

# STATEMENT OF THE MANAGEMENT BOARD OF J.W. CONSTRUCTION HOLDING S.A. CAPITAL GROUP ON ITS ACTIVITY

in H1 of 2018



Ząbki, September 19, 2018

## 1. Introduction

J.W. Construction Holding S.A., a joint-stock company domiciled in Ząbki (the "Company"), registered with the Register of Companies of the National Court Register under number 0000028142, whose registration files are kept by the District Court for the Capital City of Warsaw, 14th Business Division of the National Court Register, is the parent company of the Capital Group of J.W. Construction Holding S.A. (the "Capital Group").

The registration of the Company in the Register of Companies of the National Court Register took place on July 16, 2001, along with the registration of the change of the company's name from the former - Towarzystwo Budowlano - Mieszkanie Batory S.A., to the present - J.W. Construction Holding S.A.

The Company was formed from transformation of Towarzystwo Budowlano - Mieszkanie Batory Sp. z o.o. domiciled in Ząbki, established (Company's agreement conclusion) on 10 February 1994 and registered by the Court on 7 March 1994. The transformation of a limited liability company into a joint stock company, executed under a notarial deed of 28 December 2000, was registered by the District Court for the Capital City of Warsaw, 16th Business and Registry Division on 15 January 2001r.

Share capital of the Company amounts to PLN 17.771.888,60 and is divided into 88.859.443 bearer share with the nominal value of PLN 0,20 each. The capital is divided into A and B share series in the amount of 54.073.280 shares and C-series shares in the amount of 34.786.163 shares.

Two branches operate within the Company :

- J.W. Construction Holding S.A. "Hotel 500" Branch in Ząbki – within its framework, activities of three branches of Hotel 500 are carried out - in Zegrze Południowe near Warsaw, in Stryków near Łódź and in Tarnów Podgórny near Poznań.

- J.W. Construction Holding S.A. "Czarny Potok" Branch in Ząbki – within its framework, activities of Czarny Potok Resort & SPA in Krynica Zdrój are carried out.

## 2. Company's Capital Group

Structure of Capital Group with information on consolidated entities is presented in the Condensed Consolidated Financial Statements.

## 3. Principles for preparation of the consolidated interim financial statements

Principles for preparation of the consolidated interim financial statements were included in the Financial Statements under "ADOPTED PRINCIPLES (POLICY) OF ACCOUNTING".

## 4. Selected financial data including basic items of the consolidated financial statements for the period of six months

The table below presents selected financial data from both consolidated and unitary financial statements (also in EUR).

Consolidated Balance Sheet Item	30.06.2018		31.12.2017	
	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 834 867</b>	<b>420 687</b>	<b>1 690 887</b>	<b>405 401</b>
Fixed assets	744 351	170 660	745 463	178 729
Current assets	1 090 516	250 027	945 425	226 672
<b>Total equity and liabilities</b>	<b>1 834 867</b>	<b>420 687</b>	<b>1 690 887</b>	<b>405 401</b>
Equity	656 696	150 563	678 228	162 609
Long-term liabilities	401 816	92 126	463 811	111 202
Short-term liabilities	776 354	177 998	548 848	131 590

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Consolidated Profit and Loss Account Item	01.01.2018 to 30.06.2018		01.01.2017 to 30.06.2017	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	89 750	21 170	135 310	32 159
Costs of products, goods and materials sold	85 344	20 131	105 121	24 984
<b>Gross profit (loss) on sales</b>	<b>4 406</b>	<b>1 039</b>	<b>30 189</b>	<b>7 175</b>
Sales expenses	10 328	2 436	11 155	2 651
Overheads	11 732	2 767	10 575	2 513
Profit (loss) on sales	-21 706	-5 120	6 813	1 619
Operating profit (loss)	-24 667	-5 818	808	192
<b>Gross profit (loss)</b>	<b>-27 569</b>	<b>-6 503</b>	<b>-6 919</b>	<b>-1 644</b>
Income tax	-6 134	-1 447	-3 381	-804
<b>Net profit (loss)</b>	<b>-21 435</b>	<b>-5 056</b>	<b>-3 538</b>	<b>-841</b>

Issuer's Balance Sheet Item	2018-06-30		2017-12-31	
	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 744 757</b>	<b>400 027</b>	<b>1 631 702</b>	<b>391 211</b>
Fixed assets	805 214	184 614	800 807	191 999
Current assets	939 543	215 412	830 895	199 212
<b>Total equity and liabilities</b>	<b>1 744 757</b>	<b>400 027</b>	<b>1 631 702</b>	<b>391 211</b>
Equity	689 779	158 148	711 230	170 522
Long-term liabilities	283 235	64 938	345 105	82 741
Short-term liabilities	771 742	176 940	575 366	137 948

