

**J.W. Construction Holding S.A.  
Management Board's Business Report  
for 2007**



## **1. Introduction**

### **General information**

J.W. Construction Holding S.A., a joint-stock company domiciled in Ząbki ("Issuer", "Company") is registered with the Register of entrepreneurs of the National Court Register under number 0000028142 and its registration files are kept by the District Court for the capital city of Warsaw, 14<sup>th</sup> Business Division of the National Court Register.

The Company was entered into the Register of entrepreneurs on 17 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.

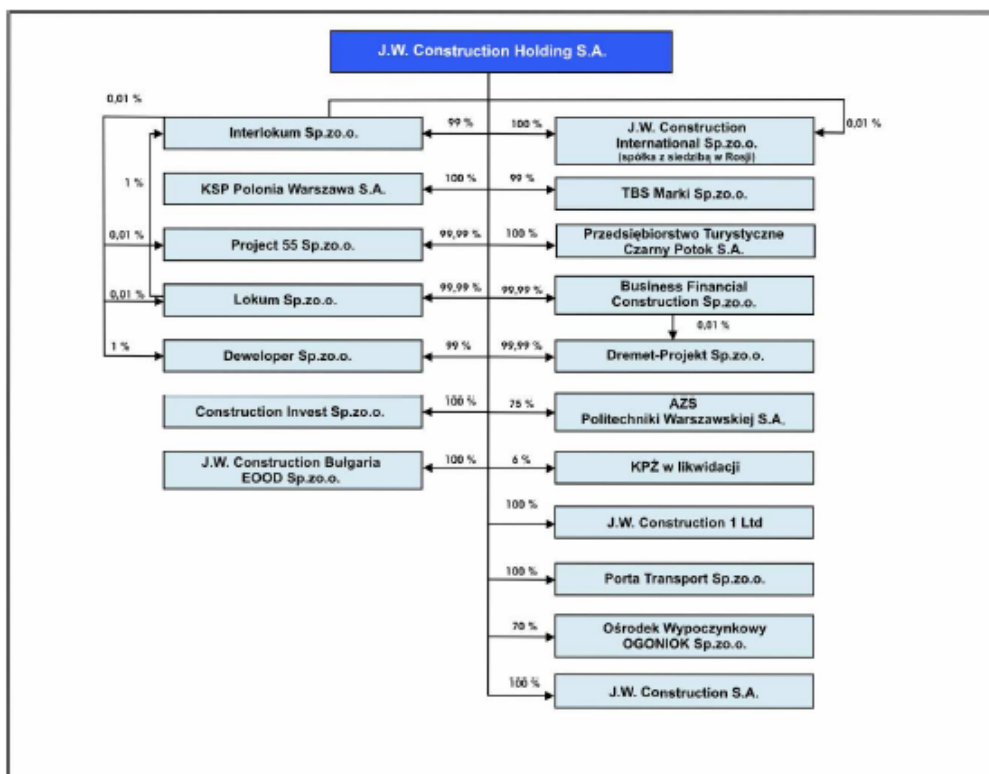
J.W. Construction Holding S.A. as a joint-stock company was formed from transformation of Towarzystwo Budowlano - Mieszkaniowe Batory Sp. z o.o. domiciled in Ząbki, established on 10 February 1994. Transformation of a limited liability company into a joint stock company, under a notarial deed of 28 December 2000, was registered by the District Court for the capital city of Warsaw, 16<sup>th</sup> Business and Registry Division on 15 January 2001.

The Company is the parent of the Capital Group of J.W. Construction Holding S.A., consisting of the Company and its subsidiaries.

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 of a par value of PLN 0.20 each.

The major event for the Company in 2007 was approval of the Issuer's Issuing Prospects by the Financial Supervision Commission and then admittance to public trading in the Warsaw Stock Exchange of 51,250.000 existing A-class shares and 3,448.280 newly issued B-class shares of the Issuer. The Issuer's shares were launched on the Warsaw Stock Exchange on 4 June 2007 and on 27 June 2007 the Court competent for the registered office of the Issuer registered the capital increase and B-series share issue.

## 2. Information about organisational and capital relations between the Company and other entities



### 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 entrepreneurs on 28 November 2001 under number KRS 65232. The Issuer holds a 99.99% share in the company. 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. The company was established as a public 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 implementation of four projects: "Lisi Jar", "Marki V", "Warszawa Białoleka (TBS)" and "Sochaczew, ul. Piłsudskiego (TBS)".

### Lokum Sp. z o.o.

Lokum Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of entrepreneurs under number KRS 170570 on 20 August 2003. The Issuer holds a 99.99% share in the company. 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. The company is a special purpose vehicle. Since 2006 it has been implementing an investment - Willa Konstancin in Konstancin-Jeziorna.

### 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 entrepreneurs on 24 May 2002 under number KRS 114675. The Issuer holds a 100% share in the company. 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 the company is to serve sales of flats built by the Company and other Group companies.

### Dremet - Projekt Sp. z o.o.

J.W. Projekt Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of entrepreneurs on 20 February 2004 under number KRS 195210. The Issuer holds a 99.96% share in the company. Share capital of the company amounts to PLN 52,000 and is divided into 260 shares with a par value of PLN 200 each. In 2008 the Issuer transferred architectural and designing activities to the company.

### 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 entrepreneurs on 22 November 2002 under number KRS 139665. The Issuer holds a 99.99% share in the company. 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. The company is a special purpose vehicle conducting developer activities. Project 55 Sp. z o.o. is an investor of the Górczewska housing estate.

**Interlokum Sp. z o.o.**

Interlokum Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the business register under number KRS 170216 on 18 August 2003. The Issuer holds a 99% share in the company. 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. The company is a special purpose vehicle established to implement the "Skarpa IV" investment.

**Przedsiębiorstwo Turystyczne Czarny Potok S.A.**

Przedsiębiorstwo Turystyczne Czarny Potok S.A., a joint-stock company domiciled in Krynica was registered with the register of entrepreneurs under number KRS 91153 on 14 February 2002. The Issuer holds a 100% share in the company. Share capital of Przedsiębiorstwo Turystyczne Czarny Potok S.A. amounts to PLN 1,994,000 and is divided into 500 A-class registered shares with a par value of PLN 100 each and 19,440 B-class registered shares with a par value of PLN 100 each. The business of the company is hotel activities. The company runs a recreational centre in Krynica Górska. In 2006 the company was granted a permit to expand the same. Presently the hotel building is being modernised.

**Deweloper Sp. z o.o.**

Deweloper Sp. z o.o., a limited liability company domiciled in Siemianowice Śląskie was registered with the register of entrepreneurs under number KRS 170493 on 22 August 2003. The Issuer holds a 99% share in the company. 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 the company comprises road construction activities. In the structure of the Capital Group it was assigned the role of the general contractor of a housing estate – "Uroczysko" in Katowice. Klub Sportowy Piłkarski Polonia Warszawa S.S.A.

