



Victoria House Group

Directors' Report 2020



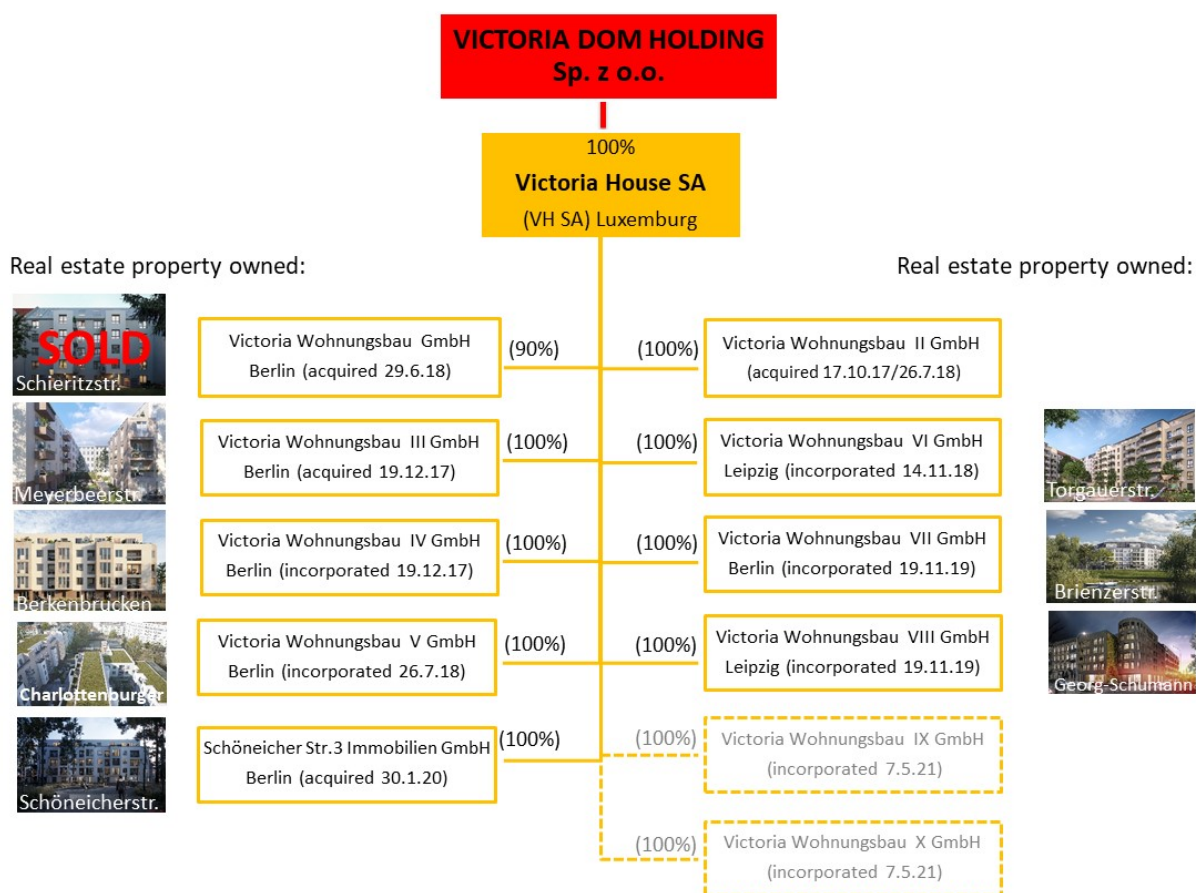
18 June 2021

I. Group Overview

Basic information

Victoria House (VH) is part of Victoria Dom Holding (VDH) Group which is a family owned business operating on the residential property development market in Poland for over 20 years. The entity was established in August 2017 with a purpose to expand and finance international development activities of the VDH Group.

As of 31 December 2020 VH holds a majority stake in 9 subsidiaries (with additional 2 under registration), where of 7 owning real estate property to develop residential projects in Berlin and Leipzig. The current structure of the VH Group is presented below.



Group performance

The year 2020 was a challenging year, which however showed sustainable potential of the VH Group. During the year the first residential project at *Schieritzstrasse* (fully financed with own capital) was completed and handed over to buyers. Project financing model using local banks was tested and proved successful for other three projects. Acquisition of other four new plots was completed to secure development and revenues for next couple of years.

