4 194</b>
Income tax	-590	-130	-8 904	-2 005
<b>Net profit (loss)</b>	<b>-18 032</b>	<b>-3 965</b>	<b>-9 721</b>	<b>-2 189</b>

## 5. Description of the Group's activities and key events in the first half of 2021

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

### **Corporate affairs:**

#### Corporate affairs:

##### General Meetings

On 30 June 2021, the Ordinary General Meeting was held which adopted resolutions on matters provided for the jurisdiction of the Ordinary General Meeting related to the approval of the financial statements for the previous financial year, the discharge of the members of the Company's governing bodies, the method of covering the loss, the use of the reserve capital to cover the adjustment of the result for 2019.

On 30 June 2021, the shareholders of the Company representing 100% of the share capital entitling to 100% of the votes at the General Meeting held an Extraordinary General Meeting without being formally convened, in connection with a request pursuant to Article 400 §1 of the Commercial Companies Code, at which they adopted a resolution to withdraw the Company's shares from trading on the regulated market operated by the Warsaw Stock Exchange.

##### Agreement between shareholders:

On 30 April 2021, the Company received from its shareholder, Mr. Józef Wojciechowski, a notification of the conclusion, on that date, of an agreement pursuant to Article 87 (1) para. 5 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws of 2005 No. 184, item 1539, as amended), as a result of which he exceeded the threshold of holding 95% of the Company's shares. The parties to the agreement hold a total of 84,721,754 shares in the Company, representing 95.34% of the Company's share capital and entitling to 84,721,754 votes at the General Meeting of Shareholders, which represents a 95.34% share in the total number of votes.

##### Announcement of the intention to acquire shares through a forced buyout

On 21 May 2021, the Company's Management Board received from the shareholder Mr. Józef Wojciechowski a notification of his intention to acquire the Company's shares by way of a forced buyout.

As stated in the Notification, the subject of the squeeze-out shall be all shares belonging to minority shareholders of the Company, i.e. 4,137,689 (say: four million one hundred thirty-seven thousand six hundred eighty-nine) ordinary bearer shares of the Company, with the nominal value of PLN 0.20 (say: twenty groszy) each, constituting 4.66 (say: four and sixty-six hundredths) % of the Company's share capital and entitling to 4 137,689 (say: four million one hundred and thirty seven thousand six hundred and eighty-nine) votes at the Company's General Meeting, representing 4.66 (say: four and sixty-six hundredths) % of the total number of votes in the Company, which were approved and are traded on the regulated market (main market) operated by the Warsaw Stock Exchange S.A. ("WSE") and marked in Krajowy Depozyt Papierów Wartościowych S.A. [National Securities Depository] ("KDPW") with ISIN code: PLJWC0000019.

The Notifier has set a redemption date of 1 June 2021. The buyout price per Share subject to the Forced Buyout is PLN 3.70 (say: three zlotys and 70/100) and has been determined in accordance with Article 79 sections 1-3 of the Act on Public Offering.

On 1 June 2021 the forced buy-out of the Company's shares was settled, as a result of which Mr Józef Wojciechowski acquired 4,137,689 shares representing 4.66 % of the Company's share capital and entitling to 4,137,689 votes at the General Meeting, which constitutes 4.66 % share in the total number of votes.

### **Credits:**

#### Credit repayment

On 15 February 2021, the Company repaid in full the investment loan granted in the amount of PLN 42,000,000 by Getin Noble Bank for co-financing the implementation of the investment project Nowe Tysiąclecie III in Katowice.

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Annex to credit agreement:

On 28 January 2021, 27 May 2021 and 25 June 2021, Hanza Invest S.A., the Issuer's subsidiary, concluded annexes to the investment credit agreement for co-financing the Hanza Tower investment in Szczecin, under which the deadline for using and repaying the loan was postponed. The final date of credit repayment was set on 31 December 2021.

On 28 May 2021, the Company concluded an Annex to a credit agreement in the current account granted by Bank Millennium SA in the amount of PLN 16,830,000. Under the Annex, the deadline for use and repayment date have been postponed. The new loan repayment date was set at 31 May 2021. At the end of June, the loan was not utilised.

**Real estate:**

Sales of real estate

On 10 March 2021, the Company entered into an agreement with Robyg 19 Spółka z o.o., with its registered office in Warsaw, for the sale of the real estate owned by the Company and located in Warsaw at 10 Antoniewska Street, constituting number 16/1 of the 1-05-07 precinct, with an area of 1.5763 ha ("Real Estate"). The sale price of the Real Estate amounted to PLN 17,000,000.00 net, plus VAT at the applicable rate. The conclusion of the sale agreement completed the process of sale of the Real Estate initiated on 26 January 2021 with the signing of a letter of intent between the Parties. The Company sold the Real Estate as the achievable development intensity parameters did not allow for a satisfactory return on investment.

Purchase of real estate

On 27 January 2021, the Company concluded an agreement on the basis of which it purchased part of the plots, with a total area of 3.0600 ha, intended for a warehouse project in Małopole near Warsaw.