Profit and Loss Account Item	01.01.2018 to 30.06.2018		01.01.2017 to 30.06.2017	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	78 440	18 503	92 170	21 906
Costs of products, goods and materials sold	76 453	18 034	73 321	17 426
<b>Gross profit (loss) on sales</b>	<b>1 988</b>	<b>469</b>	<b>18 848</b>	<b>4 480</b>
Sales expenses	11 402	2 690	12 286	2 920
Overheads	9 092	2 145	8 999	2 139
Profit (loss) on sales	-22 559	-5 321	-4 083	-970
Operating profit (loss)	-25 396	-5 990	-9 858	-2 343
<b>Gross profit (loss)</b>	<b>-27 437</b>	<b>-6 472</b>	<b>-9 171</b>	<b>-2 180</b>
Income tax	-5 986	-1 412	-71	-17
<b>Net profit (loss)</b>	<b>-21 451</b>	<b>-5 060</b>	<b>-9 099</b>	<b>-2 163</b>

## **5. Group's activities and significant events during the first half of 2018.**

Within the period covered by this statement the following significant events took place:

### **Corporate matters:**

On 16 January 2018, the Extraordinary General Meeting adopted resolutions on increasing the number of Supervisory Board members and appointing Ryszard Matkowski to the Supervisory Board.

On 16 January 2018, Barbara Czyż submitted her resignation from the Supervisory Board.

On 16 January 2018, Barbara Czyż was appointed to the Supervisory Board based on the personal right of an eligible shareholder.

On 30 January 2018, Jacek Radziwiński submitted his resignation from membership in the Audit Committee.

On 1 February 2018, Ryszard Matkowski was appointed as the Chairman of the Audit Committee.

On 28 March, the Extraordinary General Meeting adopted a resolution on the merger of the Company with its subsidiaries: Seahouse Sp. z o.o. based in Ząbki, Łódź Invest Sp. z o.o. based in Ząbki, Nowe Tysiąclecie Sp. z o.o. based in Ząbki, Zdziarska Invest Sp z o.o. based in Ząbki, Lewandów Invest Sp. z o.o. based in Ząbki, Porta Transport Sp z o.o. in liquidation based in Szczecin, J.W. Ergo Energy Sp. z o.o. based in Ząbki, Towarzystwo Budownictwa Społecznego Nowy Dom Sp. z o.o. based in Ząbki, J.W. Marka Sp. z o.o. based in Ząbki and Business Financial Construction Sp. z o.o. based in Warsaw („acquired companies”). The merger is being carried out within the capital group of the Company, and in all the companies being acquired, the Company holds a 100% interest in the share capital. The merger is being carried out pursuant to art. 492 §1 point 1 of CCC by transferring all assets of the acquired companies to the Company - as the sole shareholder. As at the date of the report, we are awaiting the court to register the merger.

### Auditor Change

On 26 April 2018, in connection with the introduced mandatory auditor rotation in the units of public interest and in accordance with provisions of the Act on auditors, audit firms and public supervision, the Issuer, by mutual agreement of the parties, dissolved the contract concluded with BDO Sp. z o.o. on 15 June 2016 in the scope including examination of the report for 2018. On 5 June 2018, the Supervisory Board of the Issuer selected Mazars Audył Sp. z o.o. registered in Warsaw as the entity responsible for examining the Company's reports for 2018-2019.

### Merger Procedure

On 16 February 2018, the plan to merge the Company with its subsidiaries was accepted and signed. The subsidiaries are: Seahouse Sp. z o.o. based in Ząbki, Łódź Invest Sp. z o.o. based in Ząbki, Nowe Tysiąclecie Sp. z o.o. based in Ząbki, Zdziarska Invest Sp z o.o. based in Ząbki, Lewandów Invest Sp. z o.o. based in Ząbki, Porta Transport Sp z o.o. in liquidation based in Szczecin, J.W. Ergo Energy Sp. z o.o. based in Ząbki, Towarzystwo Budownictwa Społecznego Nowy Dom Sp. z o.o. based in Ząbki, J.W. Marka Sp. z o.o. based in Ząbki and Business Financial Construction Sp. z o.o. based in Warsaw („acquired companies”).

The merger is being carried out within the capital group of the Company, and in all the companies being acquired, the Company holds a 100% interest in the share capital. The merger is being carried out pursuant to art. 492 §1 point 1 of CCC by transferring all assets of the acquired companies to the Company - as the sole shareholder. The purpose of the merger is to reduce the operating costs of the Capital Group and to concentrate its business operations in the Company. The merger will be carried out pursuant to art. 515 §1 of the Code of Commercial Companies without increasing the share capital of the Company.