**Klub Sportowy Piłkarski Polonia Warszawa S.S.A.**

Klub Sportowy Piłkarski Polonia Warszawa S.S.A. (*Polonia Warszawa Football Club*), a sports joint-stock company domiciled in Warsaw was registered with the register of entrepreneurs on 19 September 2003 under number KRS 173656. The Issuer holds a 100% share in the company. Share capital of Klub Sportowy Piłkarski Polonia Warszawa 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. Klub Sportowy Piłkarski Polonia Warszawa S.A. runs a football team.

**J.W. Construction - Akademicki Związek Sportowy Politechniki Warszawskiej S.A.**

J.W. Construction - Akademicki Związek Sportowy Politechniki Warszawskiej S.A. (*Academic Sports Association of the Warsaw University of Technology*), a joint-stock company domiciled in Warsaw was registered with the register of entrepreneurs on 24 October 2005 under number KRS 243759. The Issuer holds a 75% share in the company. Share capital of J.W. Construction - Akademicki Związek Sportowy Politechniki Warszawskiej S.A. amounts to PLN 500,000 and is divided into 5,000 shares with a par value of PLN 100 each. The company runs a volleyball team classified on the top level of the Polish Volleyball League.

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

J.W. Construction International Sp. z o.o., a limited liability company registered in the territory of Russia. The Issuer holds a 100% share in the company. The business of the company comprises investments in housing buildings in the territory of the Russian Federation. Presently it is an investment – "Victoria Park" in Kolomna near Moscow.

**J.W. Construction 1 Ltd**

J.W. Construction 1 Ltd. domiciled in London is registered in Great Britain. The Issuer holds 1,000 shares with a par value of GBP 1 each and the total par value of GBP 1,000, constituting 100% of share capital.

**J.W. Construction Bulgaria 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) in which J.W. Construction Holding S.A. took up 500 (five hundred) shares with a par value of BGN 10 (ten) each and the total value of BGN 5,000 (five thousand). The said shares constitute 100% of share capital of the company. J.W. Construction Holding S.A. plans to conduct business activity in the territory of Bulgaria through J.W. Construction Bulgaria EOOD.

**J.W. Construction S.A.**

J.W. Construction S.A. domiciled in Ząbki is registered with the register of entrepreneurs under number KRS 0000290315. Share capital of the company is divided into 500,000 shares with a par value of PLN 1 each. In 2008 J.W. Construction S.A. will take over the construction activity of the Issuer.

**Porta Transport Sp. z o.o.**

Porta Transport Sp. z o.o., a limited liability company domiciled in Szczecin was registered with the register of entrepreneurs under number KRS 0000177420. Share capital of the company is divided into 258,308 shares with a par value of PLN 100 each. The business of the company comprises provision of transport services to Porta Szczecińska Nowa Sp. z o.o. in the territory of the Szczecin shipyard and forwarding services in the country and abroad.

**Ośrodek Wypoczynkowy "Ogoniok" Sp. z o.o., presently "Yakor House"**

Ośrodek Wypoczynkowy "Ogoniok" Sp. z o.o., a limited liability company domiciled in Sochi, Russian Republic. The Issuer holds a 70% share in share capital of the company, amounting to RUB 10,500,000. The company holds real estate in Sochi, where is plans to launch a housing and service investment.

**Construction Invest Sp. z o.o.**

Construction Invest Sp. z o.o., a limited liability company domiciled in Warsaw was registered with the register of entrepreneurs on 9 February 2006 under number KRS 250688. The Issuer holds a 100% share in the company. 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 the company consists in own real estate development and sale. The company was established to purchase real estate, obtain building permits and then transfer real estate with the corresponding building permit to the Issuer. Construction Invest Sp. z o.o. is one of special purpose vehicles established to implement a concrete investment.

### 3. Key economic and financial figures of J.W. Construction Holding S.A.

#### Income statement

Key items of the separate income statement converted into EURO

	1 Jan 2007 – 31 Dec 2007 in PLN'000	1 Jan 2007 – 31 Dec 2007 in EUR'000	1 Jan 2006 – 31 Dec 2006 in PLN'000	1 Jan 2006 – 31 Dec 2006 in EUR'000
Net revenues from sales of products, goods and materials	683,412	180,950	578,940	148,480
Costs of products, goods and materials sold	480,554	127,239	412,776	105,864
Gross profit on sales	202,858	53,712	166,164	42,616
Operating profit	156,830	41,525	124,791	32,005
Gross profit	146,042	38,668	116,285	29,824
Net profit	119,409	31,617	96,696	24,800

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

	1 Jan 2007 – 31 Dec 2007 in PLN'000	% of sales	1 Jan 2006 – 31 Dec 2006 in PLN'000	Movement 2007/2006
Net revenues from sales of products, goods and materials	683,412	100%	578,940	18%
Costs of products, goods and materials sold	480,554	70%	412,776	16%
Gross profit on sales	202,858	30%	166,164	22%
Operating profit	156,830	23%	124,791	26%
Gross profit	146,042	21%	116,285	26%
Net profit	119,409	17%	96,696	23%

An analysis of the J.W. Construction Holding S.A.'s income statement shows that in 2007 income grew by over PLN 104 million i.e. a relative growth by 18% compared to 2006. At the same time costs of product and goods sold grew only by 16% (PLN 68 million). Such growth in income and expenses was reflected in a significant growth of the operating result and gross profit, which went up by 26% (respectively by PLN 32 million and 29.8 million).

The main items of income were revenues from sales of flats (74% of income), revenues from sales of building services - 24%, and sales of materials - 2%, which is presented in the table below.

Structure of income of J.W. Construction Holding S.A. for 2007

	1 Jan 2007 – 31 Dec 2007 in PLN '000	1 Jan 2006 – 31 Dec 2006 in PLN '000
<b>Revenues from sales, of which:</b>	<b>683,412</b>	<b>578,940</b>
- sales of products – flats	505,007	324,359
- sales of services	164,965	243,662
- sales of goods	13,440	10,919

**Balance sheet**

Assets, equity and liabilities at 31 December 2007 and 31 December 2006 denominated in PLN '000 and EUR '000

	31 December 2007		31 December 2006	
	PLN	EUR	PLN	EUR
<b>ASSETS</b>				
Non-current assets	285,038	79,575	277,343	72,391
Current assets	909,121	253,803	453,267	118,309
Held-for-sale assets	-	-	25,462	6,646
<b>Total assets</b>	<b>1,194,159</b>	<b>333,378</b>	<b>756,071</b>	<b>197,346</b>

197,346

	31 December 2007		31 December 2006	
	PLN	EUR	PLN	EUR
<b>EQUITY AND LIABILITIES</b>				
Equity	494,789	138,132	168,520	43,986
Non-current liabilities	214,305	59,828	167,713	43,776
Current liabilities	485,064	135,417	401,714	104,853
Liabilities under held-for-sale assets	-	-	18,124	4,731
<b>Total equity and liabilities</b>	<b>1,194,159</b>	<b>333,378</b>	<b>756,071</b>	<b>197,346</b>

Structure, rate of movements in assets, equity and liabilities as at 31 December 2007 and 31 December 2006 denominated in PLN '000.

