

Management Commentary on J.W. Construction Holding S.A. in 2009



Ząbki, 16 March 2010

1. Introduction

Basic information

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 Company was entered into the Register of Companies of the National Court Register on 16 July 2001, when a change in the name of the Company was registered – from the then-current "Towarzystwo Budowlano - Mieszkaniowe Batory S.A." to the present "J.W. Construction Holding S.A."

The Company was formed from transformation of Towarzystwo Budowlano - Mieszkaniowe Batory Sp. z o.o. domiciled in Ząbki, established on 10 February 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 2001.

Share capital of the Company amounts to PLN 10,939,656 and is divided into 51,250,000 A-class ordinary bearer shares and 3,448,280 B-class ordinary bearer shares with a par value of PLN 0.20 each.

2. Key economic and financial figures on J.W. Construction Holding S.A.

Income statement

Key items of the income statement for the years 2009 and 2008, translated into EUR

The income statement for the period from 1 January 2009 to 31 December 2009 was translated at the average rate of EUR, calculated as the arithmetic average of rates applicable as at the last day of each month in the given period, established by the National Bank of Poland as at the said day i.e. PLN/EUR 4.3406.

The income statement for the period from 1 January 2008 to 31 December 2008 was translated at the average rate of EUR, calculated as the arithmetic average of rates applicable as at the last day of each month in the given period, established by the National Bank of Poland as at the said day i.e. PLN/EUR 3.5322.

Income statement item	1 January 2009 - 31 December 2009		1 January 2008 - 31 December 2008	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	548,048	126,260	384,138	108,753
Costs of products, goods and materials sold	407,468	93,873	301,884	85,466
Gross profit (loss) on sales	140,580	32,387	82,255	23,287
Selling expenses	19,514	4,496	23,820	6,744
Overhead expenses	13,508	3,112	18,439	5,220
Profit (loss) on sales	107,558	24,779	39,996	11,323
Operating profit (loss)	108,941	25,098	31,953	9,046
Gross profit (loss)	90,069	20,750	23,841	6,750
Income tax	12,927	2,978	6,847	1,938
Net profit (loss)	77,142	17,772	16,994	4,811

Management Commentary on J.W. Construction Holding S.A.
 for the period from 1 January 2009 to 31 December 2009

Structure and dynamics of changes in key items of the income statement

	1 January 2009 – 31 December 2009	% of sales	1 January 2008 – 31 December 2008	Dynamics 2009/2008
Net revenues from sales of products, goods and materials	548,048	100%	384,138	143%
Costs of products, goods and materials sold	407,468	74%	301,884	135%
Profit (loss) on sales	107,558	20%	39,996	269%
Operating profit (loss)	108,941	20%	31,953	341%
Gross profit (loss)	90,069	16%	23,841	378%
Net profit (loss)	77,142	14%	16,994	454%

The analysis of the income statement shows that the Company achieved a revenue of PLN 548 million, which is as much as 43% more than in 2008. The rate of growth reflects a big number of premises handed over under the implemented investments. In 2009 the Company realised a record number of investments. Due to completion of several of them, a significant part of premises was handed over to clients. In 2009 the Company generated profit on business activity of PLN 77 million and net profitability of 14%

Company's income structure in 2009

The main item of income for 2009 are definitely the revenues from sales of premises (92% of revenues), revenues from sales of services make up 7% and revenues from sales of materials around 1%, which is presented in the following table. Compared to the previous year an even stronger concentration on developer activity is visible.

OPERATING INCOME	1 January 2009 – 31 December 2009	Percentage share	1 January 2008 – 31 December 2008	Percentage share
- sales of products	501,699	92%	340,441	89%
- sales of services	38,135	7%	23,543	6%
- sales of goods	82,134	1%	20,154	5%
Total income	548,048	100%	384,138	100%

Statement of financial position

The balance of assets, equity and liabilities as at 31 December 2009 and 31 December 2008 in PLN '000 and EUR '000

The balance sheet as at the last day of the period from 1 January 2009 to 31 December 2009 was translated at the rate of EUR established by the National Bank of Poland as at the said day i.e. PLN/EUR 4.1082.

The balance sheet as at the last day of the period from 1 January 2008 to 31 December 2008 was translated at the rate of EUR established by the National Bank of Poland as at the said day i.e. PLN/EUR 4.1724.

Issuer's balance sheet item	31 December 2009		31 December 2008	
	PLN	EUR	PLN	EUR
Total assets	1,366,315	332,582	1,457,140	349,233
Non-current assets	317,537	77,293	357,135	85,595
Current assets	1,048,777	255,289	1,100,005	263,638
Total equity and liabilities	1,366,315	332,582	1,457,140	349,233
Equity	393,394	95,758	321,253	76,995
Non-current liabilities	87,048	21,189	147,165	35,271
Current liabilities	885,873	215,635	988,721	236,967

Management Commentary on J.W. Construction Holding S.A.
 for the period from 1 January 2009 to 31 December 2009

Structure and dynamics of changes in assets, equity and liabilities as at 31 December 2009 and 31 December 2008 in PLN '000

	31 Dec 2009	% of assets	31 Dec 2008	Change 2009/2008
Non-current assets	317,537	23%	357,135	-11%
Current assets	1,048,777	77%	1,100,005	-5%
Total assets	1,366,315	100%	1,457,140	-6%

	31 Dec 2009	% of equity and liabilities	31 Dec 2008	Change 2009/2008
Equity	393,394	29%	321,253	22%
Liabilities and provisions for liabilities	972,920	71%	1,135,886	-14%
Non-current liabilities	87,048	6%	147,165	-41%
Current liabilities	885,873	65%	988,721	-10%
Total equity and liabilities	1,366,315	100%	1,457,140	-6%

The structure of the balance sheet as at 31 December 2009 is very similar to the one at the end of 2008. Non-current assets constitute about 23% of the balance sheet total and current assets account for about 77% of total assets. Compared to 2008, at the end of 2009 the Company's balance sheet total went down slightly by around 6%. On the other hand, a decrease in liabilities, in total by 14% is visible, especially a decrease in non-current liabilities.

Financial ratios

	2009	2008	2007
Liquidity ratios			
Liquidity I (current)			
$\frac{\text{total current assets}}{\text{current liabilities}}$	1.8	2.0	2.6
Liquidity II (quick)			
$\frac{\text{total current assets} - \text{inventories}}{\text{current liabilities}}$	1.8	2.0	2.5
Activity ratios			
Receivables turnover in days	32	71	27
$\frac{\text{average trade receivables} *) \times 365}{\text{revenues from sales}}$			
Inventories turnover	7	18	18
$\frac{\text{average inventories} *) \times 365}{\text{cost of products, goods and services sold}}$			
Return ratios			
Net profit margin on sales	14.1%	4.4%	17.5%
$\frac{\text{net profit/loss}}{\text{revenues from sales}}$			
Return on sales	25.7%	21.4%	29.7%
$\frac{\text{operating income}}{\text{revenues from sales}}$			
ROA	5.6%	1.2%	10.0%
$\frac{\text{net profit/loss}}{\text{total assets}}$			
ROE	19.6%	5.3%	24.1%

Management Commentary on J.W. Construction Holding S.A.
 for the period from 1 January 2009 to 31 December 2009

net profit/loss
equity

Debt ratios
Payables turnover in days

<u>average trade payables *) x 365 days</u>	104	121	60
cost of products, services and goods sold			

Debt ratio

<u>liabilities and provisions for liabilities</u>	70.4%	77.3%	57.0%
total equity and liabilities			

In the current accounting year net profit margin on sales amounts to 14.1% and is at a much more favourable level compared to the previous year. The liquidity ratios for 2009 are similar to the ones for the previous years. They prove safe financial flows and at the same time reflect good ability of the Company to serve current liabilities.

Inventories turnover is at the lowest, in the last 3 years, level of 7 days, showing that the completed investment projects are smoothly handed over to clients.

3. Significant risk factors and uncertainties

The risks recognised by the Company include interest rate risk, liquidity risk, currency risk, credit risk and administrative risk.

Interest rate risk

The Company raises funds for implementation of its projects based on floating interest rate loans. Those are mainly loans incurred for the period of the construction of a given investment project – on the average for 1.5 years. It is assumed that in such period the interest rate risk would not require additional hedging options due to the trend to lower interest rates in the past period.