#### General Meetings

On 14 June 2018, the Ordinary General Meeting of Shareholders took place. It adopted resolutions on the approval of financial statements and the Management Board statement on the activities of the Company and its Capital Group. It granted a vote of approval to the members of the Company's governing bodies and allocated the profit for the previous financial year to the Company's supplementary capital.

#### **Credits:**

##### Annex to credit agreement

On 20 April 2018, the Company concluded an Annex to a credit agreement in the current account granted by Plus Bank S.A. Under the Annex, at the Company's request, the credit limit was reduced to PLN 8,000,000 and the deadline for use and repayment date have been postponed. The final repayment date is 25 April 2020.

On 20 April 2018, the Company concluded an Annex to a credit agreement in the current account granted by PKO BP S.A. in the amount of PLN 10,000,000. Under the Annex, the deadline for use and repayment date have been postponed. The final repayment date is 25 April 2019.

On 25 April 2018, J.W. Construction Sp. z o.o., the Issuer's subsidiary, concluded an Annex to a credit agreement in the current account granted by PKO BP S.A. in the amount of PLN 7,000,000. Under the Annex, the deadline for use and repayment date have been postponed. The final repayment date is 25 April 2019.

On 25 April 2018, the Company concluded an Annex to a credit agreement in the current account granted by Bank Millenium SA in the amount of PLN 16,830,000. Under the Annex, the deadline for use and repayment date have been postponed. The final repayment date is 31 May 2019.

##### Credit repayment

On 5 February 2018, the Company made a full repayment of the loan for the co-financing of the „Bernardowo Park phase II” residential investment in Gdynia in the amount of PLN 33,700,000 incurred in Millenium Bank S.A..

On 28 February 2018, the Company made a full repayment of the revolving credit for co-financing the costs of realization of "Zielona Dolina III" residential investment in Warsaw, in the amount of PLN 5,000,000 incurred in BOŚ Bank SA.

#### **Construction and occupancy permits, other significant transactions:**

##### Building permit

On 10,12 and 15 January and on 13 February 2018 the Company received building permits for a group of single-family residential buildings in terraced housing, located in Kręczi Kaputy borough near Ożarów Mazowiecki. The permit is final.

## Management Board statement on the J.W. Construction Holding S.A. Group's activity for the first half of 2018.

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On 2 February 2018, the Company received a building permit for a hotel with services and trade, as well as an underground garage, located at Pileckiego St. in Warsaw. The permit is not final.

On 8 May 2018, the Company received a building permit for the construction of a residential and service complex "Bliska Wola phase D" in the area of Ordonia St., Kasprzaka St., Prymasa Tysiąclecia Av. in Warsaw. The permit obtained allows the implementation of two sub-stages of the investment, for a total of nearly 1500 units with a residential and aparthotel-commercial area of nearly 62,000 m<sup>2</sup>. The permit is final.

### Occupancy permit

On 19 June 2018, the Company received an occupancy permit for a multi-family residential building with an underground garage at Verdiego St. in Warsaw - Zielona Dolina III. The permit is final.

### Land purchase

On 2 February 2018, the Company acquired ownership of an undeveloped plot of land with an area of 2.3544 ha located at Poznańska St. in Skórzewo, in Doplewo borough. The sale price set at PLN 9.800.000 net, plus VAT at the applicable rate, was paid on the day of sale. The real estate is intended for multi-family housing development. The company estimates that it will be possible to build approximately 14,000 m<sup>2</sup> of usable area.

On 4 April 2018, in the performance of a conditional sale agreement concluded on 23 March 2018, in connection with the lack of exercising his right of the President's of Pruszków, the Company concluded a contract transferring the right of perpetual usufruct of an undeveloped plot of land No. 215 with an area of 16,902 m<sup>2</sup> located in Pruszków at Waryński 5/7 St. for the amount of PLN 15,900,000 net plus VAT at the applicable rate. The company plans to build approximately 19,000 m<sup>2</sup> of residential Number of units.

On 5 June 2018, in the performance of a preliminary agreement for the acquisition of the right of perpetual usufruct of land concluded on 6 February 2018, the Company concluded a purchase agreement for two developed plots with a total area of 0.2287 ha located in Gdańsk at Starowiejska St., for PLN 4,250,000 net, plus VAT at the applicable rate.

On 6 June 2018, in the performance of a preliminary agreement for the acquisition of the right of perpetual usufruct of land concluded on 13 June 2017, the Company concluded a purchase agreement for eight developed plots with a total area of 0.8450 ha and a share of 806/1000 in two plots with a total area of 0.1542 located in Gdańsk at 67 Starowiejska St., for PLN 20,500,000 net, plus VAT at the applicable rate.