On 19 May 2021, the Company entered into an agreement pursuant to which it acquired the remaining plots of land intended for a warehouse investment project in Malopole near Warsaw.

In total, land of approximately 18 ha has been acquired for this project, which will allow the construction of nearly 100,000 m<sup>2</sup> of warehouse space.

Conclusion of a significant agreement

Gdańsk – „Horizon”

On 5 March 2021, the Company concluded an agreement with PORR S.A. with its registered office in Warsaw as the General Contractor ("Contractor"), on the basis of which it commissioned the construction on a real property in Gdańsk Letnica at 65A and 67 Starowiejska Street in the general contractor system together with obtaining the final decision on the occupancy permit, of the "Horizon" Residential and Service Development Complex (Stage I and II) along with external infrastructure necessary for the functioning of the complex.

Main terms of the agreement:

- The deadline for obtaining the final occupancy permit has been set at 18 September 2023;
- The Contractor's remuneration was established as a lump sum based on the scope of works amounting to PLN 157,000,000.00 plus VAT at the rate applicable on the day of invoicing.
- The Contractor has provided the Company with a 72-month warranty for the completed works, the term of which starts from the date of obtaining the occupancy permit.
- The Contractor shall secure the performance of the contract and the warranty period for the completed works by providing the Company with bank guarantees.

Chorzów – „Osiedle Kościuszki”

On 22 June 2021, Company's subsidiary, Chorzów Development Sp. z o.o. concluded an agreement with PORR S.A. with its registered office in Warsaw as the General Contractor ("Contractor"), on the basis of which it commissioned the construction on a real property in Chorzów at Kościuszki Street in the general contractor system

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together with obtaining the final decision on the occupancy permit, of the "Osiedle Kościuszki" Residential and Service Development Complex (Stage I and II) along with external infrastructure necessary for the functioning of the complex.

Main terms of the agreement:

- The deadline for obtaining the final occupancy permit has been set at 22 June 2023;
- The Contractor's remuneration was established as a lump sum based on the scope of works amounting to PLN 60,200,000.00 plus VAT at the rate applicable on the day of invoicing.
- The Contractor has provided the Company with a 72-month warranty for the completed works, the term of which starts from the date of obtaining the occupancy permit.
- The Contractor shall secure the performance of the contract and the warranty period for the completed works by providing the Company with bank guarantees.

#### Building permit

On 10 February 2021, The Company obtained a building permit for the construction of a complex of buildings with a residential, office and hotel function with an underground garage in Łódź at 210 Kilińskiego St. The permit is legally binding.

On 12 April 2021, the Company received a building permit for the construction of two multi-family residential buildings in Warsaw at Aluzyjna Street with 32 residential units. The permit is final.

#### Occupation permit

In the first half of the year, the Company received occupancy permits for 13 single family terraced houses within complex of terraced houses - " Alicja Stage F" located in Kręczki Kaputy, Ożarów Mazowiecki commune. The permits are final.

#### Investment "Kosciuszko Housing Estate in Chorzow" [Osiedle Kościuszki w Chorzowie] - implementation through a special purpose vehicle

On 19 May 2021, the Issuer sold plots of land located in Chorzów at Tadeusz Kosciuszko Street with an area of 12,208 m<sup>2</sup>, together with decisions on building permits, to a subsidiary company Chorzów Development Sp. z o.o. with its registered office in Ząbki. On the same day the Company increased the share capital in Chorzów Development Sp. z o.o. company from PLN 5,000 to PLN 7,505,000 by creating new shares for a cash contribution. This is due to the fact that the investment in Chorzów will be carried out through a special purpose vehicle.

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

#### Payment of interest on bonds

On 12 March 2021, the Company paid interest on the bonds of series JWC0522 with ISIN code PLJWC0000118.

On 15 March 2021, the Company paid interest on the bonds of series JW10522 with ISIN code PLJWC0000126.

On 26 April 2021 the Company paid interest on series JWX0116 bonds.

#### Bond redemption

On 12 March 2021, the Company made an early redemption of the entire outstanding nominal value of the bonds of series JWC0522 (formerly: JWC0520), marked with ISIN code PLJWC0000118, issued pursuant to the Resolution of the Management Board of the Company dated 15 May 2017 with a maturity date of 12 May 2022 in the total number of 70,000, with an initial nominal value of PLN 1,000 each bond ("Bonds").

The Company repaid PLN 275 per Bond; the total amount of the early redemption made was PLN 19,250,000.

The redemption was made early at the request of the Company in accordance with the Terms and Conditions of the Bonds along with the payment of interest.

On 15 March 2021, the Company made an early redemption of the entire outstanding nominal value of the bonds of series JW10522 (formerly: JWC1120), marked with ISIN code PLJWC0000126, issued pursuant to the Resolution

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of the Management Board of the Company of 2 November 2017 with a maturity date of 16 May 2022 in the total number of 94,000, with an initial nominal value of PLN 1,000 each bond ("Bonds").