Currency risk

Within the Company, the currency risk is practically non-existent. Both transactions with suppliers and clients are entered into in PLN.

Credit risk

A very significant part of the Group's clients purchase premises with the help of bank loans. Risks connected with the offered loans are secured with insurance of particular debts on behalf of clients. There is no significant credit risk concentration in any group of clients. Moreover, the Company systematically evaluates payments made by the clients, as well as their financial standing. However, the continuing stringent lending procedures and hence still small availability of mortgage loans should be taken into account. That results in a smaller demand for apartments.

Liquidity risk

The Company pays special attention to keeping the balance between financing its investment activities and timely payment of its liabilities. The liquidity is dependent on the banks' credit policy, both mortgage and investment. The lack of banks' financing may have impact on the demand for apartments and, thus, on cash flows.

Administrative risk

The developer activity is based on administrative decisions required in connection with the present or future projects. The lack of licences, permits or concessions or late obtainment of the same may have an adverse effect on the Company's ability to commence, conduct or complete present and new developer projects. All those factors may have impact on financial flows and overall operations.

Management Commentary on J.W. Construction Holding S.A.
 for the period from 1 January 2009 to 31 December 2009

Financial statements item	Value in PLN '000	Interest rate risk				Currency risk			
		Effect on earnings		Effect on equity		Effect on earnings		Effect on equity	
		+ 50 b.p. in PLN	- 50 b.p. in PLN	+ 50 b.p. in PLN	- 50 b.p. in PLN	+10%	-10%	+10%	-10%
		+ 25 b.p. in USD/EUR	- 25 b.p. in USD/EUR	+ 25 b.p. in USD	- 25 b.p. in USD				
Financial assets									
Cash in current accounts	17,185	86	-86						
Bank deposits	400	2	-2						
Bonds held	0	0	0						
Granted loans in PLN	11,835	59	-59						
Granted loans in USD	16,119	40	-40			1,612	-1,612		
Granted loans in EUR	35,724	89	-89			3,572	-3,572		
Effect on financial assets before tax		277	-277	0	0	5,184	-5,184	0	0
Tax (19%)		-53	53	0	0	-985	985	0	0
Effect on financial assets after tax		224	-224	0	0	4,199	-4,199	0	0
Financial liabilities									
Bonds issued	0	0	0						
Bank loans	278,614	-1,393	1,393						
Effect on financial liabilities before tax		-1,393	1,393	0	0	0	0	0	0
Tax (19%)		265	-265	0	0	0	0	0	0
Effect on financial liabilities after tax		-1,128	1,128	0	0	0	0	0	0
Total increase / (decrease)		-904	904	0	0	4,199	-4,199	0	0

Untypical circumstances having effect on earnings

In 2009 there were no untypical circumstances and events having effect on earnings for the accounting year.

4. Development perspectives of the Company

In 2009 the Company conducted a broad range of construction works that will be continued this year. For 2010 it is planned to complete investments commenced in previous years: Lewandów I, Lewandów II, Aleja Wiślana and Osiedle Bursztynowe. Premises under those investments will be successively handed over both in the current and next year. The construction of twelve showpiece one-family houses in Ożarów Mazowiecki was commenced as well. A growing interest of clients in the offer of the Company, translating into growing sales, allows to think about new residential projects. The Company is preparing to launch Warsaw investments at ul. Zdziarska – phase 1 (around 600 apartments) and at ul. Światowida (around 200 premises). The launch of new investments in Łódź (120 apartments) and Katowice (around 100 premises) will be a step towards strengthening the position of the Company in local markets. The Company consistently carries out its plans connected with expanding its business by commercial projects. In 2009 it launched implementation of the first investment with office spaces – “Jeruzolimskie Point” in Warsaw at al. Jeruzolimskie and ul. Badyłarska. Intensive works are being conducted to launch a new office and hotel

Management Commentary on J.W. Construction Holding S.A.
for the period from 1 January 2009 to 31 December 2009

investment at ul. Pileckiego in Warsaw. The construction of "Dana" in Szczecin, the third of the planned office buildings, will be probably commenced at the end of 2010. The purchase (preliminary agreement) of real estate in Wrocław, for the purpose of constructing a residential, office and hotel complex, has become a part of the business diversification strategy of the Company.

The segment of hotel activity is additionally developed by way of an upgrade and modernisation of the hotel in Krynica Górská to a four-star "Resort & Spa". The works were commenced in the previous years and are being continued.

Notwithstanding the market situation the Company diversifies the risk connected with its activity by:

- introducing the sale of office and commercial space to the offer,
- carrying on the housing investment projects in progress and preparing to launch new ones,
- a broad commercial offer – including apartments ready for immediate move-in.

Strategic objectives of J.W. Construction Holding S.A. comprise:

- strengthening of the leading position among developers both in Warsaw and in the whole country owing to intended sales plans possible to realise due to extended offer;
- reducing the dependence on third party sub-contractors by development and strengthening of own labour forces under a separated building company – J.W. Construction S.A.;
- cutting costs among other things by shortening the period of investment project implementation while using a new prefabricated unit production technology under a separated company – JWCH Produkcja Budowlana Sp. z o.o.;
- carrying on the works connected with preparing new investment projects by drawing up the documents, including project documentation, and applying for building permits, which will allow to smoothly commence further investment projects in the future.
- bigger presence in the commercial segment – the Company signed a preliminary agreement for the purchase of real estate in Wrocław for the purpose of constructing an office, hotel and residential complex;
- acquisition activities of complementary companies for the purpose of expanding the building and executive arm of the Company.

Planned selected projects to commence in 2010

Investment project	Town / District	Number of premises / Commercial area
Zielona Dolina I, ul. Zdziarska/Ostródzka	Warsaw / Białołęka	596 premises
Światowida	Warsaw / Białołęka	196 premises
Łódź Tymienieckiego II	Łódź	120 premises
Katowice II	Katowice	100 premises
Pileckiego – offices/hotel	Warsaw	16,838 m ²
Szczecin – office building	Szczecin	28,712m ²

5. Main products of J.W. Construction Holding S.A.

Developer activity

The Company offers the following products in the area of developer activity:

Multi-family houses (apartments and suites) divided into the following market segments:

Management Commentary on J.W. Construction Holding S.A.
 for the period from 1 January 2009 to 31 December 2009

- Standard apartments (including above-average-standard apartments) – apartments in housing buildings and housing estates located beyond town centres (mainly in the Białoleka district), for the average price of PLN 6,000/m². The said housing estates are composed of a dozen or so repeatable buildings, where one building consists of up to 50 apartments.
- Above-average-standard suites – suites in housing buildings or small groups of buildings located in such districts as Mokotów and Wola, for the average price of PLN 8,000/m².

The apartments are offered with or without interior finish. The interior finish programme offers three options – Silver, Gold and Platinum.

The results of sales and building works implemented in 2009 once again confirmed the position of J.W. Construction Holding S.A. as the leading Polish developer. All investments commenced so far have been realised in accordance with the work schedule. In 2009 the Company was implementing 10 investments at the same time, covering the total of 240,000 m² of usable and residential space with the total number of over 5,000 premises.

The following investment projects were being implemented in 2009:

No.	Investment project	Number of premises
1	“Osiedle Lazurowa” ul. Lazurowa	669
2	“Górczewska Park” ul. Górczewska	890
3	“Rezydencja Quatro” ul. Łukowska	243
4	Osiedle Lewandów I	631
5	Osiedle Lewandów II	1,274
6	“Osiedle Bursztynowe” ul. Korkowa	328
7	“Wiślana Aleja” ul. Odkryta	200
8	“Osada Wiślana” Phase III	404
9	“Pyry II” Al. Ludwinowska	24
10	“Lazurowe Ustronie” Phase I	376

Out of the aforesaid projects, in 2009 the Company completed the construction and obtained a certificate of occupancy for the following investments:

- “Osiedle Lazurowa” in Warsaw;
- “Osada Wiślana” (phase I, II, III) in Warsaw;
- “Górczewska Park” in Warsaw;
- “Pyry II” in Warsaw;
- “Rezydencja Quatro” in Warsaw.