On the aforementioned properties at Starowiejska St. the Company plans build approximately 31,000 m<sup>2</sup> of Number of units.

### Preliminary contract for the purchase of land

On 25 April, 2018, the Company entered into a preliminary agreement for the acquisition of the right of perpetual usufruct of undeveloped plots of land No. 5/4, 7/2 and 7/4 with a total area of 1.4471 ha located in Szczecin at Celna St. for a total amount of PLN 14,600,000 net plus VAT at the applicable rate. On signing the preliminary agreement, the Company paid the amount of PLN 1,500,000 net, plus VAT at the applicable rate, as a deposit. The deadline for concluding a conditional sale agreement was set for November 10, 2018. The company plans to build on the plot approximately 33,700 m<sup>2</sup> of usable area of apartments and aparthotels.

#### Real estate sale agreement

On 22 June 2018, the Company sold a real estate in the form of perpetual usufruct of plots No. 12/2, 12/3 and 30 with a total area of 0.3621 ha, located in Wrocław at 20 Powstańców Śląskich for the amount of PLN 1,000,000 increased by VAT at the applicable rate.

The sale generated a loss for the Company in the reporting period for the amount of PLN 15.184.357 - detailed description in point 17.

#### **Information on the issuing, redemption and repayment of debt and equity securities.**

##### Interest paid

On 24 April 2018 the Company paid interest on series JWX0116 bonds.

On 15 May 2018 the Company paid interest on bonds marked with the PLJWC0000126 code.

On 30 May 2018 the Company paid interest on bonds marked with the ISIN PLJWC0000118 code.

On May 30, 2018, the Company made a partial redemption of the nominal value of JWC0520 series bonds, issued in 70,000 units, with a par value of PLN 1,000 each and a total value of PLN 70,000,000, marked in the KDPW system by the ISIN code PLJWC0000118. The redemption covered 10% of the original bond issue value, ie PLN 7,000,000. The redemption took place on time and on the terms provided for in the terms of the bond issue.

#### **Information on the paid (or declared) dividend in total and per one share, with the division into ordinary and preference shares.**

Does not apply.

#### **Ongoing investments:**

In the first half of 2018, the Group carried out 12 development projects for a total of 3,450 units with an area of 161,768 m<sup>2</sup>, including apart-hotels, detached houses and terraced houses. Front of the works included investments:

- in Warsaw: Bliska Wola (3 phases), Osiedle Zielona Dolina II phase II oraz Zielona Dolina III, Osiedle Wrzosowa Aleja, as well as terraced houses – Villa Campina near Warsaw and Ożarów Mazowiecki,
- in Gdynia: Osiedle Bernadowo Park phase II and Osiedle Kamerata,
- in Katowice: Osiedle Nowe Tysiąclecie phase III,
- in Szczecin: Hanza Tower.

In the first half of 2018 the following investments were carried out:

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Investment	Number of units	Useable area	Aparthotel-commercial area	% of units sold as at 30 June 2018	% of construction completion as at 30 June 2018
Bliska Wola - Phase E - residential part, Warsaw	671	30 454		97%	68%
Zielona Dolina II phase II, Warsaw	570	25 311		63%	88%
Hanza Tower, Szczecin	506	21 957	10 857	45%	27%
Bliska Wola - Phase C – aparthotel part, Warsaw	457		14 501	97%	100%
Bliska Wola - Phase E – commercial and residential part, Warsaw	433	4 549	10 089	97%	62%
Nowe Tysiąclecie phase III, Katowice	346	18 261		34%	23%
Bernadowo Park phase II, Gdynia	236	13 144		100%	99%
Wrzosowa Aleja, Warsaw	81	2 958		17%	1%
Kamerata, Gdynia	55	3 420		100%	72%
Zielona Dolina III, Warsaw	54	2 247		96%	100%
Houses Villa Campina - Alicja (series D), Ożarów,	21	2 017		100%	60%
Houses Villa Campina - Alicja (series E), Ożarów	20	2 003		35%	2%
<b>Total</b>	<b>3 450</b>	<b>126 320</b>	<b>35 448</b>		

#### Construction commenced in the first half of 2018

From the aforementioned investments the construction of Wrzosowa Aleja in Warsaw started in the first half of 2018.