The Company repaid PLN 250 per Bond; the total amount of the early redemption made was PLN 23,500,000.

The redemption was made early at the request of the Company in accordance with the Terms and Conditions of the Bonds along with the payment of interest.

On 30 April 2021, the Company made a partial early redemption of a part of the nominal value of the Bonds, in the amount of 32% of the original nominal value of the bonds series JWX0116, the number of which on the date of the change was 5,150, issued on the basis of the Resolution of the Management Board of the Company of 24 April 2013. The repayment date of the entire Bonds was changed to 31.12.2021.

The Company repaid PLN 3,200 for each Bond

**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 2021, the Group was developing 11 housing and commercial investments for a total of 3,242 units (including terraced houses) with an area of over 157,000. The frontline of works carried out included investments all over the country: Bliska Wola Estate in the area of Kasprzaka Street and Prymasa Tysiąclecia Avenue Stage D (residential and commercial stage), Willa Wiślana Estate and Projekt Pileckiego 59 in Warsaw, Horizon Estate in Gdańsk (Stage I and II), Apartamenty na Wzgórzach Stage I in Zawada, 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 2021

No	Investment	Number of units	useable area	Commercial area	% of units sold as at 30.06.2021	% advancement of construction works as at 30.06.2021
1	Bliska Wola - stage D (residential-commercial), Warsaw - J.W. Construction Holding S.A.	1 059	25 417	17 078	84%	71%
2	Bliska Wola - stage D (residential), Warsaw - J.W. Construction Holding S.A.	418	19 178		99%	69%
3	Zespół Horizon - Stage I, Gdańsk - J.W. Construction Holding S.A.	445	23 273	608	27%	5%
4	Hanza Tower, Szczecin - Hanza Invest S.A.	509	21 950	11 034	94% *	99%
5	Pileckiego 59, Warsaw - J.W. Construction Holding S.A.**	240		7 950	0%	6%
6	Zespół Horizon - Stage II, Gdańsk - J.W. Construction Holding S.A. **	191	9 069		0%	3%
7	Apartamenty na Wzgórzach Stage I, Zawada - J.W. Construction Holding S.A.**	162	7 029		0%	0%

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8	Willa Wiślana, Warsaw - J.W. Construction Holding S.A.	141	5 872		99%	100%
9	Villa Campina Houses - Alicja (rank F), Ożarów - J.W. Construction Holding S.A.	30	2 857		100%	99%
10	Villa Campina Houses - Gaja (rank G), Ożarów - J.W. Construction Holding S.A.	24	2 605		88%	99%
11	Villa Campina Houses - Wiktoria (rank H), Ożarów - J.W. Construction Holding S.A.	23	3 075		48%	77%
	<b>Total</b>	<b>3 242</b>	<b>120 326</b>	<b>36 670</b>		

\*residential units

\*\* investment not included in the sale offer

### Construction commenced in the first half of 2021

In the first half of 2021, the Group commenced investments for a total of 1,038 units:

Investment	Number of units	useable area	Commercial area
Zespół Horizon - Stage I, Gdańsk - J.W. Construction Holding S.A.	445	23 273	608
Pileckiego 59, Warszawa - J.W. Construction Holding S.A.	240		7 950
Zespół Horizon - Stage II, Gdańsk - J.W. Construction Holding S.A.	191	9 069	
Apartamenty na Wzgórzach Stage I, Zawada - J.W. Construction Holding S.A.	162	7 029	
<b>Total</b>	<b>1 038</b>	<b>39 371</b>	<b>8 558</b>

### 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 421, concluded by all companies from the Capital Group of the Issuer in the period from 1 January 2021 to 30 June 2021.

### Transferred units

In the period from 1 January to 30 June 2021, the Company transferred and recognized in its revenues 329 units.

The total number of units on offer to be recognized in the result in subsequent quarters is 3,466 units, including 2,176 units sold but not yet transferred to customers, and 697 units in the offer for sale.

## 6. Planned investments and perspectives

### Planned investments

In the upcoming years, the Group is preparing 13 new residential and commercial developments based on its land bank, for a total of 3,361 premises with a total area of almost 270,000 m<sup>2</sup>.



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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.

Investments planned as at 30 June 2021

Investment	Number of units	useable area	Commercial space	Total area
Waryńskiego St., Pruszków *	462	17 802	1 591	19 393
Celna St., Szczecin	799	30 422	9 167	39 589
Zawada near Cracow**	1 008	50 177		50 177
Kościuszki St., Chorzów***	264	11 824		11 824
Radosława St., Nowogard	275	13 961		13 961
Berensona St., Warsaw	127	5 712		5 712
Aluzyjna St., Warsaw	100	5 520		5 520
Wrzosowa Aleja III/Lewandów III stage I, Warsaw	40	1 631		1 631
Wrzosowa Aleja III/Lewandów III stage II, Warsaw	146	4 709		4 709
Nowodworska St., Warsaw	13	1 180		1 180
Ożarów Mazowiecki Houses	127	15 600		15 600
Małopole (warehouses), near Warsaw ****			90 000	90 000
Wielopole/Dietla St., Cracow			10 899	10 899
<b>TOTAL</b>	<b>3 361</b>	<b>158 538</b>	<b>111 657</b>	<b>270 195</b>

\* Reservation sale, 153 units introduced to offer

\*\* I stage of investment, for a total of 162 residential units, commenced in H1 2021.