Board of Directors

The Board of VH consists of four directors, whereof two are independent from VDH Group:

- Michał Jasiński, the main Shareholder, President of VDH and VD,
- Waldemar Wasiluk, Group CFO, Managing Director in German subsidiaries
- Pascal Pech, Hauck & Aufhäuser Alternative Investment Services S.A.
- Richard Brekelmans, independent Director

Group Financing

VH issued corporate bonds of 18,500,000 EUR in October/November 2017 to finance acquisition of real estates in Berlin. The coupon of 4% fixed annual rate is paid twice a year. The maturity date for the bonds is October 2022. The Company will consider rolling them over for another period of five years.

The VH Group companies use the proceeds from the bonds in a form of loans to purchase land. Development of residential projects is financed through external loans or customers' advances. The status of external loans borrowed by VH Group companies as of 31.12.2020 is presented below. As of today DKB loan was fully repaid from customers' instalments by VWB III and will be repaid by VWB IV by the end of June 2021.

Entity *	Borrower	Loan principle [EUR]	Interest rate [% p.a.]
VWB I	Victoria Dom S.A.	2 600 000	8%; no other fees
VWB III	Deutsche Kreditbank AG	2 201 613	EURIBOR + 2.5%
VWB IV	Deutsche Kreditbank AG	1 436 358	EURIBOR + 2.5%
VWB V	Bankhause Lampe KG	4 597 284	2.95%

* VWB I = Victoria Wohnungsbau GmbH;
VWB IV = Victoria Wohnungsbau IV GmbH;

VWB III = Victoria Wohnungsbau III GmbH;
VWB V = Victoria Wohnungsbau V GmbH;

All profits from sale of real estates are being reinvested within the VH Group for further acquisitions. In February 2021 VH together with its shareholder VDH have signed a loan agreement for 7,000,000 EUR with a Polish-government owned Foreign Investment Fund to further intensify the growth of activities of the Company.

II. Group Consolidated Financial Statements

Balance Sheet

		<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
	Notes	EUR	EUR	EUR
Fixed Assets	(1)	1 231 513	517 560	368 720
Inventory	(2)	40 284 008	28 064 355	22 602 062
Receivables	(3)	434 754	175 998	298 994
Prepaid expenses		36 189	397 384	130 443
Cash at bank	(4)	5 115 653	3 400 523	2 692 663
Total Assets		47 102 117	32 555 820	26 092 882
Share capital		150 000	150 000	150 000
Reserve capital		152 477	100 000	100 000
Retained/consolidated earnings		989 560	2 393 734	-149 900
Net profit / (loss)		-617 330	-1 471 929	2 543 665
Own Equity		674 707	1 171 805	2 643 765
Minority interest	(5)	111 396	-16 192	-9 582
Reserves / accrued tax	(6)	447 938	1 199 121	1 208 693
Deferred income	(4)	4 709 379	7 397 461	0
Bonds	(7)	18 648 000	17 640 000	18 648 000
Long-term loans	(8)	20 549 794	4 986 104	3 321 956
Accounts payable		250 360	117 963	276 210
Other liabilities	(9)	1 710 543	59 558	3 840
Liabilities		46 316 014	31 400 208	23 458 699
Equity & Liabilities		47 102 117	32 555 820	26 092 882

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Waldemar Wasiluk

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Michal Jasinski

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Richardus Brekelmans

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Pascal Pech

Income Statement

	notes	<u>2020</u> EUR	<u>2019</u> EUR	<u>2018</u> EUR
Net Sales	(12)	11 045 988	1 521	28 975 112
Cost of Sales		-9 320 368	0	-23 143 456
Profit on Sales	(12)	1 725 620	1 521	5 831 656
Sales Profit Margin		16%	n/a	20%
Operating cost		-508 210	-520 101	-1 133 287
Operating Profit / (Loss)		1 217 410	(518 580)	4 698 369
Financial income		26 010	101	10 066
Financial costs	(13)	-1 362 775	-948 367	-1 061 109
Gross Profit / (Loss)		(119 356)	(1 466 846)	3 647 326
Income Tax		-370 385	-11 693	-1 116 508
Net Profit / (Loss)		(489 741)	(1 478 539)	2 530 818
<i>whereof minorities:</i>		<i>127 588</i>	<i>-6 610</i>	<i>-12 847</i>
Profit / (Loss) to Own Equity		(617 330)	(1 471 929)	2 543 665