Despite the economic slowdown in 2009 the Company did not suspend any investment implemented in the previous year. Several projects – with the total number of 2,230 premises – were completed, while intensive building works were being conducted in several other investments. In the result of that around 3,000 premises will be completed next quarters. Moreover, in 2009 the construction of the first office project – “Jerozolimskie Point” located in Warsaw at al. Jerozolimskie and ul. Badyłarska was launched. In 2010 the Company plans to commence further office projects – another project in Warsaw at ul. Pileckiego and a project in Szczecin. Additionally, at the end of 2009 a preliminary agreement for purchase of land was signed, designated also for an office project.

Hotel activity

Hotel activity, even though it has an insignificant effect on the earnings of the Company, was continued as in the previous year.

Revenues from sales of hotel services in 2009 amounted to PLN 15,499,940. In 2009, the income from hotel activity decreased by 26%, compared to the previous year. The decrease of income from hotel activity was due both to the global crisis in 2009 and the sale of one of the hotels – in Święta Lipka.

The average number of occupied hotel beds within the whole chain was on the level of 33%.

Owing to the established position of the Hotel 500 chain, the hotel guest structure remained unchanged. The primary hotel guests are still corporations and organised tourist groups.

Real estate management activity

The Company also takes care for correct tenant moving-in procedure, from the day of handing particular apartments over, through transferring the ownership right to the same, to commissioning the real estate to appointed housing communities. The Company usually acts as a real estate administrator up to 12 months of project completion. In 2009 revenues from sales of the Company were as follows:

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008	Change %
Revenues from sales of products and services in segments	539,834,387.15	363,983,720.01	increase by 48%
- developer activity	520,736,891.30	339,308,625.85	increase by 53%
- hotel activity	15,499,936.35	21,031,433.79	decrease by 26%
- real estate management	3,597,559.50	3,643,660.37	decrease by 1%

6. Information about the market

Presently the biggest and the main market for the business of the Company is the Warsaw market. In the past, the Company also implemented investment projects in Łódź, Gdynia and in Katowice.

The Warsaw market is the biggest housing market in Poland, with the highest prices for a square meter of a housing space.

In 2009, the Company initiated the construction of the first office project, "Jerozolimskie Point" situated in Warsaw.

The Company is also prepared to commercialise other office projects – one in Warsaw and one in the centre of Szczecin. The works conducted presently are connected with designing and applying for necessary licences and permissions enabling the commencement of the investment project.

7. Suppliers and recipients of the Company

The Company's biggest service supplier is a subsidiary, J.W. Construction S.A., with the turnover making up more than 10% of total transactions. The Company was founded in 2008 and is currently the General Contractor of all implemented investment projects. The Company holds 99.99 % of share capital of J.W. Construction S.A.

Most of the Company's clients are individual persons buying apartments.

8. Significant agreements for the business of the Company

8.1 Construction contracts

In 2009 the Company disclosed one contract, as described below, under significant construction contracts:

The contract was concluded on 6 January 2009 between the Company and its subsidiary – J.W. Construction S.A. domiciled in Ząbki, as the General Contractor. The subject of the contract is the completion of an investment task consisting of a complex modernisation and development of a recreational centre – "Czarny Potok" located in Krynica-Zdrój at ul. Czarny Potok 65. The value of works under the contract was established at PLN 59,700,504 net, which exceeded 10% of equity of the Company on the date of the contract. The final date of the completion of works for particular stages was set for particular buildings, while the final completion of overall works was set for 30 September 2010.

8.2 Insurance agreements

The Company enters into various insurance agreements, being both obligatory and optional insurance, connected with the nature of its business.

Under the implemented building projects the Company holds insurance policies for construction sites, covering possible losses which may occur during implementation of investments, including third party liability insurance for conducted works. Insurance agreements are concluded for the term of implementation of particular investments.

The Company is a party to insurance agreements for non-current assets owned by the same. The value of policies is established based on the replacement value of such assets, in PLN or EUR, depending on the currency of purchase of a given asset. Insurance policies are concluded for the term of one year.

Management Commentary on J.W. Construction Holding S.A.
 for the period from 1 January 2009 to 31 December 2009

The Company holds a third party liability insurance policy for the Management Board for PLN 60,000,000 with AIG Europe Branch in Poland.

On the account of conducting real estate management activity, the Company holds third party liability insurance of a real estate manager and third party liability insurance for the business activity to that extent.

Upon completion of investments and expiry of insurance on building works, the Company enters into insurance agreements for the constructed buildings. Rights under such agreements are transferred, by way of annexes, to housing communities managing the insured real estate, after such communities have been established.

Coverage	Insurer	Sum insured in PLN
Insurance connected with business activity of real estate management and performing the function of a real state manager	Towarzystwo Ubezpieczeń ALLIANZ	EUR 200,000 PLN 1,200,000
Third party liability insurance of the Management Board	AGI Europe S.A. Branch in Poland	PLN 60,000,000
Insurance connected with all other risks and accidents connected with implemented contracts including third party liability insurance	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A. Towarzystwo Ubezpieczeń i Reasekuracji WARTA Towarzystwo Ubezpieczeń i Reasekuracji InterRisk S.A. Towarzystwo Ubezpieczeń ALLIANZ	PLN 533,976,165
Property insurance	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A. Towarzystwo Ubezpieczeń i Reasekuracji WARTA	PLN 56,068,098.46

The Company also holds a package of insurance agreements with TU ALLIANZ S.A. connected with the conducted hotel activity, including, but not limited to: third party liability insurance connected with the conducted activity for the amount of PLN 2,500,00, of fixed assets (buildings) for the amount of PLN 20,929,900, equipment for the amount of PLN 2,330,000.

8.3 Land purchase agreements

During the reporting period the Company entered into the following agreements for purchase of real estate:

- On 5 June 2009 it concluded an agreement for the purchase of the title to real estate located in Warsaw at ul. Antoniewska (Mokotów) with the area of 15,763 m². The price for which the Company purchased the said real estate did not exceed 10% of the Company's equity on the date of the agreement. The Company plans to develop a residential investment on the said real estate in future. The said agreement is a consequence of attractive offers, that appeared in the market, for purchase of real estate for various investments. The Company monitors such offers on a current basis and intends to take interesting ones, if such appear.
- On 21 December 2009 the Company concluded a preliminary agreement for the purchase of a perpetual usufruct right to real estate located in Wrocław at ul. Powstańców Śląskich, with the total area of 3,621 m². The value of the agreement did not exceed 10% of the Company's equity on the date of the agreement. The conclusion of the final agreement transferring the title depends on whether the Seller obtains administrative decisions allowing to implement a residential and retail development project there with the parameters provided under the agreement. The aforesaid agreement supports the policy of the Company, which does not want to limit itself solely to residential buildings in the Warsaw market.

8.4 Financial agreements concluded and terminated during the accounting year

8.4.1 Loans terminated

Both in 2009 and in the period from the balance sheet date until the date of this Management Commentary for 2009 none of the credit agreements was terminated.

8.4.2 Loans contracted

During the reporting period the Company concluded a working capital loan agreement with Bank PKO BP S.A. for PLN 17.3 million. The agreement was concluded on 31 March 2009 with the loan maturity on 31 August 2010.

Moreover, the following significant amendments were made to loan agreements concluded before 2009:

- On 9 January 2009 the Company executed an annex to the investment loan agreement concluded with Bank Polskiej Spółdzielczości S.A. for financing an investment – “Bursztynowe Osiedle” at ul. Korkowa in Warsaw. By virtue of the annex the loan amount was increased from PLN 16.0 million to PLN 50.0 million and the final repayment date was postponed until 31 December 2010.

- On 4 February 2009 the Company executed annex No. 12 to the working capital loan agreement with Invest Bank S.A. By virtue of the annex a part of the debt – PLN 7.5 million was repaid on 25 February 2009 and the repayment date of the outstanding part of the debt – PLN 7.5 million was postponed until 25 January 2010.

- On 29 May 2009 the Company executed an annex to the loan agreement with Bank Millennium S.A. for the purchase of land in Ożarów. By virtue of the annex the total loan repayment date was postponed until 30 November 2010.

- On 24 June 2009 the Company executed an annex to the agreement for a short-term credit facility in current account with Bank Millennium S.A. By virtue of the annex the facility was prolonged until 24 December 2009.