\*\*\* Investment commenced on 7 July 2021 under Chorzów Development company.

\*\*\*\* In May this year, the final contracts for the acquisition of real estate were signed

### Development objectives and prospects

Regardless of the current market situation with respect to Covid-19, the Group's core development activity is based on the purchased land. Diversified residential offer is dedicated to a wide group of clients. Hence, for example, the planned implementation of investments in attractively priced locations, adapted to the financial possibilities of purchasers, such as the next stages of Wrzosowa Aleja (Lewandów III), the residential estates at Berensona and Aluzyjna streets in Warsaw's Białoleka district. In the near future, the Group also plans to introduce other, geographically diversified locations across Poland, including: estate at Celna Street in Szczecin and estate at Waryńskiego Street in Pruszków. In the nearest future the Group is planning to implement investments: in Chorzów on Kościuszki Street (investment commenced in July this year), in Pruszków on Waryńskiego Street and on Celna Street in Szczecin. Not without significance is the fact that the Group offers assistance in obtaining mortgages for its clients. Within the framework of the financing offer, programmes are proposed for a wide group of potential buyers of premises.

In the first half of 2021 we were dealing with the Covid-19 outbreak. This caused changes in the market and resulted in the need to adapt to the new realities of doing business. The Group, implementing previously started projects, has a great potential to recognize financial results in subsequent years. It has over 2 thousand units sold, but not yet transferred to customers. In accordance with the accounting principles concerning development activity, revenues and profits appear in the profit and loss account after completion of the construction works and transferring the premises to the customer, which means that the values from the premises not handed over will be recognized in future settlement periods. Moreover, along with the evolution of the residential market, the Group, on the basis

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of its land bank, can quickly launch development projects for more than 3.3 thousand residential and commercial units, with a total area of approximately 180,000 m<sup>2</sup>, as well as the construction of warehouse facilities with an area of 90,000 m<sup>2</sup>. At the same time, it should be pointed out that its land bank allows for geographical diversification of investments, as the Group owns plots of land in e.g.: Warsaw, Szczecin, Chorzów and the vicinity of Cracow.

The company has had low debt and high cash balances for a long time, hence the early repayment of bonds in the first half of this year for a total of PLN 59.25 million.

Although its core business is residential construction, the Group will continue to diversify its revenues through participation in the hotel and aparthotel segment, where it has achieved consistently good financial results in recent years.

Hotels, for much of H1 2021 suffered from restrictions on their operations. However, already in February and then after reopening to visitors in May, we saw a very high level of demand for the offer, particularly from private customers. The financial results achieved by hotels in recent months, with occupancy rates comparable to pre-pandemic periods, allow for a carefully optimistic forecast for the recovery of the hotel market. The return to recurring profitability of the hotel units will further build the wealth of the JWCH Group

As part of its strategy, the company will also manage real estate. At the moment, JWCH manages 28 buildings of housing communities, including more than 10,000 residential and commercial units, with a total area of more than 600,000 m<sup>2</sup>.

The Group is consistently preparing the previously announced strategy of building a warehouse investment, a complex of about 90,000 m<sup>2</sup> will be built near Warsaw, close to Radzymin.

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 miniapartments– units for na rent,
- conducting investments in multiple geographical locations,
- continuation of the hotel business,
- 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:

- In July, the company received an occupancy permit for Willa Wiślana, an investment for 141 units. Units from said investment will be recognised in the results of the forthcoming quarter.
- The company is finishing very large developments of around 2,000 units this year, which are almost sold and will contribute to the 2022 results. Of these units, approximately 1,500 are from Bliska Wola Stage D - a high-margin investment.
- The potential for transfers of premises next year is around 2,000 units.
- Commencement of new investments for a total of over 1,300 units, including: Horizon in Gdańsk (636 units), Osiedle Kościuszki in Chorzów (264 units, investment started in July this year), Zawada - Apartamenty na Wzgórzach Stage I (162 units), Projekt Pileckiego 59 in Warsaw at Pileckiego Street (240 units, investment started in May this year).
- Very strong current hotel results.
- Legislative restrictions, as well as changes in customer behaviour in the event of a Covid-19 threat that will affect the financial results of hotels and aparthotels.
- The return to the sales rate from before COVID-19, together with the expansion of the offer is conditioned, among others, on the following factors:
  - Commencing new investments,
  - Availability of mortgage loans on the real estate market,
  - 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,
- Adherence to construction completion schedules in the upcoming quarters, in particular: Bliska Wola stage DK and DM (residential and commercial part) in Warsaw, Hanza Tower in Szczecin (Hanza Invest - subsidiary).
- Good economic situation and in particular the situation in the real estate market.