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Notes

- (1) Fixed assets as of 31.12.2020 comprise of net goodwill from purchase of shares in subsidiaries above their book value in the amount of € 787,407; tangible fixed assets of €438,330 (VWB II); and participation in cooperative banks of € 520.
- (2) Inventory represents the value of land at their purchase cost plus capitalized development cost of residential projects in Berlin (work in progress) as follows:

At 31.12.2020	Entity	Plot purchase value	Development cost
Mayerbeerstraße	VWB III	3 728 795	5 186 724
Berkenbrücker Stieg	VWB IV	4 082 925	4 902 446
Charlottenburgerstraße	VWB V	9 912 172	922 598
Eisenbahnstr./Torgauerstraße	VWB VI	5 638 056	77 810
Brienzer Straße	VWB VII	2 362 432	17 393
Georg-Schumann-Straße	VWB VIII	100 000	0
Schöneicherstraße	SE3	3 232 239	120 417
TOTAL		29 056 619	11 227 389

At 31.12.2019	Entity	Plot purchase value	Development cost
Schieritzstraße	VWB I	2 844 000	4 678 638
Mayerbeerstraße	VWB III	3 728 795	2 004 415
Berkenbrücker Stieg	VWB IV	4 082 925	531 143
Charlottenburgerstraße	VWB V	9 912 172	282 266
TOTAL		20 567 892	7 496 463

At 31.12.2018	Entity	Plot purchase value	Development cost
Schieritzstraße	VWB I	2 844 000	1 769 657
Mayerbeerstraße	VWB III	3 728 795	179 698
Berkenbrücker Stieg	VWB IV	4 082 925	84 012
Charlottenburgerstraße	VWB V	9 912 172	804
TOTAL		20 567 892	2 034 170

- (3) Receivables consist of amounts due from customers, taxes or deposits. As of 31.12.2020 the amount referred mainly to broker fee paid for new land acquisitions on behalf of other companies of € 226,200 (VWB II), disputed receivable in court of € 80,000 (VWB II); security deposits paid to local authorities of € 45,600 (VWB I & VWB III); and Vat receivable of € 62,714 (VWB II).
- (4) Cash at bank consists of current accounts of each entity and restricted bank accounts for customer payments at VWB III and VWB IV. The later corresponds with deferred income paid in line with the progress in construction of Mayerbeerstraße and Berkenbrücker Stieg, respectively € 2,912,827 and € 1,796,552.

- (5) Minority interest refers to 10% of shares in VWB I owned by VD SA that excluded from retained earnings.
- (6) Reserves consist of accrued amounts of future liabilities that relate to the current year. Predominantly is refers to corporate income tax of VWB I in the amount of € 353,866 and VH of € 86,533.
- (7) Bonds refer to series I EUR 18,500,000 bonds with interest accrued from last interest payment date. A decrease in the amount in 2019 resulted from purchase of bonds by a group company (VWB II) for € 1,000,000.
- (8) Long-term loans relate to loans from shareholders and banks to VH and subsidiaries respectively. The principle amount of the borrowings with accrued interest at respective entity equalled to as follows:

Borrower (Lender)	Year Due	31.12.2020	31.12.2019	31.12.2018
VH (VDH)	2021-2023	4 410 488	0	0
VWB I (Victoria Dom)	2022	3 194 674	2 986 104	3 321 956
VWB III (DKB Bank)	2021	5 114 440	2 000 000	0
VWB IV (DKB Bank)	2021	3 232 909	0	0
VWB V (Lampe Bank)	2023	4 597 284	0	0

- (9) Other liabilities refer to payments due to tax authorities within 1 year or amounts withheld from general contractor as a guarantee per the agreement. As of 31.12.2020 the biggest amounts referred to deferred 2018 corporate income tax at VWB II (€ 1,154,301), real-estate transfer tax at VWB VI (€ 182,000) and guarantees withheld by VWB III (€ 47,252) and VWB IV (€ 316,000).
- (10) Net sales and profit on sales in 2020 and 2018 refer mainly to completion/delivery and sale of a project respectively located at Schieritzstraße by VWB I and Gäblerstraße by VWB II. Revenue from projects are recognized when apartments are ready and handed-over to buyers. Completion of Mayerbeerstraße is planned for September/October 2021 and Berkenbrücker Stieg during 2022.
- (11) The financial cost refer to interest paid/accrued for bonds issued by VH SA (€ 370,000 paid semi-annually) and loans from (minority) shareholders (€ 249,345) and banks (€ 373,430).