<b>ASSETS</b>	31 December 2007	Share in assets	31 December 2006	Movement 2007/2006
Non-current assets	285,038	24%	277,343	3%
Current assets	909,121	76%	453,267	101%
Held-for-sale assets	-	0%	25,462	
<b>Total assets</b>	<b>1,194,159</b>	<b>100%</b>	<b>756,071</b>	<b>58%</b>

	31 December 2007	Share in equity and liabilities	31 December 2006	Movement 2007/2006
Equity	494,789	41%	168,520	194%
Non-current liabilities	214,305	18%	167,713	28%
Current liabilities	485,064	41%	401,714	21%
Liabilities under held-for-sale assets	-	0%	18,124	
<b>Total equity and liabilities</b>	<b>1,194,159</b>	<b>100%</b>	<b>756,071</b>	<b>58%</b>

As at the end of 2007 a significant increase in the balance sheet total of the Company could be observed – by PLN 438 million (58%). That growth on the part of assets concentrated in an increase in current assets of the enterprise, which grew by PLN 456 million and was funded with an increase in equity by PLN 326 million i.e. 194%. The growth in the value of current assets increased the share of this group of assets in the balance sheet structure, from 60% in 2006 to 76% in 2007. Growth in equity was the effect of earnings for 2007 (PLN 119 million), public offering of shares of the Company, and capital raised in this way (PLN 234 million).

**Movements in current assets as at 31 December 2007 and 31 December 2006 denominated in EUR**

ASSETS	31 December 2007	31 December 2006	Movement 2007/2006
<b>Total current assets</b>	<b>909,121</b>	<b>453,267</b>	<b>101%</b>
Inventories	23,528	20,878	13%
Construction contracts	611,532	353,129	73%
Trade and other receivables	126,617	27,986	352%
Other financial assets	84,598	12,113	598%
Cash and cash equivalents	51,866	29,550	76%
Prepaid expenses	10,979	9,610	14%

**Financial ratios**

		2007	2006
<b>Profitability ratios</b>			
	Gross profit margin on sales <i>Gross profit / net revenues from sales</i>	29.7%	28.7%
	Return on sales <i>Net profit / net revenues from sales</i>	17.5%	16.7%
<b>Liquidity ratios</b>			
	Current ratio <i>Current assets / current liabilities</i>	2.61	2.10
	Quick ratio <i>(Current assets – inventories) / current liabilities</i>	2.54	2.01
	Cash ratio <i>Cash / current liabilities</i>	0.11	0.07
<b>Financial leverage ratios</b>			
	Equity ratio <i>Equity / total assets</i>	41%	22%
	Capital gearing <i>Total liabilities / equity</i>	141%	338%
	Debt ratio <i>Total liabilities / total assets</i>	59%	75%

Sales profitability ratios for 2007 went up compared to 2006, which reflects growing effectiveness of conducted business activity, following the increase in the scale of operations. The increase in all liquidity ratios in 2007, compared to 2006, illustrated the progress in the area of financial flows security management and reflected excellent ability of the Company to serve its current liabilities.

Financial leverage ratios proved bigger safety of the conducted business. The decrease in debt ratio (from 75% to 59%) and capital gearing ratio (from 338% to 141%), as well as higher coverage of assets with equity (from 22% to 41%) confirmed financial reliability of the Company towards creditors and partners.

In 2007 J.W. Construction Holding S.A. did not project earnings under separate financial statements.

In 2007 there were no untypical circumstances or events having impact on earnings for the financial year.



#### 4. Development perspectives

The Company plans to continue investments in progress, consisting of housing building construction in the territory of Warsaw and it expanded its activities to that extend beyond the capital city and abroad. In 2008 the construction of Lewandów Park housing estate and Wiśłana Aleja housing estate was commenced. It is planned to launch further investments in the 2<sup>nd</sup> quarter of 2008, such as housing estates - Bursztynowe Osiedle at ul. Korkowa and Lazurowe Ustronie in Ożarów Mazowiecki near Warsaw.

The Company also plans large investments on highly developmental eastern markets. It purchased land for investments among other in Sochi (Russia), where it plans to build a large housing estate, and in a very attractive sea resort – Golden Sands (Bulgaria) on the Black Sea coast. The Company plans to build a holiday village there. The reason behind that purchase was high demand for holiday apartments among affluent West European clients.

Exposure of the Group on the Russian market was the result of a large development potential of the said market. Expansion of activities on the said market would depend on current profitability analyses of the project. The Russian market is considered very prospective and guaranteeing high profitability of activities.

Real estate market analyses and own investigation of customer preferences confirmed that the current development directions of the Company are appropriate, as well as concentration on satisfying housing needs of moderately affluent clients. Due to the prevailing and expected demographic and social phenomena the housing building activities conducted so far are still perceived as developmental on the market and the said activity will be continued by the Company as the primary business for the next several years.

Taking account of prevailing market trends, the Company introduced an innovative financial programme enabling less affluent clients to purchase flats. At the same time the Company continues and develops co-operation with banks offering housing loans.

Marketing campaigns were conducted, aimed at winning a broad circle of potential clients, also from other regions than Warsaw. According to the Company's data 47% clients come from beyond Warsaw, usually from small towns. As a consequence of a decision of the Management Board, the Company launched activities on housing markets other than Warsaw. Such projects were already commenced in Łódź, Gdynia and Katowice.

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

- strengthening of the leading position among developers both in Poland and in Warsaw due to the launch of new investments and application of innovative programmes of sales of flats to clients;
- reducing dependence on third party contractors by development and strengthening of own labour forces under a separated building company - J.W. Construction S.A.;
- cutting costs among other by shortening the period of investment implementation while using a new prefabricated unit production technology under a separated company - JWCH Produkcja Budowlana Sp. z o.o.;
- developing activities on the foreign markets (Russia, Bulgaria).

Planned projects as at 31 December 2007

Investment	Town / District	Number of flats / houses
Lewandów Park III, Lewandów Street	Warsaw / Białołęka	787
Zielona Dolina, Zdziarska/Ostródzka Streets	Warsaw / Białołęka	911*
Światowida	Warsaw / Białołęka	237
Osiedle Centrum II	Łódź	432
Pogonowskiego	Łódź	109
Uroczysko	Katowice	563
Szczecin, Wyzwolenia Avenue	Szczecin	400
Szczecin - plot of Porta Transport	Szczecin	5,400
Lazurowe Ustronie I Ożarów Mazowiecki	Ożarów Mazowiecki	1,973
Lazurowe Ustronie II Ożarów Mazowiecki	Ożarów Mazowiecki	816

Lazurowe Ustronie III Ożarów Mazowiecki	Ożarów Mazowiecki	1,300
Łeba	Łeba	490
Berensona	Warsaw / Białołęka	170
Aleja Ludwinowska II	Warsaw / Ursynów	24
Victoria Park II	Kolomna/ Russia	782
Aluzyjna I	Warsaw / Tarchomin	46
Aluzyjna II	Warsaw / Tarchomin	120
Konstancin II	Konstancin	136
Sopot, ul. Parkowa	Sopot	17
Badyłarska - Office Building	Warsaw	-
Pileckiego - Offices/Hotel	Warsaw	-
Głogoczków - Hotel	Głogoczków	-
Juszkowo I	Gdańsk	-
Krynica - Czarny Potok - Hotel	Krynica Górská	-
Sochi	Russia	around 1,200
	<b>Total</b>	<b>15,913</b>

\* number of flats not offered for sale as at 31 December 2007

## 5. Significant risk factors

Risks recognised by the Company are mainly the interest rate risk, liquidity risk, currency risk and credit risk.