- On 25 September 2009 the Company concluded an annex to the working capital loan agreement with PKO BP S.A. for financing an investment – “Lewandów II”. By virtue of the annex the amount of the loan was increased from PLN 45.0 million to PLN 67.0 million and the repayment date was postponed until 31 December 2010.

- On 25 September 2009 the Company concluded an annex to the working capital loan agreement with PKO BP S.A. for financing an investment – “Lewandów I”. By virtue of the annex the amount of the loan was changed from PLN 43.0 million to PLN 29.5 million and the repayment date was postponed until 31 December 2010.

- On 12 November 2009 the Company concluded an annex to the working capital loan with BOŚ S.A. for financing an investment – “Górczewska Park”. By virtue of the annex the repayment date was postponed until 31 October 2010.

During the reporting period the Company repaid the following loans at the total amount of PLN 122 million:

- with BZ WBK S.A. of PLN 2.8 million for implementation of an investment – “Hotel in Święta Lipka”,
- with Invest Bank S.A. of PLN 4.5 million for implementation of an investment – “Katowice”,
- with Bank Millennium S.A. of PLN 53.3 million for implementation of an investment – “Osiedle Lazurowa”,
- with BOŚ BANK S.A. of 26 million for implementation of an investment – “Rezydencja Quatro”,
- with BRE BANK S.A. – a working capital loan of PLN 22.4 million,
- with Invest Bank S.A. of PLN 13.0 million for implementation of an investment – “Osada Wiślana”.

Detailed information about liabilities under loans as at 31 December 2009 is presented under Note 12 to the financial statements of the Company for the accounting year 2009.

8.4.3 Cash loans contracted

During the reporting period none of the financial agreements was terminated.

8.4.4. Cash loans granted

During the reporting period the Company granted the following cash loans:

Borrower	Granted on	Amount and currency	Interest rate	Maturity date
J.W. Construction Bulgaria EOOD	10 Nov 2009	EUR 20,000	3M LIBOR + margin	31 Dec 2011
Lokum Sp. z o.o.	13 Mar 2009	PLN 200,000	3M WIBOR + margin	30 Sep 2009
Construction Invest Sp. z o.o.	1 Sep 2009	PLN 125,000	3M WIBOR + margin	31 Dec 2011
JWCH Budownictwo Drogowe Sp. z o.o.	17 Mar 2009	PLN 246,948.81	3M WIBOR + margin	17 Mar 2010
YAKOR HOUSE	25 May 2009	PLN 60,000	3M WIBOR + margin	30 Apr 2010
YAKOR HOUSE	7 Jul 2009	PLN 85,200	3M WIBOR + margin	30 Jun 2010
YAKOR HOUSE	10 Nov 2009	PLN 66,000	3M WIBOR + margin	30 Nov 2010
YAKOR HOUSE	21 Dec 2009	USD 451,000	3M LIBOR + margin	31 Dec 2010

8.5 Agreements between its shareholders which could be significant for the activity of the Company

The Company is not aware of any agreements concluded between its shareholders which could be significant for its activity.

8.6 Issue of securities

In 2009 the Company issued bonds and notes. In accordance with the agreement of 17 November 2006 with BRE Bank S.A. domiciled in Warsaw, in the accounting year 2009 the Company issued short-term bonds with the total value of PLN 28.6 million. During the same period the Company redeemed bonds for the total amount of PLN 99.6 million (including bonds issued before 2009). The bond issue program was finished on 17 November 2009. Moreover, as at 31 December 2009 the Company had note liabilities for the total amount of PLN 136.4 million. Funds from the issue of bonds and notes were allocated for the current operations, including for the purchase of materials and services in accordance with concluded contracts for project implementation.

8.7 Information about guarantees and warranties granted and received

In 2009 the Company did not grant any warranties.

In 2009 the following guarantees were granted by the Company:

Beneficiary of the guarantee	Guarantee value in PLN '000
JWCH Produkcja Budowlana Sp. z o.o. due to agreements with Cementownia Warta S.A.	300
J.W. Construction S.A. due to agreements with Bosta Beton Sp. z o.o.	2,000
Metalcon Sp. z o.o. due to agreements with Yawal Sp. z o.o.	800

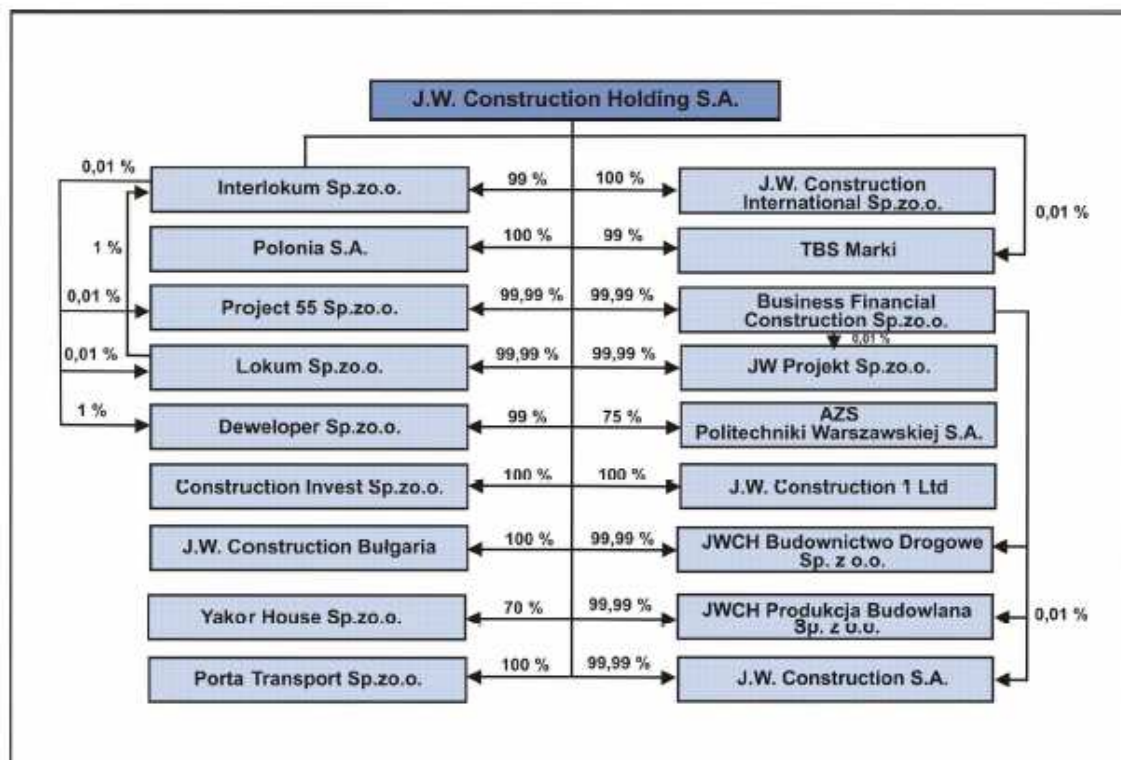
In 2009 the Company did not receive any defects liability guarantees.

The list of warranties and guarantees granted within the Company, year-to-date as at 31 December 2009, is presented in Note 26 to the financial statements.

8.8 Employee share plan control system

The Company does not have any employee share plans in place.

9. Organisational and capital relations of the Company with other entities
Shares in other subsidiaries with description



J.W. Construction S.A.

J.W. Construction S.A., a joint-stock company domiciled in Ząbki is registered with the register of companies under number KRS 0000290315. Share capital of J.W. Construction S.A. amounts to PLN 11,526,618 and is divided into 11,526,618 shares with a par value of PLN 1 each. J.W. Construction S.A. took over the construction activity of the Company. The Company holds 99.99% of share capital of J.W. Construction S.A.

JWCH Produkcja Budowlana Sp. z o.o.

JWCH Produkcja Budowlana Sp. z o.o., a limited liability company domiciled in Ząbki is registered with the register of companies under number KRS 0000300959. The Company holds 99.99% of its shares. Share capital of JWCH Produkcja Budowlana Sp. z o.o. amounts to PLN 15,495,000 and is divided into 307,900 shares with a par value of PLN 50 each. The business of JWCH Produkcja Budowlana Sp. z o.o. is production of building prefabricated units.