## Statement of the Management Board on the activity of Capital Group of J.W. Construction Holding S.A. for the first half of 2021

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- The supply of workers in the construction industry and the possibility of obtaining contractors for construction works, which will be reflected in the start and finish dates of the investment.
- In the long term, maintaining the assumed margins will depend on the flexibility of demand for increases in housing prices, linked to the development of both construction and land purchase costs.

Forecasts of the Group's core business development for the following years assume the occurrence of the aforementioned factors in the future. 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

On 2 July 2021, the Company submitted a request to the Financial Supervision Authority for permission to withdraw the Company's shares from trading on the regulated market. The application was submitted in order to implement Resolution No. 3 of the Extraordinary General Meeting of the Company of 30 June 2021 on the withdrawal of the Company's shares (ISIN PLJWC0000019) from trading on the regulated market operated by the Warsaw Stock Exchange.

#### Sales of real estate

On 9 July 2021, the Company concluded an agreement on the basis of which it sold the ownership right to part of the owned land plots located in Warsaw, Białoleka district, at Berensona Street, with the total area of 14,078 m<sup>2</sup> for the net price of PLN 5,334,389 to Berensona Development Spółka z o.o. with its registered office in Myślenice.

On 9 July 2021, the Company concluded an agreement on the basis of which it sold the ownership right to the owned land plots located in Warsaw, Białoleka district, at Modlińska Street, with the total area of 11,718 m<sup>2</sup> for the net price of PLN 14,426,3364 to Berensona Development Spółka z o.o. with its registered office in Myślenice.

On 16 August 2021, the Company concluded an agreement on the basis of which it sold the ownership right to the plot of land located in Skórzewo, Dopiewo commune, at Poznańska Street, with an area of 2.3544 ha, for the net price of PLN 14,000,000 to HREIT S.A. with its registered office in Warsaw.

#### Preliminary property sales agreement

On 6 July 2021, the Company concluded a preliminary agreement to the conditional contract for the sale of the right of perpetual usufruct of the property located in Łódź at 210 Kilińskiego Street with an area of 7,471 m<sup>2</sup>, with HREIT S.A. with its registered office in Warsaw, amended on 20 August 2021. The parties agreed that the final sales price for the property and the design documentation shall amount to PLN 10,000,000 net plus VAT at the applicable rate, the deadline for conclusion of the conditional agreement was set at 24 September 2021 and the deadline for conclusion of the agreement transferring the right of perpetual usufruct, if the pre-emptive right vested in the City of Łódź is not exercised, was set at 29 November 2021.

#### Occupation permit

On 26 July 2021, the Company received an occupancy permit for a residential, multi-family building with a commercial section and an underground garage at Mikołaja Trąby Street in Warsaw, developed using the name "Willa Wiślana". The permit is final.

As part of the complex of terraced houses - "Alicja Stage F" located in Kręczi Kaputy, Ożarów Mazowiecki commune, on 18 August 2021, the Company received occupancy permits for 5 single family terraced houses. Collectively with the previously obtained permits in 2021, the Company has obtained 18 occupancy permits from the complex of terraced buildings - "Alicja Stage F". The permits are final.

#### Conclusion of credit agreements

##### Chorzów - „Osiedle Kościuszki”

On 13 August 2021, the Issuer's subsidiary, Chorzów Development Sp. z o.o., with its registered office in Ząbki, as the investor, concluded with Getin Noble Bank S.A., with its registered office in Warsaw, three loan agreements for the total amount of PLN 41,000,000, for partial financing and refinancing of the costs of Osiedle Kościuszki Stage I and Stage II investment in Chorzów.

Loan agreements were concluded:

- investment loan in the amount of PLN 16,500,000 for partial financing and refinancing of the net costs of the Kościuszki Estate Stage I investment, with repayment due by 20 June 2024.

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- investment loan in the amount of PLN 23,000,000 for partial financing and refinancing of the net costs of the Kościuszki Estate Stage II investment with a repayment due by 20 December 2024.
- revolving working capital credit in the amount of PLN 1,500,000 for the financing of liabilities arising from value added tax (VAT) accrued in connection with the supply of goods and services constituting costs associated with the implementation of Osiedle Kościuszki Stage I and II investments, with a repayment deadline of 20 December 2024.

### Gdańsk – „Horizon”

On 16 August 2021, J.W. Construction Holding S.A. with its registered office in Ząbki entered into a loan agreement with Santander Bank Polska S.A. with its registered office in Warsaw pursuant to which the Bank granted the Company loans in the total amount of PLN 110,100,921.

The loans were taken for the purpose of financing and refinancing expenses related to the Horizon Stage I and Stage II investment project carried out by the Company in Gdańsk.

The total amount of the Loans is PLN 110,100,921, including:

- construction loan for financing Stage I in the amount of PLN 72,883,060;
- construction loan for financing Stage II in the amount of PLN 29,217,861;
- revolving credit to finance VAT resulting from the costs of Stage I works in the amount of PLN 5,000,000;
- revolving credit to finance VAT resulting from the costs of Stage II works in the amount of PLN 3,000,000.