Construction commenced in the first half of 2018	Number of units	Useable area (m2)
Wrzosowa Aleja, Warsaw	81	2 958
<b>TOTAL</b>	<b>81</b>	<b>2 958</b>

#### Construction finished in the first half of 2018

In the first half of 2018 investments for a total of 747 units were finished:

Investment	Number of units	Useable area	Aparthotel-commercial area
Bliska Wola - Phase C – aparthotel part, Warsaw*	457		14 501
Bernadowo Park phase II, Gdynia*	236	13 144	
Zielona Dolina III, Warsaw	54	2 247	
<b>Total</b>	<b>747</b>	<b>15 390</b>	<b>14 501</b>

\* Construction finished in the first half of 2018, occupancy permit obtained in the 3rd quarter of 2018



## Sales

In the first half of 2018 the Group sold a total of 758 units.

## Transfers

In the period from 1 January to 30 June 2018 the company transferred and recognized revenue for 131 units. From the investments realized in the first half of the year and completed projects a total of 5 056 units are to be recognized in the forthcoming quarters, including 3 050 sold but not transferred, 2 006 offered for sale.

## 6. Planned investments and development perspectives

### Planned investments

In the next few years, based on its land inventory, the Company plans to proceed with 25 new residential, aparthotel and warehouse projects for a total of 7 278 units and useable area of 486,000 m<sup>2</sup>.

In the case of all planned development and aparthotel projects the Company is the owner or perpetual usufructuary of the land or has signed a preliminary purchase agreement. In significant part of the future projects draft and preparatory work have already been carried out. The realization of investment will be funded from the Group's own funds, revenue received from Customers (in case of an open-ended escrow account) as well as investment credits.

Projects to be implemented in the upcoming years are presented in the table below.

Summary of the planned investments- as at 30 June, 2018:

Investment	Number of units	Useable area	Aparthotel-commercial area
Myślenice near Cracow <sup>1)</sup>	1 769	79 605	
Bliska Wola phase D (residential aparthotel and commercial), Warsaw <sup>2)</sup>	1 060	25 417	17 101
Celna St., Szczecin <sup>3)</sup>	623	18 862	14 796
Starowiejska St., Gdańsk- Letnica	600	31 000	
Waryńskiego St., Pruszków	475	19 000	
Bliska Wola phase D (residential), Warsaw <sup>2)</sup>	418	19 178	
Poznańska St., Skórzewo near Poznań	280	14 000	
Radosława St., Nowogard	275	14 710	
Berenzona St., Warsaw	264	11 855	
Varsovia Apartamenty ul. Pileckiego – Aparthotel, Warsaw	239		8 497
St. Antoniewska, Warsaw	221	13 763	
St. Spokojna – aparthotel, Gdynia	257		9 414
Houses phase VI and next, Ożarów	150	15 675	
Lewandów Park III phase II, Warsaw	146	4 709	
Mikołaja Trąby St., Warsaw	140	5 847	
Odkryta St., phase II, Warsaw	104	4 581	

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Jesionowa/Partyzantów St., Gdańsk <sup>3)</sup>	74	3 800	
Aluzyjna St., phase II, Warsaw	68	3 670	
Lewandów Park III phase I, Warsaw	40	1 631	
Aluzyjna St., phase I, Warsaw	32	1 850	
Houses Villa Campina, phase V, Ożarów	30	2 857	
Nowodworska St., Warsaw	13	1 180	
Port (warehouses), Szczecin			80 000
Małopole (warehouses), near Warsaw <sup>3)</sup>			52 000
Wielopole/Dietla St., Kraków			10 899
<b>Total</b>	<b>7 278</b>	<b>293 190</b>	<b>192 707</b>

1) real estate purchased in Q3 2018

2) investments for sale as at 30 June 2018

3) real estate preliminary purchase agreement

### Goals and perspectives for development

The Group diversifies its revenues, therefore, in addition to the residential offer it introduces aparthotels as well, utilising the most effectively purchased land. The Group manages aparthotels using the knowledge and experience of the real estate, hotel and property management markets, where it has been present for many years. The Group is dedicated primarily to middle-income clients, thus planning and investing in attractive locations– tailored to the financial capacity of potential buyers, investments in Białoleka – Zielona Dolina. In addition, the Group offers prestigious locations such as Bliska Wola phase D in Warsaw or Hanza Tower in Szczecin. The Group offers help to obtain mortgages. As part of the financing offer, programs tailored to the financial capacity of the offer recipients are proposed. The Group, thanks to many years of effective cooperation with the largest banks, has a diversified credit offer based on preferential terms, dedicated exclusively to Clients of the Group.

The Group plans to maintain the sales levels in the next and subsequent years, wishing to maintain the level of 1 500 - 2,000 units a 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, the Tri-City, Szczecin, and ones in the vicinity of Poznań and Cracow.

Despite its focus on real estate development, the Group intends to continue to diversify its revenues, which started in previous years, through its presence in the hotel and aparthotel segment nationally, using its potential and potential for financing.

