

Letter of the Management Board of J.W. Construction Holding S.A.

From the perspective of developers, 2019 can be considered a year of prosperity. The housing market was driven by a good situation on the labour market and rising salaries. Low loan installments, resulting from low interest rates, caused that despite persistently high prices, demand for residential units remained high. Poles bought flats for their own needs, as well as invested in units for rent (according to the JLL report, 30% of units from the primary market were bought with such purpose). According to the latest data published by the Central Statistical Office (GUS), developers transferred 130.9 thousand residential units, i.e. 16.6% more than in 2018. Poland has not built so many residential units since the early 1980s. The average prices were higher than in 2018; according to Expander, the offer prices of residential units increased at a double-digit rate in 14 out of 16 major Polish cities. So far the most expensive Warsaw (9.6 thousand PLN per square metre on average) was almost caught up by Gdańsk (8.3 thousand PLN) and Kraków (8.2 thousand PLN). Dynamic price increases on the rental market could also be observed. Rental growth, according to Expander and Rentier.io research, amounted to 6% on a yearly basis.

The year 2019 was also successful for J.W. Construction Holding Group, despite difficulties in acquiring employees and increased construction costs. Taking into account the sales results, the Company recorded a strong positive effect on the level of profits. The J.W. Construction Holding Group sold a total of 1,026 units. Net unconsolidated sales revenues in 2019 amounted to PLN 576.3 million, with 1,485 units transferred. Gross sales profit of the Company amounted to 145.4 million PLN, and operating profit to 86.5 million PLN. The Company recorded a non-consolidated net profit of 51.3 million PLN.

J.W. Construction Holding Group currently has land to build over 5200 units. Taking into account the purchases made in 2019 and in previous years, the value of the land bank increased by over 200 million PLN.

The good results are a consequence of the transfer of premises from investments completed in 2019, primarily: Bliska Wola Stage Ek and Em in Warsaw (1,059 units transferred) and Zielona Dolina Stage II in Warsaw's Białołęka (328 units).

In 2019, the Company obtained occupancy permits for a total of 1,180 units in completed investments.

In 2019, the Company continued the commercial and residential projects started in previous years: Hanza Tower in Szczecin and Bliska Wola in Warsaw, and continued the construction of apartments in Osiedle Tysiąclecia in Katowice and single-family houses in Villa Campina - the luxury suburban housing estate, near Ożarów Mazowiecki.

In addition, the Company commenced construction of Willa Wiślana residential building in Warsaw's Tarchomin. The prolonged process of obtaining building permits and other administrative and legal barriers resulted in commencing successive investments in Białołęka in Warsaw not sooner this year. These will be: next stages of Wrzosowa Aleja estate, residential buildings: at Aluzyjna Street, Berensona Street and Modlińska Street, and 13 terraced houses will be built at Nowodworska Street. Over 25 years of activity, the JWCH Group has already completed 19 projects in Białołęka district. In the vicinity of Warsaw, 24 wooden houses will be built in Villa Campina housing estate, including terraced houses. The company also plans to start the construction of Stacja Centrum in Pruszków and to launch an investment project at Pileckiego Street in Ursynów.

The plans of J.W. Construction Group for 2020 include commencement of construction of Osiedle Gościnne in the suburbs of Poznań, a prestigious residential project Horizon Letnica in Gdańsk and an apartment complex with a

marina and retail and service facilities near Odra River in Szczecin, at Celna Street. In 2020 the Company is going to emerge for the first time on the Małopolska housing market. In Zawada, not far from Krakow, it is going to start the construction of Apartamenty na Wzgórzach estate. There are also plans to launch another investment in Silesia, in Chorzów and another investment in Łódź. This year the Company is also going to build a logistics centre for over 50,000 m2 in Szczecin.

It is also worth mentioning that J.W. Construction's results are influenced by the fact that the Group manages real estate, including 11 thousand units within 30 housing communities, as well as seven hotels and aparthotels with extensive conference and restaurant facilities.

In 2020, as in previous years, the priority of J.W. Construction Holding Group will be to maintain stability: revenues, profitability, profit, but also further reduction of net debt or debt to equity ratio. The company plans to achieve revenues at the level at which they have been oscillating for many years - between 400 and 500 million zlotys, maintain the gross margin at a level not lower than 25%.

The stabilization of revenues, which has been achieved in recent years, is the result of diversification, both temporary, i.e. staging of investments (which allows the Company to react flexibly to changes in costs and prices), as well as geographical (which insures the Company against economic fluctuations). J.W. Construction Holding Group has achieved stability and operational safety by consistently applying three principles on the cost side: it does not buy expensive land (at any cost) because it has resources, the land bank that has been built over the years, has its own contractor, which makes it largely independent of the risk of uncontrolled increase in general contracting costs and it bundles external service contracts, which allows for cost optimization.

Management Board of J.W. Construction Holding S.A.