The repayment terms of the Loans have been set as follows:

- - for loans related to the financing of Stage I (i.e. construction loan and VAT loan) - the earliest of the dates: 6 months after completion of Stage I of the Investment or by 16 August 2024;
- - for loans related to the financing of Stage II (i.e. construction loan and VAT loan) - the earliest of the dates: 6 months after completion of Stage II of the Investment or by 16 April 2025;

### Surety

J.W. Construction Holding S.A. with registered office in Ząbki, in execution of three loan agreements concluded by Chorzów Development Sp. z o.o. with registered office in Ząbki with Getin Noble Bank S.A. with registered office in Warsaw in total amount of 41.000.000 PLN, informs that it concluded three surety agreements with the Bank on account of loans granted by the Bank to Chorzów Development Sp. z o.o.

## 9. Significant risk factors and threats

### **Risk related to the Covid-19 epidemic**

The Company, over many recent months monitored and continues to monitor important areas of the Company's business that are at risk of being affected by the epidemic. The Company considers the following to be the most important: possible delays in the construction process resulting from the absence of construction staff, possible delays in the delivery of materials, delays in the activities of public administration bodies in the area of issuing decisions in administrative processes, refraining from direct personal contact with the purpose of purchasing the premises by potential buyers. In order to limit the latter, the Company has taken measures to ensure that the largest part of sales service can be carried out through electronic means of direct contact, and thus encourage potential buyers. Decisions to restrict outsiders' access to the Company's offices and to prefer remote contact with external parties are still in place to reduce the possibility of employees contracting coronavirus infections. At the same time, preventive vaccinations are promoted among employees.

The Covid-19 situation has a significant impact on the activities carried out in the field of hotel services. In 2021, the hotels could not operate until mid-February and reopened to guests in May. It should be noted, however, that the hotels recorded a very high demand for their offer, in particular from individual customers.

However, questions remain:

- whether the hotel business will be able to be conducted without restrictions,
  - What impact will the economic situation have on the behaviour of individual clients in terms of their travels,
  - what policy will be adopted by business entities in the organization of business events,
- therefore, at present it is impossible to assess to what extent the COVID 19 epidemic will affect the hotel industry in particular.

### **Interest rate risk**

The Group has credit liabilities, for which interest are calculated on the basis of the variable interest rate, and therefore there is a risk of growth of interest in relation to the moment of the agreement conclusion. Given that the Group had, during the reporting period, both assets and liabilities bearing interest at a variable rate, which offset the risk, the Group did not apply interest rate hedges as at 30 June 2021, considering that the interest rate risk is not significant.

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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 in TBS Marki Sp. z o.o., which is a preferential loan, granted on other terms, where the risk is limited.

**As at 30 June 2021**

	% Increase/decrease	Influence on gross profit in thousands of PLN
PLN	1%	-1 617
PLN	-1%	1 617

**Currency risk**

The Group is not exposed to the risk of changes in foreign exchange rates due to the lack of transactions (credits, loans) in foreign currencies.

**Liquidity risk**

The Group is exposed to liquidity risk, understood as the risk of losing the ability to settle liabilities. The risk results from the potential limitation of access to financial markets, which may result in the inability to obtain new financing or refinancing of the Group's debt.

The Company's and the Capital Group's operations are conducted using: equity, bank loans, and payments made by customers. The Company and the Capital Group pay special attention to maintaining financial liquidity, among others by providing external financing for both current and investment activities.

The financial liquidity risk is diversified through:

- cooperation with various financial institutions: banks, leasing companies, brokerage offices,
- use of various forms of financing: bonds, bank loans (working capital, investment loans), leases, loans,
- entering into financial commitments with different maturity dates:
  - short-term, working capital financing for any purpose (working capital credits),
  - long-term - targeted financing, financing investments into assets,
    - bonds,
    - leasing,
    - 2-3 years investment loans,
    - preferential loans, under government or European programmes.

The above serves to hedge cash flows, in the short and long term and to diversify the risk of financial liquidity.

**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.

**Risks resulting from the provisions of the Developer's Act**

The Developers Act imposed a number of obligations on developers, regulating the process of financing residential projects. By introducing additional obligations, the Act creates additional costs, such as:

- ✓ preparing and making the prospectus available (under pain of criminal liability for failure to do so),
- ✓ participation (in equal part with the purchaser) in incurring notarial costs of concluding a development contract
- ✓ incurring court costs in perpetual usufruct proceedings related to registration in the land and mortgage register of the buyer's rights under the concluded development contract.
- ✓ an obligation to conclude an agreement to maintain an open or closed escrow account.

Furthermore, it is not excluded that development activities will be obliged to establish only closed residential escrow accounts. Such an additional obligation would force an increase in interest debt on the part of the Company and the Group, and thus increase the cost of operations, which could be reflected in the financial results.