JW Projekt Sp. z o.o.

JW Projekt Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of companies on 20 February 2004 under number KRS 195210. The Company holds 99.99% of its shares. Share capital of JW Projekt Sp. z o.o. amounts to PLN 1,155,000 and is divided into 5,778 shares with a par value of PLN 200 each. The business of JW Projekt Sp. z o.o. is architecture and designing.

Construction Invest Sp. z o.o.

Construction Invest Sp. z o.o., a limited liability company domiciled in Ząbki was registered with the register of companies on 9 February 2006 under number KRS 250688. The Company holds 100% of its shares. Share capital of Construction Invest Sp. z o.o. amounts to PLN 50,000 and is divided into 100 shares with a par value of PLN 500 each. The business of Construction Invest Sp. z o.o. is own real estate development and sale. Construction Invest Sp. z o.o. was established to purchase real estate, apply for building permits and then transfer the real estate with the corresponding building permit to the Company. Construction Invest Sp. z o.o. is one of special purpose vehicles established to implement a specific investment project.

Management Commentary on J.W. Construction Holding S.A.
for the period from 1 January 2009 to 31 December 2009

TBS Marki Sp. z o.o.

TBS Marki Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of companies on 28 November 2001 under number KRS 65232. The Company holds 99.99% of its shares. Share capital of TBS Marki Sp. z o.o. amounts to PLN 13,360,000 and is divided into 22,720 shares with a par value of PLN 500 each. TBS Marki Sp. z o.o. was established as a social building society, within the meaning of the Act on Some Forms of Supporting Housing Building Projects. TBS Marki Sp. z o.o. is an investor responsible for the implementation of four projects i.e. "Lisi Jar", "Marki V", "Warszawa Białołęka" and "Sochaczew, ul. Piłsudskiego".

Lokum Sp. z o.o.

Lokum Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of companies under number KRS 170570 on 20 August 2003. The Company holds 99.99% of its shares. Share capital of Lokum Sp. z o.o. amounts to PLN 3,778,500 and is divided into 7,557 shares with a par value of PLN 500 each. Lokum Sp. z o.o. is a special purpose vehicle. An investment project – "Willa Konstancin" in Konstancin-Jeziorna was implemented under its structures.

Business Financial Construction Sp. z o.o. (BFC)

Business Financial Construction Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of companies on 24 May 2002 under number KRS 114675. The Company holds 99.99% of its shares. Share capital of Business Financial Construction Sp. z o.o. amounts to PLN 4,347,000 and is divided into 8,694 shares with a par value of PLN 500 each. The business of Business Financial Construction Sp. z o.o. is to serve sales of apartments built by the Company and other companies of the Group.

Project 55 Sp. z o.o.

Project 55 Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of companies on 22 November 2002 under number KRS 139665. The Company holds 99.99% of its shares. Share capital of Project 55 Sp. z o.o. amounts to PLN 7,528,500 and is divided into 15,057 shares with a par value of PLN 500 each. Project 55 Sp. z o.o. is a special purpose vehicle conducting developer activity. An investment project – "Górczewska" was implemented under its structures.

Interlokum Sp. z o.o.

Interlokum Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of companies under number KRS 170216 on 18 August 2003. The Company holds 99% of its shares. Share capital of Interlokum Sp. z o.o. amounts to PLN 50,000 and is divided into 100 shares with a par value of PLN 500 each. Interlokum Sp. z o.o. is a special purpose vehicle under which an investment project – "Skarpa IV" was implemented.

Deweloper Sp. z o.o.

Deweloper Sp. z o.o., a limited liability company domiciled in Siemianowice Śląskie was registered with the register of companies under number KRS 170493 on 22 August 2003. The Company holds 99% of its shares. Share capital of Deweloper Sp. z o.o. amounts to PLN 50,000 and is divided into 100 shares with a par value of PLN 500 each. The business of Deweloper Sp. z o.o. is road construction. In the structure of the Capital Group it had the role of the general contractor of a housing estate in Katowice.

Polonia S.S.A. (former Klub Sportowy Piłkarski Polonia Warszawa S.S.A.)

Klub Sportowy Piłkarski Polonia Warszawa S.S.A. (*Polonia Football Club*), a sports joint-stock company domiciled in Warsaw was registered with the register of companies on 19 September 2003 under number KRS 173656. The Company holds 100% of its shares. Share capital of Polonia S.S.A. amounts to PLN 1,544,000 and is divided into 5,000 A-class registered shares with a par value of PLN 100 each and 10,440 B-class registered shares with a par value of PLN 100 each.

J.W. Construction International Sp. z o.o.

J.W. Construction International Sp. z o.o., a limited liability company is registered in the territory of Russia. The Company holds a 100% of its share capital. The business of J.W. Construction International Sp. z o.o. is investment activity in housing building industry in the territory of the Russian Federation. Presently it builds a housing estate – "Victoria Park" in Kolomna near Moscow.

J.W. Construction Bułgaria EOOD

J.W. Construction Bulgaria EOOD was registered by the Municipal Court for Sofia (Bulgaria) on 8 October 2007 under name J.W. Construction Bulgaria EOOD domiciled in Sofia (a Bulgarian law company – equivalent to a Polish limited liability company). The Company holds 500 (five hundred) shares with a par value of BGN 10 (ten) each and the total value of BGN 5,000 (five thousand) in J.W. Construction Bulgaria EOOD. The said shares constitute 100% of its share

capital. The Company plans to implement investment projects in the territory of Bulgaria through J.W. Construction Bulgaria EOOD.

Porta Transport Sp. z o.o. in liquidation

Porta Transport Sp. z o.o., a limited liability company in liquidation domiciled in Szczecin was registered with the register of companies under number KRS 0000177420. Share capital of Porta Transport Sp. z o.o. is divided into 258,308 shares with a par value of PLN 100 each. The business of the company were transport services provided to Porta Szczecin Nowa Spółka z o.o. in the territory of the Szczecin shipyard and forwarding services in the country and abroad. The Company holds 100% of its share capital. Currently in liquidation.

JWCH Budownictwo Drogowe Sp. z o.o.

JWCH Budownictwo Drogowe Sp. z o.o., a limited liability company domiciled in Ząbki was registered with the register of companies on 21 February 2008 under number KRS 0000299665. The Company holds 99.99% of its shares. Share capital of JWCH Budownictwo Drogowe Sp. z o.o. amounts to PLN 450,000 and is divided into 9,000 shares with a par value of PLN 50 each. The business of JWCH Budownictwo Drogowe Sp. z o.o. is road construction.

Yakor House (former Ośrodek Wypoczynkowy "Ogoniok") Sp. z o.o.

Yakor House Sp. z o.o., a limited liability company domiciled in Sochi, Russian Republic. The Company holds 70% of its share capital amounting to RBL 10,500,000. It owns real estate in the territory of Sochi on which it prepares a housing and commercial investment project.

SASPOL INFRASTRUCTURE Sp. z o.o.

SASPOL INFRASTRUCTURE Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of companies on 21 February 2008 r. under number KRS 0000335059. The Company holds 25% of its shares. Share capital of SASPOL INFRASTRUCTURE Sp. z o.o. amounts to PLN 5,000 and is divided into 100 shares with a par value of PLN 50 each. SASPOL INFRASTRUCTURE Sp. o.o. is a special purpose vehicle founded with foreign partners under which the Company intends to participate, with the said partners in tenders for the performance of works related to infrastructure.

10. The Company's investments in shares

During the reporting period the Company did not make any significant investments in shares or stocks.

Share and stock purchase or sales transactions made in 2009 are presented below:

- Sale of all shares held by the Company in J.W. Construction Akademicki Związek Sportowy Politechniki Warszawskiej S.A., a joint-stock sports company domiciled in Warsaw,;
- Increase in share capital of JWCH Budownictwo Drogowe Sp. z o.o., a limited liability company domiciled in Ząbki to the amount of PLN 650,000.
- Purchase of 25% of shares entitling to 25% of vote in the general meeting of SASPOL INFRASTRUCTURE Sp. z o.o., a limited liability company domiciled in Warsaw.

Information about capital investments of the Company is presented in the financial statements – Note 4 and Note 8.

