

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

In 2020, Covid-19 changed the face of the entire economy, including the real estate development sector. The beginning of the year was yet a relatively quiet and stable period. Developers benefited from the good economic situation at the turn of 2019/2020. However, the decline in demand and the lower inclination of Poles to make investment decisions could be felt with full force in the housing market already in the second quarter of 2020. Entities operating in the construction and development industry were forced to take additional precautions at construction sites, in sales offices, or even to remodel the sales method, introducing an option to buy a flat online, without leaving home. In a pandemic setting, it was not easy to maintain the pace of construction and, as a consequence, the risk of failing to meet delivery schedules arose.

At the turn of the second and third quarter, the market began to return to relative normality. Lifting most of the restrictions introduced in the first quarter and restored consumer optimism contributed to the return of high demand for real estate and influenced the stabilisation of prices. A series of interest rate cuts by the National Bank of Poland in March, April and May, as well as rising inflation, contributed to the demand for flats, prompting Poles to give up saving on bank deposits and allocate their financial surpluses to the purchase of flats. According to experts, the housing sector was a stable and safe place to invest capital. The continuing interest in the Polish market by institutional investors building portfolios of assets in the so-called Living sector confirms this view and allows us to think positively about the upcoming year 2021.

When assessing the results for 2020, it is once again necessary to recall the accounting principles allowing for the recognition of revenue and profit only from units transferred to customers in a given period, regardless of how large the number of units is completed by the developer in the period. It was precisely the project implementation cycle and the small number of completed projects on construction sites that affected the results of 2020. Unconsolidated net sales revenue amounted to PLN 163.6 million, with 190 units transferred. Gross profit on sales amounted to PLN 37.6 million. The Company recorded a net loss of PLN

10.4 million in 2020. The above decrease in revenue and result in 2020 were influenced by the project development cycle and the number of units transferred.

J.W. Construction Holding sold 580 units in 2020, compared to 1,026 a year earlier. The decisive factor in this was the extended waiting time for building permits, which resulted in a lack of new developments being introduced into the portfolio.

In 2020, the Group was constructing residential investments in Warsaw: Bliska Wola estate, in the area of Kasprzaka Street and Prymasa Tysiąclecia Avenue (Stage D - residential and commercial) and Willa Wiślana estate; in Katowice: Nowe Tysiąclecie estate (Stage III), in Szczecin: Hanza Tower (residential and commercial building) and in Ożarów Mazowiecki: terraced houses - Villa Campina estate. In total, over 2,600 units will be delivered in these investments.

The Group's plans for the coming years include the launch of 18 new residential and commercial projects, with a total of 5,233 units and a total area of 359.8 thousand m². In a significant part of the planned projects, design and preparation works have already been carried out. The investment will be financed from own funds, proceeds from customers in the case of open escrow account, and a bank loan. The first investment project will be launched in Gdańsk - Osiedle Horizon with 627 flats and 9 commercial premises, where the general contractor has already been selected. Secondly, projects will be launched in Chorzów, Łódź and Zawady, where the company has already obtained building permits.

Not without significance was also the fact that hotel operations were significantly limited last year, which had a negative impact on the financial result for the period. Hotels were closed for several months, and when they could operate they operated under imposed sanitary regimes. Despite temporary operating difficulties, the hotels, as part of a strong Group, remain financially secure for future periods and the prospects of them reopening at full capacity allow for optimistic forecasts in the future.

Despite the constraints and difficulties of COVID-19, the Company has reduced its net gearing ratio to 0.17 at the end of 2020 compared to 0.28 last year. The decrease in debt was influenced by the bond redemption in the amount of PLN 34.55 million. The outstanding amount of PLN 42.75 million was repaid by the Company already in March 2021 (the total amount of bonds issued is PLN 164

million). In June, the Company also repaid in full an investment loan of PLN 66.8 million for the development of the Czarny Potok Hotel in Krynica Zdrój.

The financial results shown in 2020 do not reflect the potential of JW Construction Holding S.A. The Company is systematically reducing its net debt, and the attractive land bank held by the Company and the investments currently under way will allow it to achieve satisfactory results in the years to come. We look to 2021 with optimism.

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