### Interest rate risk

The Company raised funds for implementation of its projects based on floating interest rate loans. Those were mainly loans incurred for the period of construction of a given investment - on the average for 1.5 year. It was assumed that in such period the interest rate risk would not require additional hedging options.

### Credit risk and mortgage loan availability risk

A very significant part of Company's clients made purchases with bank loans. Risks connected with offered loans were secured with insurance of particular debts on behalf of clients. There was no significant credit risk concentration in any group of clients. Moreover, the Company systematically evaluated payments made by the clients, as well as their financial standing. However, a smaller availability of mortgage loans should be taken into account due to more stringent lending procedures, also in connection with the situation of mortgage loans on the US market and a significant growth in prices of flats over the last year. That may result in a smaller demand for flats.

### Liquidity risk

The Company paid special attention to keeping the balance between financing its investment activities and timely payment of its liabilities. Liquidity ratios (including current debt at 31 March 2008: 2.65) were satisfactory, which proved that the risk in this area was low.

### Risk connected with administrative decisions

Developer activities were based on administrative decisions required in connection with the present or future projects. Untimely obtainment of licences, permits or concessions might have negative impact on the ability to commence, conduct or complete present or new developer projects by the Company. The said factors might have impact on cash flows and overall activities.

Financial statements item	Value in PLN	Interest rate risk				Currency risk				Other pricing risks			
		Impact on earnings		Impact on equity		Impact on earnings		Impact on equity		Impact on earnings		Impact 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%	+6%	-6%	+6%	-6%
		+ 25 b.p. in USD	- 25 b.p. in USD	+ 25 b.p. in USD	- 25 b.p. in USD								
<b>Financial assets</b>													
Cash in current accounts and cash equivalents	23,575	118	-118										
Bank deposits	28,292	141	-141										
Bonds held	60,000	300	-300										
Loans granted in USD	3,028	8	-8			303	-303						
Loans granted in PLN	21,570	108	-108										
<b>Impact on financial assets before tax</b>		<b>675</b>	<b>-675</b>	<b>0</b>	<b>0</b>	<b>303</b>	<b>-303</b>	<b>0</b>	<b>0</b>				
Tax (19%)		-128	128	0	0	-58	58	0	0				
<b>Impact on financial assets after tax</b>		<b>547</b>	<b>-547</b>	<b>0</b>	<b>0</b>	<b>245</b>	<b>-245</b>	<b>0</b>	<b>0</b>				
<b>Financial liabilities</b>													
Bonds issued	140,500	-703	703										
Bank loans	182,560	-913	913										
<b>Impact on financial liabilities before tax</b>		<b>-1,615</b>	<b>1,615</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>				
Tax (19%)		307	-307	0	0	0	0	0	0				
<b>Impact on financial liabilities after tax</b>		<b>-1,308</b>	<b>1,308</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Total increase / (decrease)</b>		<b>-762</b>	<b>762</b>	<b>0</b>	<b>0</b>	<b>245</b>	<b>-245</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## 6. Information about the main products of the Company

In the area of developer activities the Company offered the following products:

- Multi-family houses (flats and apartments), divided into the following market segments:
  - Standard flats (including above-average-standard flats)
  - Above-average-standard apartments.
- One-family houses – detached and row houses.

The Company also conducted business activity in the scope of building and assembly works, also as a general contractor of building projects. Presently the said activity is restricted to housing projects implemented by J.W. Construction Holding S.A. as the general contractor within the Group i.e. the said services were not provided to third parties.

An additional area of activity of the Company was running a chain of hotels – Hotel 500 (five hotels in Poland).

### Developer activities

Implementation of developer housing projects was considered by the Company as the main area of its business activity.

#### Projects implemented as at 31 December 2007

Project name	Number of projects	Municipality / district	Market segment	Number of flats / houses	Number of flats / houses sold to 31 December 2007	Number of flats / houses for sale	Number of flats / houses sold but not delivered to clients to 31 December 2007
Batorego	2	Ząbki near Warsaw	Standard flats	46	46	-	-
Drewnicka	3	Ząbki near Warsaw	Standard flats	220	220	-	-
Kosynierów	6	Marki near Warsaw	Standard flats	596	596	-	-
Szwolężerów	3	Ząbki near Warsaw	Standard flats	251	251	-	-
Nowodwory	8	Warsaw / Białołęka	Standard flats	502	502	-	-
Dąbrówka Szlachecka	5	Warsaw / Białołęka	Standard flats	395	395	-	-

Project name	Number of projects	Municipality / district	Market segment	Number of flats / houses	Number of flats / houses sold to 31 December 2007	Number of flats / houses for sale	Number of flats / houses sold but not delivered to clients to 31 December 2007
Kolonia F	6	Ząbki near Warsaw	Standard flats	424	424	-	-
Kolonia D	4	Ząbki near Warsaw	Standard flats	887	887	-	-
Buczynek	17	Warsaw / Białołęka	Standard flats	1,777	1,777	-	-
Pyry	1	Warsaw / Ursynów	Standard flats	27	27	-	-
Osiedle Jerozolimskie	8	Warsaw / Ursus	Standard flats	908	908	-	-
Dąbrówka Wiślana	16	Warsaw / Białołęka	Standard flats	2,187	2,183	4	-
Dębowy Park I	1	Warsaw / Białołęka	Standard flats	397	397	-	-
Sochaczew	1	Sochaczew	Standard flats	108	108	-	-
Sady Rembertowskie I	4	Warsaw / Praga Południe	Standard flats	412	412	-	-
Sady Rembertowskie II	3	Warsaw / Praga Południe	Standard flats	441	438	3	27
Targówek Plaza	1	Warsaw / Targówek	Standard flats	169	169	-	-
Dębowy Park II	7	Warsaw / Białołęka	Standard flats	206	206	-	-
Wojskowa	4	Warsaw / Praga Północ	Standard flats	56	55	1	-
Osiedle Parkowa	4	Gdynia	Standard flats	80	80	-	-
Osiedle Victoria	10	Radzymin	Standard flats	507	507	-	-
<b>Total standard flats</b>	<b>114</b>			<b>10,596</b>	<b>10,589</b>	<b>7</b>	<b>27</b>

Project name	Number of projects	Municipality / district	Market segment	Number of flats / houses	Number of flats / houses sold to 31 December 2007	Number of flats / houses for sale	Number of flats / houses sold but not delivered to clients to 31 December 2007
Ogrody Bema	12	Warsaw / Bemowo	Above-average - standard flats	873	870	3	-
Grochowska	1	Warsaw / Praga Północ	Above-average - standard flats	296	296	-	-
Ostrobramska	3	Warsaw / Praga Południe	Above-average - standard flats	459	459	-	-
Mokotów Plaza I	1	Warsaw / Mokotów	Above-average - standard flats	345	345	-	-
Mokotów Plaza II	2	Warsaw / Mokotów	Above-average - standard flats	788	786	3	109
Marymoncka	1	Warsaw / Bielany	Above-average - standard flats	35	34	1	7
<b>Total above-average - standard flats</b>	<b>20</b>			<b>2,796</b>	<b>2,789</b>	<b>7</b>	<b>116</b>
Elektoralna	1	Warsaw / Śródmieście	Above-average - standard apartments	159	156	3	-