11. Significant transactions entered into by the Company or its subsidiary with related parties otherwise than on an arm's length basis

All transactions with related parties entered into by the Company are arm's length transactions and they are described under Note 27 to the financial statements.

12. Explanation for differences between financial results disclosed in the annual report and earlier published projections

In the reporting period the Company did not draw up or publish any projected results.

13. Cash management of the Company

Cash management of J.W. Construction Holding S.A. consists in guaranteeing liquidity in all business segments, including mainly the developer activity. The supreme objective of the Company's business is to provide sources of financing for all implemented projects, while maintaining safe liquidity ratios. Financing of a vast majority of implemented projects, also with granted bank loans, is guaranteed. Turnovers in the Company and the structure of financing are analysed on a day to day basis to guarantee optimum current and future liquidity. In 2009 the Company generated satisfactory profits. Despite difficulties in the market, by controlling daily turnovers the Company repaid –

without any problem – numerous loans incurred for implementation of developer projects. Only the repayment term of an investment loan incurred to implement the “Górczewska Park” investment was extended.

14. Ability to implement investment projects planned by the Company

The Company is preparing to implement new residential projects. However, it may face legal and formal problems connected mainly with administrative decisions. The lack of licences, permits or concessions or late obtainment of the same may have an adverse effect on the Company's ability to launch new developer projects. The activity of the Company will be still financed with own funds, prepayments made by clients and bank loans. Those will continue to be loans in the form of safe revolving lines financing the gap of the given period. Financing is raised based on very good long-term co-operation with banks, where lending formulas have been developed on the basis of mutual experience, taking account of characteristics of the building sector.

15. Factors with significant effect on the activity of the Company

The most important external factors determining the conditions of functioning of the Company as regards attainment of financial results are as follows:

- 15% growth in the value of granted housing loans projected for 2010, compared to the previous year when lending was rapidly hampered and conditions for granting mortgage and investment loans were made more stringent;
- shortage of new flats amounting to 1.5 – 3 million estimated pursuant to various sources and in consequence still unsatisfied housing needs of an active group of clients coming from the baby boom of the 80's;
- expected decrease in interest rates on PLN loans,
- still limited supply of apartments in the primary market, connected with a limited number of new investments commenced by developers;
- stable situation on the market of building material prices;
- demand for increasing commercial, office and hotel spaces and development of the infrastructure,
- formal and legal factors, administrative decisions, licences, permits, etc.

Internal factors with effect on dynamics of income:

- good and attractive offer of apartments, including those ready for immediate move-in,
- diversified offer of programmes for financing the purchase of investment projects for clients,
- projected acquisitions of complementary companies in order to strengthen the executive and building arm of the Company
- constant marketing actions,
- implementation of alternative sales channels,
- flexible customer approach – an option of price negotiations depending on the amount and schedule of payments.

Projections for development of the core business of the Company for 2010 assume that the said factors will prevail in the future. The threat to the market is seen in the fact that access to sources of purchase financing continues to be hampered. However, softening of the credit policy towards individual clients, compared to 2009, is an opportunity for the Company. Despite periodic price stagnation connected with a limited supply of new apartments coming to the market, it is projected that prices of real estate will be gradually increasing. In order to benefit from the factors favourable for the Company's development and to eliminate the unfavourable ones, it is planned to introduce further special apartment purchase programmes and launch the sale of new housing investments, to implement commercial projects and acquire a complementary entity to strengthen the executive and building arm of the Company.

16. Changes in the basic principles of managing the enterprise of the Company

In the reporting period there were no changes in the basic principles of managing the enterprise of the company.

17. Number and par value of all shares of the Company and shares in related parties of the Company, held by members of the Management Board and Supervisory Board of the Company

As at 31 December 2009

Shareholder	Company	Number of shares held	Share par value	Total par value of shares held	% of the total number of shares
Józef Wojciechowski	J.W. Construction Holding S.A.	15,413,713	PLN 0.20	PLN 3,082,742.60	28.18%

18. Procedures pending before a court, arbitration tribunal or public administration authority

The total value of court procedures regarding liabilities or receivables of the Company, pending as at 31 December 2009 before a court, arbitration tribunal or public administration authority was lower than 10% of equity of the Company.

19. Agreements concluded between the Company and the Management Board members, providing for compensation in the case of their resignation or dismissal from their offices

The members of the Management Board of the Company have not concluded any specific agreements providing for compensation in the case of their resignation or dismissal from their offices.
 The members of the Management Board are subject to the prevailing regulations of the Labour Law.

20. Salaries, bonuses and benefits for members of the Management Board and Supervisory Board of the Company

Salaries, bonuses and benefits for members of the Management Board and Supervisory Board of the Company are presented under Note 25 to the financial statements.

21. Agreements known to the Company which may cause future changes in proportions of shares held by the current shareholders

The Company is not aware of any agreements that may cause future changes in proportions of shares held by the current shareholders.

22. Agreement with a licensed auditing firm

On 10 August 2009 the Company concluded an agreement for an interim audit and review of the financial statements for 2009 with BDO Numerica International Auditors & Consultants Sp. z o.o. (presently BDO Sp. z o.o.), a licensed auditing firm.

The fee for auditing the stand-alone financial statements for the accounting year ended 31 December 2009 amounted to PLN 155,000, including PLN 90,000 for auditing the annual financial statements and PLN 65,000 for reviewing the interim financial statements. The aforesaid amounts are net of VAT.

The fee for auditing the stand-alone financial statements for the accounting year ended 31 December 2008 was PLN 155,000, including PLN 90,000 for auditing the annual financial statements and PLN 65,000 for reviewing the interim financial statements. The aforesaid amounts are net of VAT.

23. Statement on corporate governance of J.W. Construction Holding S.A. in 2009
a. Rules of corporate governance of the Company

In 2009 J.W. Construction Holding S.A. observed the rules provided under the Best Practices of WSE Listed Companies (*Dobre Praktyki Spółek Notowanych na Giełdzie Papierów Wartościowych w Warszawie S.A.*).

The Polish version of the Best Practices is available at

<http://www.corp-gov.gpw.pl/assets/library/polish/dobrepraktyki2007.pdf>.

b. Corporate governance rules waived by the Company, their specification and justification for such waiver

J.W. Construction Holding S.A. did not waive any rules provided under the Best Practices of WSE Listed Companies.

c. Main characteristics of internal control and risk management systems applied in the Company, with reference to the process of preparing financial statements and consolidated financial statements

Observing the recommendations for fairness and accuracy of financial statements, in particular the requirements of the regulation of the Minister of Finance of 19 February 2009 on current and periodic filings of issuers of securities, J.W. Construction Holding S.A. applies the following control mechanisms:

Authorities and responsibilities of particular management lines

The supreme body approving financial documentation in the Company is the Management Board. Nevertheless, materials are prepared by organizational units of accounting and business departments. Financial materials are reviewed and approved by junior management of financial and accounting divisions and then accepted by the Chief Accountant or the Director of the Economic Division.

Specialist accounting and financial divisions separated in the organizational structure

Due to the definition of the sequence of activities approving and monitoring the financial processes it was necessary to separate specialised divisions in the organizational structures of the enterprise. Therefore, the following organizational units were separated in the Company: investment budgeting department, financial accounting department, controlling department, financial liquidity management department, internal control department.

Consistent instructions and procedures connected with data collection, processing and presentation under the Quality Management System

Financial reporting processes are covered with the constantly improved Quality Management System. The said system is reviewed periodically by internal and external quality system auditors. The last review was made in June 2009 and ended with the renewal of the ISO 9001 certificate. The main document governing the principles of handling financial documents is the "Internal Document Circulation and Control Instruction" introduced with the regulation of the President of the Management Board of the Company in November 2005. The most important documents governing financial records and projections are the "Procedure for Budgeting and Budget Supervision" and "Procedure for Investment Project Budgeting".

Implementation of the SAP R/3 integrated IT system

SAP R/3 integrated IT system was implemented in the Company. That IT tool covered the area of logistics, warehouse administration, investment project preparation and implementation, accounting and controlling. Books of accounts are kept with SAP R/3 and at the same time the system "watches" correct records of economic events by running the process from planning, through filing a demand for a material or service, placing an order with the supplier, to settling the purchase invoice.