In conclusion, the Group, regardless of the market situation, diversifies risk through:

- realization of started residential real estate investments,
- extending the offer with apart-hotel units - apartments for rent,
- geographical diversification of investments,
- the continuation of hotel activity and managing aparthotels,
- property management,
- preparations related to the use of land owned for the construction of logistics parks.

**7. Factors which according to the Company are to have an impact on the results for the next quarter**

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

- Adhering to construction schedules, conditioning the possibility of transferring premises onto tenants on investments in the following quarters, in particular: Bliska Wola phase C (aparthotel), Zielona Dolina II phase II and phase III, Bernadowo Park phase II, Gdynia Kamerata.
- Maintaining a high rate of sales along with further offer expansion conditioned on:
  - Launching new investments,
  - Accessibility of mortgage loans on real estate market,
  - Low level of interest rates - reduced cost of servicing the loan for the Company and the purchaser of flat. It may have a positive impact on the pace of real estate sales,
  - Expanding the offer for new aparthotel and warehouse units,
  - Commencing investments on schedule.
- Economic situation, especially on the real estate market.
- 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.

**8. Events that occurred after the date of preparation of the condensed interim financial statements, and which could significantly affect the future financial results of the Company**

Real estate purchase agreement.

On 11 September 2018, in the performance of a conditional purchase agreement from 31 August 2018, the Company concluded an agreement transferring ownership of the plots of land No. 555, 556 and 557/1 with a total area of 29.4000 ha located in Zawada in Myślenice borough (Property). The price for the Property was set at PLN 21,000,000 gross. The contract was concluded following the fulfilment of the condition of not exercising the pre-emptive right by the State Treasury represented by State Forests. Pre-emptive right privilege under art. 37a of the Act of 28 September 1991 on forests (Journal of Laws of the Republic of Poland of 2015, item 2100, as amended). Pre-emptive right privilege for the Starost of Myślenice under art. 217 par.13 of the Act of 20 July 2017 on Water Law (Journal of Laws of the Republic of Poland of 2017, item 1566).

Occupancy permit

On 2 July 2018, the Company received occupancy permit for residential buildings implemented as part of a housing estate at Leśna and Parkowa St. in Gdynia - Osiedle Gdynia Bernadowo Park II. The permit is final.

On 18 July 2018, the Company received occupancy permit for the Varsovia aparthotel (Bliska Wola phase C) at Kasprzaka / Ordonia St. in Warsaw, the permit does not cover 11 premises other than aparthotel ones, where finishing works were underway. The permit is final.

On 14 August 2018, the Company received occupancy permit for 4 multi-family residential buildings being developed as part of the Zielona Dolina II phase II housing investment at Verdi St. in Warsaw. The permit is final.

Building permit

On 10 September 2018, the Company received building permit for the construction of a hotel and commercial complex with technical infrastructure, located at Spokojna St. in Gdynia. The permit is not final.

Contract for construction works

On 28 August 2018, the Issuer entered into contract with Fabet-Konstrukcje Sp. z o.o. registered in Kielce (Contractor). The subject matter of the contract is the execution of the following works at the Company's investment site at Kasprzaka St. Phases Dm and Dk:

- trench drainage;
- performing groundworks;
- securing the trench walls – slurry wall;
- comprehensive performance of reinforced concrete works;
- comprehensive performance of masonry works.

The deadline for completion of works has been set for 21 October 2020.

The Contractor's remuneration has been set as a lump-sum based on the scope of works for the amount of PLN 140.262.989,82 plus VAT at the rate applicable on the day of issuing invoice.

**9. Significant risk factors and threats**

The risks recognized by the Group include: liquidity risk, credit risk, risk related to administrative decisions, risk related to the overall macroeconomic situation, and risk related to support programs for apartment buyers.

### **Liquidity risk**

The Company pays special attention to keeping the balance between financing its investment activities and timely payment of its obligations. Maintaining liquidity is dependent on the credit policy of banks in granting mortgages and investment credits as well. Lack of funding from banks especially along with the requirements of developer act developer and escrow accounts. In the case of developers and individuals it can affect: start of new investments, the demand for housing, timeliness of payments and thus cash flows.

### **Credit risk**

A significant part of the Company's customers makes purchases with bank loans. Risks associated with offered loans are secured with insurance of particular debts on behalf of clients. In relation to no customer group is there a significant concentration of credit risk. Furthermore, the Company systematically evaluates payments made and the financial situation of its customers.

### **Risk related to administrative decisions**

The basis for real estate activities are administrative decisions required in connection with present or future projects. The lack of licenses, permits or concessions or failing to obtain them in time may adversely affect the ability to commence, conduct or complete present and new investments by the Company. All of these factors may have an impact on financial flows and overall operations.