Project name	Number of projects	Municipality / district	Market segment	Number of flats / houses	Number of flats / houses sold to 31 December 2007	Number of flats / houses for sale	Number of flats / houses sold but not delivered to clients to 31 December 2007
Łucka City	1	Warsaw / Wola	Above-average - standard apartments	359	359	-	-
<b>Total above-average - standard apartments</b>	<b>2</b>			<b>518</b>	<b>515</b>	<b>3</b>	<b>-</b>
Dąbrówka Szlachecka	13	Warsaw / Białołęka	One-family houses	13	13	-	-
Zielona Choszczówka	75	Warsaw / Białołęka	One-family houses	75	74	1	-
Mickiewicza	58	Marki near Warsaw	One-family houses	58	58	-	-
Lisi Jar	57	Marki near Warsaw	One-family houses	57	57	-	-
Kwiatowe	99	Lesznowola near Warsaw / Nowa Iwiczna	One-family houses	99	99	-	-
Willa Józefina	34	Piaseczno near Warsaw	One-family houses	34	32	2	3
<b>Total one-family houses</b>	<b>336</b>			<b>336</b>		<b>9</b>	<b>3</b>
Warszawska Wenecja	1	Warsaw / Białołęka	Standard flats (TBS)	654	654	-	-
Lisi Jar	1	Marki near Warsaw	Standard flats (TBS)	224	221	3	-
Marki	11	Marki near Warsaw	Standard flats (TBS)	192	192	-	-

Project name	Number of projects	Municipality / district	Market segment	Number of flats / houses	Number of flats / houses sold to 31 December 2007	Number of flats / houses for sale	Number of flats / houses sold but not delivered to clients to 31 December 2007
Sochaczew	1	Sochaczew	Standard flats (TBS)	91	91	-	-
<b>Total TBS flats</b>	<b>14</b>			<b>1,161</b>	<b>1,158</b>	<b>3</b>	<b>-</b>
<b>Total</b>	<b>486</b>			<b>15,407</b>	<b>15,378</b>	<b>29</b>	<b>146</b>

*\* in the case of TBS (Public Building Society) the group includes rental flats for lease*

Project name	Number of projects	Town	Number of flats / houses	Number of flats / houses sold to 31 Dec 2007	Number of flats / houses not sold	Number of flats / houses sold but not transferred for use to 31 Dec 2007
Victoria Park I	1	Kolomna near Moscow	192	183	9	-
<b>Total number of projects implemented, including Kolomna (Russia)</b>	<b>487</b>		<b>15,599</b>	<b>15,561</b>	<b>38</b>	<b>146</b>



**Projects in progress as at 31 December 2007**

Project name	Number of projects	Municipality / district	Market segment	Number of flats / houses	Number of flats / houses sold to 31 Dec 2007	Number of flats / houses not sold	Number of flats / houses sold but not transferred for use to 31 Dec 2007
Górczewska	4	Warsaw / Bemowo	Standard flats	1,410	1,410	0	1,049
Osiedle Centrum	4	Łódź	Standard flats	324	322	2	322
Osiedle Leśne	9	Gdynia	Standard flats	202	163	39	163
Lazurowa I - V	23	Warsaw / Bemowo	Standard flats	669	645	24	645
Osada Wiślana I - III	3	Warsaw / Białoleka	Standard flats	404	353	51	353
Lewandów Park I	15	Warsaw / Białoleka	Standard flats	613	613	18	613
Lewandów Park II	33	Warsaw / Białoleka	Standard flats	1,274	1,068	206	1,068
Osiedle Bursztynowe	10	Warsaw / Praga Południe	Standard flats	322	255	67	255
Odkryta	6	Warsaw / Białoleka	Standard flats	200	157	43	157
Zdziarska	21	Warsaw / Białoleka	Standard flats	594	498	96	498
Katowice	3	Katowice	Standard flats	25	0	25	0
<b>Total standard flats</b>	<b>131</b>			<b>6,055</b>	<b>5,484</b>	<b>571</b>	<b>5,123</b>
Willa Konstancin	3	Konstancin Jeziorna near Warsaw	Above-average-standard flats	178	168	10	168
Rezydencja Quatro	1	Warsaw / Praga Południe	Above-average-standard flats	243	243	0	243
Górczewska Park	12	Warsaw / Wola	Above-average-standard flats	890	706	184	706

Project name	Number of projects	Municipality / district	Market segment	Number of flats / houses	Number of flats / houses sold to 31 Dec 2007	Number of flats / houses not sold	Number of flats / houses sold but not transferred for use to 31 Dec 2007
<b>Total above-average-standard flats</b>	<b>16</b>			<b>1,311</b>	<b>1,117</b>	<b>194</b>	<b>1,117</b>
Rezydencja na Skarpie	1	Warsaw / Mokotów	Above-average-standard apartments	261	260	1	260
Aleja Ludwinowska	17	Warsaw / Ursynów	Above-average-standard apartments	68	68	-	68
<b>Total above-average-standard apartments</b>	<b>18</b>			<b>329</b>	<b>328</b>	<b>1</b>	<b>328</b>
<b>Total</b>	<b>165</b>			<b>7,695</b>	<b>6,929</b>	<b>766</b>	<b>6,568</b>

**Projects in progress in Kolomna (Russia) as at 31 December 2007**

Project name	Number of projects	Town	Number of flats/ houses	Number of flats/ houses sold to 31 Dec 2007	Number of flats/ houses not sold	Number of flats/ houses sold but not transferred for use to 31 Dec 2007
Victoria Park I	1	Kolomna near Moscow	158	80	78	78

**Projects in progress as at 31 December 2007, including Kolomna (Russia)**

Project name	Number of projects	Town	Number of flats/ houses	Number of flats/ houses sold to 31 Dec 2007	Number of flats/ houses not sold	Number of flats/ houses sold but not transferred for use to 31 Dec 2007
	<b>166</b>		<b>7,853</b>	<b>7 009</b>	<b>844</b>	<b>6,646</b>

Stage of project completion	Number of projects	Number of flats	Number of flats for sale	Number of flats for commissioning to clients
Completed	487	15,599	38	146
In progress	166	7,853	844	6,646
<b>Total</b>	<b>653</b>	<b>23,452</b>	<b>882</b>	<b>6,792</b>

#### Sale of flats and houses in 2007– value basis

Agreements concluded with clients	
	Value
2007	PLN 1,165,712,013.96
2006	PLN 1,057,961,980.56

#### Building and assembly activity

The Company has well-developed building and assembly activities. Presently it is conducted mainly for own needs. Due to combination of the function of a developer and general contractor, the Company fully controls preparation and implementation of building investments. Presently the Company works on several building sites (in the country and abroad), employing over one thousand employees of J.W. Construction Holding S.A. (over three thousand employees in the Group) and hired subcontractors.