Commissioning the control over periodic reports to an independent external auditor

The annual financial statements, prepared by the Company, are audited by an independent certified auditor, while semi-annual reports are subject to a review. The audit consists of verifying the presented figures and checking the compliance of data collection and processing methodology with the principles of accounting.

d. Shareholders holding directly or indirectly significant stakes in the Company

As at 31 December 2009

Party	Number of shares	% of share capital	Number of votes	% of total votes in the General Meeting
Józef Wojciechowski	15,413,713	28.18%	15,413,713	28.18%
EHT domiciled in Luxembourg	24,448,300	44.70%	24,448,300	44.70%

Mr. Józef Wojciechowski controls EHT S.A. domiciled in Luxemburg (indirectly through Famhold S.A. domiciled in Luxemburg)

Information on own shares held by the Company.

As at 31 December 2009

Number of shares	% of share capital	Number of votes	% of total votes in the General Meeting
625,000	1.14%	625,000	1.14%

e. Securities with special controlling rights, holders of such securities and their rights

In accordance with Article 14.2 of the Articles of Association of the Company the shareholder holding more than 50% of shares of the Company is entitled to personal rights to appoint and recall half of membership of the Management Board, including the President of the Management Board. In the case of an odd number of members of the Management Board the said shareholder is entitled to personal rights to appoint and recall two members of the Management Board (when the Management Board is composed of three members), three members of the Management Board (when the Management Board is composed of five members) and four members of the Management Board (when the Management Board is composed of seven members), respectively. The said rights are exercised by way of a written representation served upon the Company, on appointing or recalling a given Management Board member, or on appointing or recalling the President of the Management Board.

As at 31 December 2009 Mr. Józef Wojciechowski was entitled to the aforesaid rights. In the case of any event resulting in not holding more than 50% of shares in the Company by the eligible shareholder, the personal rights expire and the regulations of the Code of Commercial Companies are applied accordingly, with the reservation that the same is not applicable when Mr. Józef Wojciechowski holds at least one share of the Company and together with his subsidiaries, within the meaning of the Act on Public Offering, or companies controlled by the same, within the meaning of the Act on Accounting of 29 September 1994 (Journal of Laws of 2002 No. 76, Item 694, as amended), applicable on the day of registration of the amendment to the Articles of Association, introduced with Resolution No. 2 of the General Meeting of 16 February 2007, he holds the total of over 50% of the Company's shares, whether directly or indirectly.

In accordance with Article 16.2 of the Articles of Association of the Company, the shareholder holding more than 50% of shares of the Company is entitled to personal rights to appoint and recall half of members of the Supervisory Board, including the Chairman of the Supervisory Board. In the case of an odd number of members of the Supervisory Board the said shareholder is entitled to personal rights to appoint and recall three members of the Supervisory Board (when the Supervisory Board is composed of five members), four members of the Supervisory Board (when the Supervisory Board is composed of seven members), and five members of the Supervisory Board (when the Supervisory Board is composed of nine members), respectively. The said rights are exercised by way of a written representation served upon the Company, on appointing or recalling a given Supervisory Board member, or on appointing or recalling the Chairman of the Supervisory Board.

As at 31 December 2009 Mr. Józef Wojciechowski was entitled to the aforesaid rights. In the case of any event resulting in not holding more than 50% of shares in the Company by the eligible shareholder, the personal rights expire and the regulations of the Code of Commercial Companies are applied accordingly, with the reservation that the same is not applicable when Mr. Józef Wojciechowski holds at least one share of the Company and together with his subsidiaries, within the meaning of the Act on Public Offering, or companies controlled by the same, within the meaning of the Act on Accounting of 29 September 1994 (i.e. Journal of Laws of 2002 No. 76, Item 694, as amended), applicable on the day of registration of the amendment to the Articles of Association, introduced with Resolution No. 2 of the General Meeting of 16 February 2007, he holds the total of over 50% of the Company's shares, whether directly or indirectly.

f. Limitations on voting rights and regulations providing that – in co-operation with the Company – capital rights under securities are separated from shareholding

There are no statutory or contractual limitations on voting rights, while capital rights under securities are not separated from shareholding.

g. Limitations on the transfer of ownership rights to securities of the Company

There are no statutory or contractual limitations on the transfer of ownership rights to securities, any limitations are provided under the applicable laws.

h. Rules of appointing and recalling the management staff and their rights, in particular the right to decide on an issue or redemption of shares of the Company

In accordance with the Company's Articles of Association the Management Board of the Company is composed of three to eight members, including the President of the Management Board. The number of members of the Management Board is established by the Supervisory Board. The shareholder holding more than 50% of shares of the Company is entitled to personal rights to appoint and recall half of membership of the Management Board, including the President of the Management Board. In the case of an odd number of members of the Management Board the shareholder holding more than 50% of shares of the Company is entitled to appoint three members of the Management Board (when the Management Board is composed of five members) and four members of the Management Board (when the Management Board is composed of seven members), respectively. The said rights are

Management Commentary on J.W. Construction Holding S.A.
for the period from 1 January 2009 to 31 December 2009

exercised by way of a written representation served upon the Company, on appointing or recalling a given Management Board member. Other members of the Management Board are appointed and recalled by the Supervisory Board. Management Board members are appointed for a common three-year term of office. The Management Board represents the Company in and beyond the court. Declarations of will and signatures for the Company are valid if made by two members of the Management Board acting jointly.

Issue of shares

In the reporting period described herein, in accordance with § 5.1 of the Articles of Association of the Company, the Management Board was authorised to increase share capital of the Company by issuing new shares with the total par value of maximum PLN 1,400,000, by way of one or several share capital increases within the aforesaid limit (authorised capital). The right of the Management Board to increase share capital and to issue new shares within the authorised capital expires three years of registration of the amendment to the Articles of Association, introduced with Resolution No. 2 of the General Meeting of 16 February 2007.

The aforesaid right to increase share capital includes the possibility to issue subscription warrants with the subscription exercise date expiring at the end of the aforesaid period.

Upon consent of the Supervisory Board the Management Board may deprive the shareholders of the whole or any part of the right of pre-emption to shares issued within the authorised capital.

The Management Board may increase share capital within the authorised capital only upon approval of the Supervisory Board. In other cases, unless regulations of the Code of Commercial Companies provide otherwise, the Management Board resolves any other issues connected with share capital increase within the authorised capital.

As at the date of this Management commentary, the rights have expired.

Buyback of shares

In the reporting period described herein, in accordance with Resolution No. 26 of the Annual General Meeting of 19 June 2008, the Management Board of the Company was authorised to buy back own shares for the purpose of their redemption and to reduce share capital in compliance with Commission Regulation (EC) No. 2273/2003 of 22 December 2003 ("Regulation"). The number of shares which the Company could buy back was not less than 1,500,000 pieces and not more than the product of the amount of PLN 55,000,000 divided by the price for which the shares would be bought. The funds for the buyback of shares came from the supplementary capital of the Company and the share buyback programme ended in the reporting period as at 30 June 2009.

i. Amendments to the Articles of Association of the Issuer

In accordance with Article 430.1 of the Code of Commercial Companies, any amendment to the Articles of Association of the Company must be resolved by the General Meeting and registered with the register of companies. An amendment to the Articles of Association is filed with the court of registration by the Management Board of the Company. The General Meeting of the Company may authorise the Supervisory Board to resolve a consolidated text of the amended Articles of Association or to introduce other editorial changes resolved by the General Meeting.

j. Rules of the General Meeting and its principal rights, shareholders' rights and the manner of exercising the same, in particular as provided under the Regulations of the General Meeting

The General Meeting is held as an Annual General Meeting or an Extraordinary General Meeting and, being a Company body, it operates in accordance with the Code of Commercial Companies of 15 September 2000 (Journal of Laws of 2000 No. 94, Item 1037, as amended), the Articles of Association of the Company and the Regulations of the General Meeting of 16 February 2007 approved with Resolution No. 6 of the Extraordinary General Meeting of the Company.