### **Risk related to the overall macroeconomic situation**

The activity of the Capital Group as well as its financial results to a large extent are dependent upon the current economic prosperity present mostly on the domestic market. The factors that shape the economic situation are among other things as follows: the rate of the GDP growth, the level of gross average remuneration, the unemployment level, the inflation level, currency exchange rates, bank interest rates, the availability of credit loans, the debt level of households. Despite the ongoing economic boom in Poland there is no certainty that positive tendencies will last in the future. It is possible that the economic growth will slow down in Poland. There is a risk that in the case of an economic slowdown in Poland there may occur the drop of real gross remunerations and further restriction with regard towards credit loans, including mortgage credits. This will result in the decrease of demand for the products and services offered by the capital group, especially with regard towards company apartments which are its key products. Consequently, this may have a negative effect influence on the sales level achieved by the Capital Group and cause the worsening of its financial results.

### **Risk related to support programs for apartment buyers**

The governmental program "Mieszkanie Plus" may affect the housing market in Poland. At present, it is difficult to predict what will be the scale of that impact. On the one hand, the program is addressed to people who do not have the creditworthiness to buy their own property, i.e. not to the Group's clients. In addition, the beneficiaries of the program are those who rent apartments rather than those who buy them. On the other hand, the program may compete with popular flats, especially if it were to include attractive locations in large cities. Until now, the program has been run on a limited scale without significant impact on the housing market or the Company's operations.

Currently, works on the Act on rental companies, i.e. REIT, are underway - the initial assumptions of the program suggest that it will encourage investors to invest in real estate. At the moment, however, the final shape of the act is not known, so it is difficult to assess its impact on the market.

**10. The effects of changes in the organizational structure including mergers, acquisitions or disposals of Group entities, long-term investments, division, restructuring and discontinued operations.**

In the reporting period, the Company acquired 100 shares with a nominal value of PLN 100 each and for a total value of PLN 10,000, representing 100% of the share capital in the company under the name Wielopole 19/21 Sp. z o.o. based in Cracow.

**11. Management Board's stance on realizing formerly published results forecast for the given year in light of the results presented in the interim statement**

The Board of J.W. Construction Holding SA does not publish financial forecasts neither for the Company nor the Group.

**12. Shareholders holding directly or indirectly significant stakes in the Company.**

The share capital of the Company is PLN 17.771.888.60 and is divided into 88.859.443 ordinary bearer shares of series A and B and C with a nominal value of 0.20 PLN each. Each share entitles to one vote at the General Meeting of the Company.

As at 19 September 2018

Shareholder	Number of shares	% of share capital	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 %

Józef Wojciechowski controls EHT S.A. based in Luxemburg.

In the period from 22 May 2018 (the date of publication of the last periodical report, i.e report for the first quarter of 2018) to the date of publication of this report, no changes in substantial blocks of Issuer's shares took place.

**13. Shares of the Issuer or the rights to them (options) held by persons managing and supervising the Issuer on a certain day, separately for each person**

Shares held by members of the Management Board and Supervisory Board of the Company:

As at 19 September 2018

Shareholder	Function	Number of shares
Józef Wojciechowski	President of Supervisory Board	32.094.963

**14. Significant Lawsuits**

As at 30 June 2018, no proceedings involving the Company or any of its subsidiaries, as both the plaintiff and the defendant, were relevant to the business operations conducted by the Company..

The company, however, would like to draw attention to the following ruling in the case brought by the City of Warsaw for payment of annual fees (2009-2013) for perpetual usufruct of the real estate designated in the local zoning plan for the public road, which was reported in the reports for earlier periods:

- a ruling of the Supreme Court of 9 March 2018, in which the Supreme Court overturned the Court of Appeal's decision from 27 September 2016 dismissing the Company's appeal against the judgment of the Court of First Instance ordering the Company to pay annual fees for perpetual usufruct of the above-mentioned real estate and handed the matter over to the Court of Appeal for reconsideration. The appealed ruling ordered the Company to pay PLN 14,123,786.25 with interest and court costs on behalf of the Capital City of Warsaw.

- the ruling of the Court of Appeal in Warsaw of 4 June 2018, taken as the result of reconsidering the case due to above mentioned ruling of the Supreme Court of 9 March 2018, pursuant to which the Company's appeal against the judgement of the Court of First Instance was once more dismissed. Thus, the ruling of the District Court of 16 April 2014 ordering the Company to pay fees for perpetual usufruct for the years 2009-2013 in the amount of PLN 14,123,786.25 in favour of the Capital City of Warsaw has become final. Having received a written justification of the verdict, the Company shall consider the possibility of lodging a cassation appeal to the Supreme Court.