#### In 2007 the construction of the following investments was launched:

Investment	Launched on	Number of flats
Osada Wiślana Phase I	01.03.2007	108
Osiedle Uroczyisko (Katowice)	01.03.2007	25
Rezydencja Quatro	15.03.2007	224
Lazurowa II	22.03.2007	74
Lazurowa III	16.04.2007	192
Czarny Potok (Hotel expansion)	07.05.2007	-
Lazurowa IV	11.06.2007	89
Górczewska Park	15.07.2007	886
Lazurowa V	28.08.2007	60
Osada Wiślana Phase II	09.09.2007	164

#### Besides the aforesaid investments, the Company was developing buildings in the following housing estates:

- Osiedle Górczewska (Warsaw) – general contractor – 1,410 flats
- Rezydencja na Skarpie (Warsaw) – general contractor – 261 flats
- Willa Konstancin (Konstancin Jeziorna) – general contractor – 178 flats
- Ludwinowska Aleja (Warsaw) – 68 flats
- Osiedle Centrum (Łódź) – 303 flats

- Osiedle Lazurowa V (Warsaw) – 60 flats
- Osiedle Leśne (Gdynia) – 202 flats.

## Hotel activities

Hotel activities were continued as in the previous year, even though they had insignificant impact on earnings of the Company. Good perspectives for the hotel industry, connected with an economic boom resulting among other things in a permanent growth in affluence of the society and activity of foreign hotel chains on the Polish market, made the Management Board sustain a decision on further development of the Hotel 500 buildings.

The value of revenues from sales of hotel services in 2007 was PLN 17,243 thousand and was by 5.4% higher than in the same period of the previous year. The average number of occupied hotel beds within the whole chain was on the level of 32%.

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

During the first half of the year the number of individual clients spending at least two days in a hotel grew significantly. The said activities were reflected in growing revenues of the chain, thus establishing a proper base for satisfactory results.

A growing traffic of corporate and individual clients forced the Company to take up repair and modernisation works in all buildings. Last year i.a. the first of three phases of a repair of Hotel 500 in Zegrze was finished, under which 40 hotel rooms were modernised.

Until the end of 2007 hotel equipment was purchased (furniture, carpets, computers, audio and video equipment), air conditioning system, new room arrangements allowing for better utilisation of the same.

During the reporting period new contacts were established with corporate clients and travelling agencies. The number of occasional parties organised by specialised companies and individual clients grew. A new website of the Hotel 500 chain was commended, facilitating the overall process of communication with the present and potential clients.

## 7. Outlets

Presently the Company implements developer projects on the most prospective local housing markets in Poland i.e. the Warsaw, Łódź and Tricity (Gdańsk, Gdynia and Sopot) markets.

The biggest and the primary market for the operations of the Company is the Warsaw market.

Warsaw is the biggest housing market in Poland, with the highest prices per one square meter of housing space.

The Company also noticed a high development potential of other local markets. Presently it is implementing developer projects in Łódź and Tricity. The Company is finishing implementation of the first phase of the housing estate project in Katowice. The second stage of the said investment will be commenced soon. Besides, the Company is preparing for a project in Szczecin, where it purchased land in 2007.

Being fully licensed to conduct developer activities in the territory of Russia, the Company is presently implementing a housing estate project in Kolomna (near Moscow) and it prepares itself for an investment in Sochi. Moreover, in 2007 it purchased land in Bulgaria.

## 8. Suppliers and recipients of the Company

The Company was using services of very many suppliers, selected under bidding procedures. The Company did not have any suppliers or recipients whose turnover/share was more than 10% of total transactions.

The Company was purchasing services and materials for production from many entities, it was not dependent to that extent from any supplier of materials or services.

Most of clients of the Company were natural persons, being target recipients of its present offer.

**In 2007 the Company concentrated on:**

- developer activities, generating revenues of PLN 515,473,583.21
- building services, generating revenues of PLN 134,782,268.76
- real estate management, generating revenues of PLN 2,473,297.21
- hotel services, generating revenues of PLN 17,243,114.06.

**The structure of revenues from sales of products - flats in 2007 was as follows:**

- Warsaw and vicinity – PLN 423,338,191.98,
- Łódź – PLN 38,371,107.53
- Gdynia – PLN 43,297,847.98.

**The structure of revenues from hotel activities in 2007 was as follows:**

- Warszawa and vicinity – PLN 6,543,073.61
- Tarnowo Podgórne – PLN 3,913,821.18
- Stryków – PLN 4,907,412.77
- Cieszyn – PLN 953,428.75
- Święta Lipka – PLN 925,377.75.

**9. Information about borrowings, issued securities, loan and other agreements**
**Borrowings**

<b>LOANS PER MATURITY IN PLN '000</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
Up to 1 year	96,085	75,427
Over 1 year up to 2 years	85,412	60,650
Over 2 years up to 5 years	1,063	0
Over 5 years	0	2,953
<b>Total loans, of which:</b>	<b>182,560</b>	<b>139,029</b>
- non-current	86,475	63,603
- current	96,085	75,427

<b>CASH LOANS PER MATURITY IN PLN '000</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
Up to 1 year	707	28,634
Over 1 year up to 2 years	0	
Over 2 years up to 5 years	0	
Over 5 years	0	
<b>Total loans, of which:</b>	<b>707</b>	<b>28,634</b>
- non-current	0	0
- current	707	28,634

**Bonds**

<b>BONDS IN PLN '000</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
Debt under issued bonds	140,500	35,000

## 9.1 Cash loan agreements

### Cash loans granted to the Company

As at 31 December 2007 outstanding cash loans of the Company amounted to PLN 706,877.74, maturing within 12 months.

### Cash loans granted by the Company

As at 31 December 2007 the Company granted cash loans for the total amount of PLN 24,598,389.16, maturing within 12 months of the end of 2007.

## 9.2 Loan agreements concluded by the Company

In 2007 the Company concluded a new loan agreement for the aggregate amount of PLN 134,720,064 for the purpose of purchase of real estate or financing costs connected with implemented investments.

The new loan agreements mature as follows:

- within 12 months of the end of 2007 - PLN 4,500,000
- over 12 months and less than 24 months of the end of 2007 – PLN 120,620,064
- over 24 months and less than 36 months of the end of 2007 – PLN 9,600,000.

The biggest loan agreement concluded by the Company is described under the item on significant agreements.

In 2007 the Company repaid loans for the aggregate amount of PLN 91,544,400.

## 9.3 Bond issue programme

In accordance with the agreement of 17 November 2006 with BRE Bank S.A. domiciled in Warsaw in the financial year 2007 the Company issued short-term bonds worth PLN 266,000,000, including PLN 125,500,000 worth of bonds redeemed until the end of 2007. In 2007 the Company redeemed the total of PLN 160,500,000 worth of bonds.