**Risks arising from the Act on the Protection of Rights of Buyers of Residential Premises or Single-Family Houses and the Developer Guarantee Fund**

The Developers Act imposed a number of obligations on developers, regulating the process of financing residential projects. By introducing additional obligations, the Act creates additional costs, such as:

- ✓ preparing and making the prospectus available (under pain of criminal liability for failure to do so),
- ✓ an obligation to make contributions to a Developer Guarantee Fund of up to 1% of the value of the premises

- ✓ the inclusion in the obligations arising from the provisions of the Development Act also of the so-called ready-to-use premises and service premises purchased along with residential premises.
- ✓ participation (in equal part with the purchaser) in incurring notarial costs of concluding a development contract
- ✓ incurring court costs in perpetual usufruct proceedings related to registration in the land and mortgage register of the buyer's rights under the concluded development contract.
- ✓ the obligation to conclude an open or closed escrow account agreement already at the time of the conclusion of the first reservation agreement,

#### **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.

#### **Risk related to participation of third parties in administrative proceedings concerning the investment process**

The risk is connected with the participation of third parties, including among others: environmental organisations, in proceedings related to the implementation of the investment process. Third parties may, by participating in administrative proceedings relating to the investment process, take actions which might prevent the Group's companies from obtaining positive administrative decisions, e.g. by appealing to the second instance authorities and courts for decisions issued in the course of the said administrative proceedings. The participation of third parties in proceedings related to the implementation of the investment process may at the same time be a source of litigation (before public administration bodies as well as before administrative courts). Actions taken by third parties in the course of administrative proceedings relating to

the construction process may result in the suspension or delay of the investment process. The above factors may therefore have a material adverse effect on the Group's operations and financial position.

#### **General macroeconomic situation risk**

The Company'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. Increase in the prices of building materials and services may be reflected in higher investment implementation costs. Another factor is the shortage of workforce. The low unemployment rate in Poland causes problems with obtaining employees, which results in an increased risk of delays in the execution of construction contracts.

#### **Risks related to the hotel industry economic situation**

The scale of the hotel business at this point in time is determined by administrative decisions regarding the COVID-19 pandemic and restrictions related to it. Typically, in the absence of restrictions, the hotel business (hotels and aparthotels) is dependent on the situation in the tourism industry. There is a risk that under the influence of adverse factors, other than the pandemic condition, the performance of the hotel segment may deteriorate. The most important factors that may affect this area of the Capital Group's operations include:

- ✓ lower demand for accommodation services in hotels and aparthotels,
- ✓ the appearance of competing facilities in the immediate vicinity,
- ✓ decrease in interest of institutional customers in the offer of conference and hotel services caused by the reduction of advertising and promotional budgets of these entities.

Although the share of hotel operations in total revenues of the Capital Group is small, the occurrence of the above factors may adversely affect financial results and decrease profitability of the Company and the Capital Group.

#### **Risk related to decreased attractiveness of locations of development projects in the Group's portfolio**

The main factor determining the effective demand for residential units - apart from their price - is their attractive location, which takes into account both environmental elements (green areas, no troublesome industrial and communication facilities) and functional factors (availability of social infrastructure, convenient communication system). The Company takes this fact into account when calculating the sales price for its customers by optimising it so that the proposed prices do not constitute a barrier to demand. However, there is a risk of a decrease in the attractiveness of a specific location as a result of unforeseen events after the purchase of the investment area (e.g. change in the development plan, route of communication routes, etc.), which may adversely affect the level of prices of the apartments sold and reduce the Capital Group's revenues on projects.

#### **Risk related to the schedule of implementation of development projects**

The process of investment preparation and construction of a development project usually takes from 24 to 36 months and includes a number of stages, the most important of which are: obtaining the necessary permits, investment preparation, construction works, finishing works, cleaning works. At each of these stages there is a risk of delaying the completion of works, improper execution and the necessity of additional works, the risk of adverse weather conditions, etc. The occurrence of a delay in project implementation may result in:

- ✓ postponing the collection of some of the clients' construction funding deposited in an escrow account,
- ✓ increase in operating costs and even the need to pay contractual penalties or damages,
- ✓ increased financial costs resulting from a longer engagement of external capital in the project.

As a result, this may lead to significant delays in the completion of the ongoing development project. The above factors may also affect the Group's reputation and worsen its ability to sell residential units in the future. The occurrence of the above circumstances may result in an increase in construction costs and adversely affect the Capital Group's financial results.

#### **Risk of increased costs of real estate development projects**

Contracts signed by the companies of the Capital Group with construction contractors define the scope and rules of increasing the costs of construction works for a given investment. During the implementation of a development project, there may be an increase in project costs lying on the part of the contractor (increase in material costs) as well as resulting from the contracting authority's actions (changes in the construction project). As a result of these events, it may turn out that it is not possible to achieve the expected rate of return on investment, which may result in worse than planned financial results. Increased labour and material costs may also have a negative impact on the profitability of future development projects.