#### **15. Information about related transactions**

Information on transactions with related parties are included under "Note 30. Transactions with related companies" of the financial statements".

#### **16. Information on granted and received sureties and guarantees**

In the reporting period described, neither the Company nor its subsidiaries gave any sureties or guarantees whose value would be significant for the operations of the Company.

#### **17. Other significant information in the assessment of the Company's staff, assets, financial results, and information relevant for assessing the feasibility of Company's liabilities.**

Extraordinary events affecting financial results in the first half of 2018 were:

- 1) Sale of real estate constituting a built-in right of perpetual usufruct of land plots No. 12/2, 12/3 and 30 with a total area of 0.3621 ha located in Wrocław at 20 Powstańców Śląskich St for the amount of PLN 1,000,000 plus VAT at the applicable rate. The sale generated a loss of PLN 15,184,357 in the financial result of the Company in the reporting period.


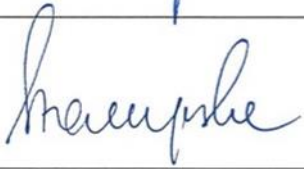
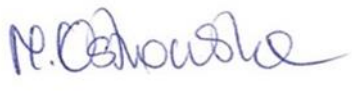
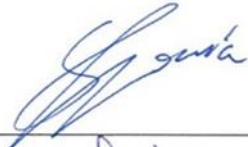

The Company decided to sell the real estate for PLN 1,000,000 due to the following circumstances:

1. the real estate was acquired by the Company with encumbrance in the total amount of PLN 30,325,000 on behalf of the bank in order to secure the loan taken out by Develo sp. z o.o, which was validated by an agreement concluded with Develo regarding the joint preparation of the investment on the property and neighboring property from whose important conditions Develo did not fulfil and from which the Company has withdrawn,
2. failure to meet the technical parameters of the property, undertaken in the original purchase agreement, which in the current form prevented the implementation of a profitable investment,
3. in May this year the mortgage creditor proceeded to enforce the receivables from the real estate (requesting the Company to pay almost PLN 26,000,000) announcing the filing of the suit, which would result in real estate bailiffs' auction and due to the amount secured by the mortgage-backed loan, no benefit for the Company of any funds obtained from the sale,
4. the sale was made to the entity that was the only one to offer the possibility to pay any amount for the property, taking into account its encumbrance.

5. by a final court judgment, a payment of PLN 10,980,000 was ordered from a natural person (guarantor of Develo's obligations) in favour of the Company to compensate for the costs incurred as a result of the contract.
- 2) The ruling of 9 March 2018, in which the Supreme Court overturned the Court of Appeal's judgement of 27 September 2016 at the suit of Capital City of Warsaw against the Company, concerning the perpetual usufruct fee for the plot of land No. 2/6 located in Warsaw at 181 Górczewska St. for the years 2009-20013. The plot in question, in accordance with the applicable local land use plan, is intended for transport purposes - construction of the NS route. The appealed ruling ordered a payment of PLN 14,123,786.25 with interest and court costs on behalf of the Capital City of Warsaw. The case was referred for reconsideration by the Court of Appeal as the second instance. As a result of the return of principal amount and interest by the Capital City of Warsaw, interest in the amount of 7,965,869.81 were recognised as financial income in the first quarter of 2018. Provision for the principal amount of 14,123,786.25 was recognised. However, as a result of the re-examination of the case by the Warsaw Court of Appeal, by ruling of 4 June 2018, the Company's appeal against the judgement of the Court of First Instance was once more dismissed. Thus, the ruling of the District Court of 16 April 2014 ordering the Company a payment of PLN 14,123,786.25 with interest and court costs on behalf of the Capital City of Warsaw, has become final. Having received a written justification, the Company will consider the possibility of lodging a cassation appeal to the Supreme Court. In connection with the above, the amounts paid by the Company to the Capital City of Warsaw resulted in the recognition of PLN 7,965,869.81 in financial costs.
- 3) Establishment of a provision in the amount of PLN 1,366,965 in connection with the disputed fee for perpetual usufruct of plot no. 2/6 located in Warsaw at 181 Górczewska St., fee for the first half of 2018.



Podpisy Członków Zarządu

Wojciech Rajchert Członek Zarządu	Podpis	
Magdalena Starzyńska Członek Zarządu	Podpis	
Małgorzata Ostrowska Członek Zarządu	Podpis	
Piotr Suprynowicz Członek Zarządu	Podpis	
Małgorzata Pisarek Członek Zarządu	Podpis	

Ząbki, 19 września 2018 roku