## 9.4 Sureties and guarantees

In 2007 and 2006 the Company granted the following sureties and guarantees:

Guarantee to the benefit of	As at 31 December 2007	As at 31 December 2006
TBS "Marki" Sp. z o.o.	22,400,000.00	22,400,000.00
Project 55 Sp. z o.o.	40,000,000.00	40,000,000.00
Lokum Sp. z o.o.	16,500,000.00	16,500,000.00
Interlokum Sp. z o.o.	20,600,000.00	20,600,000.00
Budokrusz Sp. z o.o.	2,500,000.00	0.00

## 9.5 Land purchase agreements

### Land purchase agreements

In 2007 the Company purchased real estate from natural persons in the territory of Warsaw. None of the purchased real estate constituted a significant single unit value, however, when added to the real estate earlier purchased by the Company they constituted a valuable investment area. In 2007 in the territory of Warsaw the Company purchased the total of 155,359 m<sup>2</sup> of land.

Moreover, to limit the risk of concentration on the Warsaw market, the Company intensified building the land resources beyond Warsaw and:

- on 11 January 2007 it purchased real estate located in Katowice, of the total area of 44,463 m<sup>2</sup>,
- on 5 April 2007 it purchased real estate located in Łeba, of the total area of 59,819 m<sup>2</sup> + a share in a road plot,

- on 12 November 2007 it purchased the perpetual usufruct right to real estate located in Szczecin, of the area of 102,528 m<sup>2</sup> and shares in a company - Porta Transport Sp. z o.o. domiciled in Szczecin, holding the perpetual usufruct right to real estate of the area of around 95,000 m<sup>2</sup>, adjacent to the real estate purchased by the Company,
- on 18 December 2007 it purchased land in Krzywonoga, Pasym commune, of the area of 3.9885 ha,
- under several transactions with parties not being natural persons it purchased plots of land of the total area of 423,068 m<sup>2</sup> in the Ożarów Mazowiecki commune.

On 24 September 2007 the Company also purchased real estate near Suwałki, of the area of 85,500 m<sup>2</sup>, for the purpose of gravel mines aimed at securing its own needs to that extent.

## 9.6 Agreements between shareholders

The Company is not aware of any agreements to have been concluded between its shareholders.

## 9.7 Insurance agreements

The Company held insurance policies for building projects implemented by the same, covering possible losses that may be incurred during the building process. The insurance also contained third party liability clauses covering building works. Agreements were concluded for the whole term of construction.

The Company also concluded insurance agreements referring to non-current assets owned by the same. The agreements were concluded at replacement value both in PLN and EUR, depending on the currency of purchase. The agreements were concluded for a one-year term.

Moreover, the Company held an insurance policy for the Management Board for PLN 20,000,000, concluded with AIG Europe Branch in Poland.

Due to real estate management activities the Company held third party liability insurance of a real estate manager and third party liability insurance for the business activity to that extent.

Having completed construction of a building, the Company was purchasing insurance for the said buildings. Upon the Housing Community establishment, it assigned policies to the said entities.

**Policies valid as at 31 December 2007, referring to J.W. Construction Holding S.A.**

No.	Item	Insurer	Sum insured
1	Insurance connected with conducting business activity, managing the real estate and performing the function of a real state manager	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A.	PLN 800,000.00 EUR 100,000.00
2	Third party liability insurance of the Management Board	AGI Europe S.A. Branch in Poland	PLN 20,000,000.00
3	Insurance of assets (real estate, electronic equipment, insurance of an office building, modules, machines and equipment)	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A. Towarzystwo Ubezpieczeń i Reasekuracji WARTA	PLN 227,061,629.00 EUR 891,402.00
4	Third party liability insurance in connection with conducted business and held assets, as well as insurance against any and all other risks and accidents connected with performed contracts	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A. Towarzystwo Ubezpieczeń i Reasekuracji WARTA Towarzystwo Ubezpieczeń i Reasekuracji InterRisk S.A.	PLN 783,772,707.00

The Company also held complete insurance agreements connected with hotel activities.

## 9.8 Significant agreements

**In 2007 the Company did not conclude any other significant agreements and co-operation agreements than described below.**

**In the opinion of the Management Board of the Issuer, significant agreements were agreements connected with implementation of the Górczewska Park investment:**

A loan agreement concluded with Bank Ochrony Środowiska S.A. domiciled in Warsaw on 17 September 2007, as amended with annex of 19 December 2007, for the total amount of PLN 60,000,000 and the repayment date of 30 December 2009, for the purpose of financing some costs connected with implementation of the said investment. Specific terms and condition of the said agreements were provided under current reports no. 43/2007 and 76/2007,

An agreement for a reinforced concrete construction and wall work of the buildings A, B, C1, D1, E1, D2 under the complex of multi-family houses - GÓRCZEWSKA PARK with Mostostal Warszawa S.A., of the value set at PLN 41,051,065 net and the completion date of 9 May 2008. The said agreement was described in detail under current report no. 42/2007,

An agreement concluded on 30 August 2007 under a notarial deed, obliging to build and sell – to the benefit of Sawa Residential Fond Sp. z o.o. domiciled in Warsaw – 100 flats with the same number of garage places, of the total value of PLN 70,749,843.56 and the final date of presenting them for acceptance of 30 June 2010. The said agreement was described in detail under current report no. 23/2007. The Issuer sells its main product – flats to dispersed buyers being individual clients, therefore there is no risk of Issuer's dependency on any recipient.

## 10. Related party agreements

**Description of transactions with related parties, if a single or aggregate value of all transactions concluded by a given related party in the period from the beginning of the financial year is higher than PLN equivalent of EUR 500,000**

The Company is a party to many transactions concluded with related parties. Below are presented only the transactions with related parties of the value exceeding PLN equivalent of EUR 500,000. All agreements were concluded by the Company with the related parties on an arm's length basis.

**Transactions with Lokum Spółka z o.o. domiciled in Warsaw – a special purpose vehicle for implementation of the Willa Konstancin investment**

In 2007 the Issuer made transactions based on the following agreements:

- of 1 December 2005 for performance of administrative activities until 31 May 2007
- of 1 December 2005 for construction of a complex of housing buildings
- of 1 December 2005 for investor supervision until 31 May 2007
- of 28 December 2007 for investor supervision until 30 April 2008
- of 1 December 2005 for trade and marketing services
- of 1 December 2005 for designing works
- of 28 December 2007 for performance of administrative activities until 30 April 2008.

Due to the aforesaid agreements the Issuer invoiced Lokum Sp. z o.o. for the total of PLN 31,659,281.45 and Lokum Sp. z o.o. invoiced the Issuer for PLN 6,048.99.

**Transactions with Interlokum Sp. z o.o. domiciled in Warsaw - a special purpose vehicle for implementation of the Skarpa IV investment**

In 2007 the Issuer made transactions based on the following agreements:

- of 1 October 2005 for investment substitution until 30 April 2007
- of 28 December 2007 for investment substitution until 30 April 2008
- of 1 October 2005 for designing works
- of 1 October 2005 for construction of housing buildings with infrastructure
- of 1 October 2005 for performance of administrative activities until 30 April 2007
- of 1 May 2007 for performance of administrative activities until 30 April 2008
- of 30 September 2005 for trade and marketing services.