#### **Risks arising from liability for payment of remuneration to subcontractors**

Within the scope of its activity, the Group concludes construction contracts. In accordance with the provisions of the Civil Code, the investor and the contractor are jointly and severally liable for the payment of remuneration to the subcontractor. Therefore, one cannot exclude the risk that if the contractors of construction works fail to meet their obligations related to payment of remuneration to subcontractors of construction works, claims for payment of remuneration will be made against the Group companies. Also, a possible deterioration in the financial standing of contractors may lead to the loss of their ability to pay their liabilities to subcontractors on time and, consequently, may result in delays in the execution of development projects.

The above circumstances may also contribute to an increase in the costs of development projects.

The Group, in managing the risk, makes the payment of remuneration for general contractor's services dependent on the absence of arrears in payments to subcontractors, and monitors general contractor's payments to subcontractors on an ongoing basis.

#### **Risk related to claims against contractors and against the Group due to sales of residential units**

The Group concludes and will continue to conclude construction contracts with contractors under the general contractor formula. Contractors are liable for non-performance or incorrect performance of the scope of work. It should be noted, however, that despite the fact that construction works contractors provide a guarantee of good performance, entering into a dispute with the contractor may lead to delays in the implementation of the development project or to exceeding costs. The Contractor may also be unable to fully satisfy all potential claims of the Group. As a result, the Group, which is directly responsible to apartment buyers, may not be able to fully compensate for the costs it will incur as a result of failure to complete or delay the project, as well as defects in the premises sold, which may adversely affect the Group's operations and financial condition.

### **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.

On 19 May 2021, the Company sold 100% of shares held in Wielopole19/21 Spółka z o.o. with its registered office in Ząbki.

On 19 May 2021, the Company sold 100% of shares held in Modlińska Development Spółka z o.o. with its registered office in Ząbki.>

### **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**

The Management Board of J.W. Construction Holding S.A. does not publish financial forecasts for either the Company or the 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**

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**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 26 August 2021 (the date of submitting the report for the first half of 2021)

Shareholder	Number of shares held	% of capital share	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	32.732.652	36,84 %	32.732.652	36,84 %
EHT S.A.	47.846.225	53,84 %	47.846.225	53,84 %
Company – shares for redemption	5.996.429	6,75 %	5.996.429	6,75 %

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

Moreover, Mr. Józef Wojciechowski controls Wielopole 19/21 Spółka z o.o. with its registered office in Ząbki, which holds 1,313,909 shares constituting approximately 1.48 % of the Company's share capital, which entitle to 1,313,909 votes at the General Meeting of Shareholders, which constitutes a 1.48 % share in the total number of votes at the General Meeting.

During the period from 30 May 2021 (date of submission of the last periodic report, which was the report for the first quarter of 2021) until the date of submission of this report, Mr. Józef Wojciechowski purchased on 1 June 2021, as part of the announced mandatory call to buy out shares, 4,137,689 shares constituting approx. 4,137,689 shares, constituting an approximate 4.66% stake in the share capital, which entitle to 4,137,689 votes at the General Meeting, constituting an approximate 4.66% stake in the total number of votes at the General Meeting

**13. The Issuer's shares or rights to them (options) held by persons managing 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 26 August 2021

Name	Function	Number of shares held
Józef Wojciechowski	Chairman of the Supervisory Board	32.732.652

**14. Significant issues in litigation**

As at 30 June 2021, no proceedings to which the Company or any of its subsidiaries, either as plaintiff or defendant, were material to the Company's business.

**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.**

N/A.



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

In the reporting period, the Company created a provision of PLN 11,237,263.68 for loans granted to the subsidiary Yakor House with its registered office in Sochi (Russian Federation).

The provision was created in connection with the receipt of information from Yakor House on the sale of the ownership rights to the buildings located in Sochi Yakornaja Shchela estate, together with the assignment of the rights under the lease agreement of the plot of land on which they are located, for a gross amount, including local VAT, equivalent to EUR 1,368,000.

Yakor House decided to conclude the agreement in question due to a significant change in conditions in Sochi, which had arisen as a result of new legal regulations according to which, pending the adoption of a new development plan for the city, the issuance of permits for multi-family developments was suspended. As the Yakor House property is located adjacent to a national park, there was a significant risk that the investment opportunities of the site would be significantly hindered.

As the property sold was a major asset of Yakor House, the Company has written off the loans granted to Yakor House.

The aforesaid write-down will not affect the consolidated net result. The unconsolidated net result was impacted by minus PLN 9.1 million.

The aforementioned additional write-down does not affect the liquidity position of the Company and its Group.

Another negative factor was the loss incurred on hotel operations. Hotels generated a loss due to the fact that they have been really open since June this year, taking into account sanitary restrictions. The above loss had an impact on the consolidated result of minus PLN 5,965,258.48, on the unconsolidated result of minus PLN 4,081,685.95.

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Signatures of Members of the Management Board

Wojciech Rajchert Management Board Member	Signature
Małgorzata Pisarek Management Board Member	Signature
Piotr Suprynowicz Management Board Member	Signature

Ząbki, 26 August 2021