General Meetings of the Company, convened by the Management Board, are held in the registered office of the Company (Ząbki) or in Warsaw. Annual General Meetings are held within six months of the end of an accounting year. General Meetings may be attended by shareholders to have filed registered share certificates with the Company, issued by an entity keeping the securities account in accordance with the regulations on public trading in securities, at least a week before the date of the General Meeting, and such certificates not to be collected before the end of such Meeting. Management Board and Supervisory Board members attend General Meetings with no need to be invited to the same. The Management Board may invite other persons to the General Meeting or any part of the same, in particular certified auditors and experts, if their presence is justified with a need to present an opinion on considered issues to participants of the General Meeting. A certified auditor should be present in the General Meeting considering finances of the Company.

Resolutions are taken with an absolute majority of votes cast, unless the regulations of the Code of Commercial Companies or the Articles of Association provide otherwise. Voting may be held with the use of an electronic vote cast and calculation system.

Management Commentary on J.W. Construction Holding S.A.
for the period from 1 January 2009 to 31 December 2009

A resolution on removing or withdrawing any items from the agenda of the General Meeting, included in the agenda on request of shareholders, is not valid unless approved with the majority of $\frac{3}{4}$ of votes cast, upon prior consent of all present shareholders to have made such request.

After signing and checking the attendance roll the Chairman orders voting over the agenda. The General Meeting may approve the agenda as proposed, change the order of items on the agenda or remove any items from the same, subject to the provisions of the Articles of Association. The Chairman of the General Meeting may not remove or change any items on the agenda, unless upon consent of the General Meeting.

Each participant of the General Meeting may take the floor on items included in the agenda, being currently considered. Each participant of the General Meeting may raise a point of order. For points of orders the Chairman may give the floor out of turn. Motions on the procedure of the meeting and voting are considered as points of order.

The General Meeting passes resolutions on items included in the agenda upon voting. The voting is open, subject to relevant provisions of the Articles of Association and the Code of Commercial Companies.

Texts of resolutions passed by the General Meeting are presented in the Internet on the Company's websites at http://inwestor.jwconstruction.com.pl/pl/walne_zgromadzenia/.

k. Membership, changes in membership made over the last accounting year and rules of the management, supervisory and administrative bodies of the Issuer and their committees

Management Board

Composition of the Management Board

As at 31 December 2009 the Management Board of the Company was composed of six members:

Robert Wójcik – Vice-President of the Management Board
Barbara Czyż – Vice-President of the Management Board
Grażyna Szafarowska – Member of the Management Board
Piotr Ciszewski – Member of the Management Board
Tomasz Panabażys – Member of the Management Board
Wojciech Rajchert – Member of the Management Board

During 2009 the composition of the Management Board of the Company was changed as follows:

- As of 9 July 2009 the Supervisory Board of the Company recalled Ms. Irmina Łopuszyńska and Ms. Bożena Malinowska from membership in the Management Board.
- As of 9 July the Supervisory Board of the Company appointed Mr. Piotr Ciszewski and Mr. Tomasz Panabażys to the Management Board.

Rules of the Management Board

The Management Board of the Company acted in accordance with the regulations of the Code of Commercial Companies, the Articles of Association of the Company and the Regulations of the Management Board approved with a resolution of the Supervisory Board, as well as the Best Practices of WSE Listed Companies. Corporate documents providing for the rules of the Management Board are available on the websites of the Company.

The Management Board is an executive body of the Company, manages its current business and represents the same before third parties. The Management Board resolves any matters not reserved for the authority of the General Meeting or the Supervisory Board under the applicable laws, the Articles of Association or a resolution of the General Meeting.

The Management Board may be composed of three to eight members, including the President of the Management Board (the number of Management Board members is established on a case by case basis by the Supervisory Board, while such number may be changed during the term of office of the Management Board), appointed for a common three-year term of office. Declarations of will and signatures for the Company are valid if made by two members of the Management Board acting jointly. Resolutions of the Management Board are passed with an absolute majority of votes cast. In the case of a draw, the vote of the President of the Management Board is decisive.

When setting strategic and current objectives for the Company the Management Board followed the supreme interest of the Company, observed the applicable laws and took account of interests of the shareholders, employees and creditors of the Company.

Aiming at transparency and effectiveness of the management system, the Management Board observed the principles of professional business within the reasonable economic risk, taking account of a broad range of available information, analyses and opinions.

Supervisory Board

Composition of the Supervisory Board

As at 31 December 2009 the Supervisory Board was composed of:

Józef Wojciechowski – Chairman of the Supervisory Board
Henryk Pietraszkiewicz – Deputy Chairman of the Supervisory Board

Management Commentary on J.W. Construction Holding S.A.
for the period from 1 January 2009 to 31 December 2009

Jacek Obłąkowski – Member of the Supervisory Board
Józef Oleksy – Member of the Supervisory Board

As of 31 December 2009 Mr. Roman Kobylński was recalled from the Supervisory Board. The recall was made under a representation made to the Company by a shareholder holding a personal right, under the Articles of Association of the Company, to appoint and recall some members of the Supervisory Board, as described in detail below.

Rules of the Supervisory Board

The Supervisory Board acted in accordance with the regulations of the Code of Commercial Companies, the Articles of Association of the Company and the Regulations of the Supervisory Board resolved by the General Meeting, available on the websites of the Company, providing for its organisation and rules, as well as the Best Practices of WSE Listed Companies.

The Supervisory Board is a standing supervisory body of the Company in all areas of its business.

The Supervisory Board is composed of five to nine members, the number of members is established by the General Meeting, while such number may be changed during the term of office of the Supervisory Board.

The Supervisory Board may appoint the Audit Committee and Remuneration Committee from among its members, however, in connection with the provisions of the Best Practices of WSE Listed Companies and the fact that the Supervisory Board acted with the minimum number of members provided under applicable laws, as at 31 December 2009 the Supervisory Board did not appoint any Committees and all members of the Supervisory Board debated on matters provided for the authority of a committee.

The Supervisory Board satisfied the condition of having at least two Independent Members, in accordance with the criteria of independence provided under the Articles of Association of the Company.

Resolutions of the Supervisory Board are passed with an absolute majority of votes cast, and in the case of a draw the vote of the Chairman of the Supervisory Board is decisive. However, any resolutions on:

- a/ approval of any performance to the benefit of a member of the Management Board by the Company,
 - b/ approval of execution of a significant agreement by the Company, of the value over PLN 10,000,000.00 (ten million Polish zlotys) and over PLN 15,000,000.00 (fifteen million Polish zlotys) for construction contracts, with a member of the Capital Group of the Company, a member of the Supervisory Board or the Management Board, or their close relatives (within the meaning of § 16.5 of the Articles of Association of the Company),
 - c/ appointment of a certified auditor to audit the financial statements of the Company,
- are not valid unless approved by at least one Independent Member of the Supervisory Board, provided that any Independent Member is attending the meeting of the Supervisory Board.

24. Significant events after the balance sheet date

Changes in the Management Board of the Company

As of 25 January 2010 Mr. Marek Samarcew was appointed to the Management Board of the Company pursuant to the personal right of a shareholder with more than 50% of share capital.

Changes in the Supervisory Board

As of 21 January 2010 Mr. Marek Maruszyński was appointed to the Supervisory Board of the Company pursuant to the personal right of a shareholder with more than 50% of share capital.

Conclusion of a significant agreement for the completion of an investment

On 2 March 2010 the Company concluded an agreement with J.W. Construction S.A. (the Company's subsidiary), by means of which it ordered the implementation of the construction of an office building situated in Warsaw at Al. Jeruzolimskie and ul. Badyłarska. The contractual value was set at PLN 15,994,691 net and the completion date of works was set for 1 April 2011.

Loan agreements

On 25 January 2010 the Company executed Annex No. 14 to the investment loan agreement concluded with Invest Bank S.A. By virtue of the annex the repayment date was postponed until 25 April 2010.

Signatures of Members of the Management Board

Barbara Czyż Vice-President of the Management Board	Signature: /-/
Robert Wójcik Vice-President of the Management Board	Signature: /-/
Grażyna Szafarowska Member of the Management Board	Signature: /-/
Wojciech Rajchert Member of the Management Board	Signature: /-/
Piotr Ciszewski Member of the Management Board	Signature: /-/
Tomasz Panabażys Member of the Management Board	Signature: /-/
Marek Samarcew Member of the Management Board	Signature: /-/

Ząbki, 16 March 2010