Due to the aforesaid agreements the Company invoiced Interlokum Sp. z o.o. for the total of PLN 33,864,680.97 and Interlokum Sp. z o.o. invoiced the Company for PLN 48,099.96.



**Transactions with Project 55 Spółka z o.o. domiciled in Warsaw – a special purpose vehicle for implementation of the Górczewska investment**

In 2007 the Issuer made transactions based on the following agreements:

- of 18 May 2005 for investment substitution until 30 September 2007
- of 28 December 2007 for investment substitution until 31 May 2008
- of 25 December 2005 for designing works
- of 28 January 2005 for construction of a complex of housing buildings with infrastructure
- of 25 April 2005 for performance of administrative activities until 30 September 2007
- of 28 December 2007 for performance of administrative activities until 31 May 2008
- of 1 February 2005 for trade and marketing services.

Due to the aforesaid agreements the Company invoiced Project 55 Sp. z o.o. for the total of PLN 81,612,711.31 and Project 55 Sp. z o.o. invoiced the Company for PLN 755,207.53.

**Transactions with Zakład Produkcji Szalunków J.W. System Sp. z o.o. domiciled in Warsaw**

In 2007 the Issuer paid the total of PLN 2,283,887.99 to Zakład Produkcji Szalunków J.W. System Sp. z o.o., of which PLN 2,182,134.14 was paid under the agreement of 18 December 2001 for lease of boarding. Besides, the Company invoiced Zakład Produkcji Szalunków J.W. System Sp. z o.o. for the total of PLN 371,049.19 due to sales of services, product and direct charge.

**Transactions with Business Financial Construction Sp. z o.o. domiciled in Warsaw – a company providing trade and marketing services**

In 2007 the Business Financial Construction Sp. z o.o. invoiced the Company under an agreement of 15 January 2004 for trade and marketing services, for the total of PLN 4,626,630.09. Besides, due to direct charge the Company invoiced Business Financial Construction Sp. z o.o. for the total of PLN 192,430.79.

**Transactions with Zakład Produkcji Metalowej Metalcon Sp. z o.o. domiciled in Warsaw**

In 2007 the Company concluded numerous agreements with Zakład Produkcji Metalowej Metalcon Sp. z o.o. for execution of steel and aluminium joinery, natural ventilation and similar works for the total amount of PLN 10,349,640.22, while the major agreement referred to execution, delivery and fitting of aluminium joinery to the Skarpa IV investment for the amount of PLN 4,107,353.81. Due to the concluded agreements Zakład Produkcji Metalowej Metalcon Sp. z o.o. invoiced the Issuer for the aggregate amount of PLN 4,807,406.68. Besides, the Company charged Zakład Produkcji Metalowej Metalcon Sp. z o.o. with invoices for the total amount of PLN 4,705,342.88 due to sales of goods, services and products.

**Transactions with Zakład Produkcji Marmurów Promar Sp. z o.o. domiciled in Warsaw**

In 2007 the Company concluded numerous agreements with Zakład Produkcji Marmurów Promar Sp. z o.o. for execution, delivery and fitting of window joinery and similar works for the total amount of PLN 2,130,923.05. The major agreement referred to execution, delivery and fitting of window joinery to the Ludwinowska Aleja investment, for the amount of PLN 637,133.50. Zakład Produkcji Marmurów Promar Sp. z o.o. invoiced the Company for the total of PLN 1,834,797.19. Besides, the Company invoiced Zakład Produkcji Marmurów Promar Sp. z o.o. for the total amount of PLN 505,413.31 due to sales of goods and services, and direct charge for purchase of materials. Moreover, the loan agreement of 30 August 2005 between the Company, as the lender, and Zakład Produkcji Marmurów Promar Sp. z o.o., as the borrower, for PLN 220,000 was amended with Annex No. 2 of 27 December 2007, extending the payment date until 31 December 2008.

**Transactions with Deweloper Sp. z o.o. domiciled in Siemianowice Śląskie**

On 2007 the Company concluded the following agreements with Deweloper Sp. z o.o.:

- of 8 March 2007 for preparatory works in the territory of the Uroczysko housing estate, for the amount of PLN 228,557.75
- of 11 May 2007 for general contracting for three buildings in the Uroczysko housing estate, for the amount of PLN 5,131,935.00.

Due to the concluded agreements Deweloper Sp. z o.o. invoiced the Company for the aggregate amount of PLN 2,204,719.53. Besides, the Company invoiced Deweloper Sp. z o.o. due to sales and direct charge for the amount of PLN 78,340.03.

**Transactions with Stadnina Mazowiecka Sp. z o.o. domiciled in Warsaw**

In 2007 the Company granted loans to Stadnina Mazowiecka for the total amount of PLN 4,550,000. The major loan agreement was disbursed on 12 November 2007 at PLN 2,300,000. The loan was granted for the purpose of financing business activity. The loan bears market interest of 3M WIBOR plus a market margin, interest is payable on the loan repayment date falling not later than on 25 September 2008. A 100% share in share capital of the borrower is held by a subsidiary of the Company. The aforesaid terms and conditions, excluding the repayment date, are the same for all agreements.

**Transactions with J.W. Construction International Sp. z o.o. domiciled in Himki (Russia) – a company building a housing estate in the territory of the Russian Federation in Kolomna**

In 2007 the Company received the payment of PLN 2,991,687.11 from J.W. Construction International Sp. z o.o. due to an agreement concluded on 6 June 2004 for preparing technical and design documentation. Besides, on 17 June 2007 the Company granted a loan of USD 1,200,000 (constituting the equivalent of PLN 3,450,000 at the exchange rate of 17 June 2007) to J.W. Construction International domiciled in Russia. The loan was granted for the purpose of financing business activity and bears the market interest of 1M LIBOR plus a market margin, interest is payable on the loan repayment date falling not later than on 17 June 2008.

**Transactions with Construction Invest Sp. z o.o. domiciled in Warsaw**

The loan agreement between the Company, as the lender, and Construction Invest Sp. z o.o. domiciled in Warsaw, as the borrower, for PLN 2,754,117 was amended with an annex on 27 December 2007. The annex changed the payment date from 31 December 2007 to 31 December 2008, other terms and conditions of the agreement remained unchanged.

**Transactions with Mr. Józef Wojciechowski**

In 2007 the Issuer and Mr. Józef Wojciechowski concluded agreements aimed at defining the rules of earlier repayment of a loan granted by Mr. Józef Wojciechowski to the Issuer on 1 December 2006. The loan granted by Mr. Józef Wojciechowski to the Issuer amounted to PLN 27,682,223.05 and was repaid in total, including accrued interest, in the said period. A single major repayment was made on 2 April 2007 and amounted to PLN 9,473,800.

On 30 March 2007 the Company and Mr. Józef Wojciechowski concluded the final agreement for sale of 173,419 shares in J.W. Agro Sp. z o.o. domiciled in Nowogard.

**Transactions with J.W. Agro Sp. z o.o.**

On 7 February 2007 there was concluded an agreement for transferring – by the Company to J.W. Agro Sp. z o.o. – of an organised part of the enterprise in the form of a branch of the Company, operating as J.W. Construction Holding S.A. Oddział "Zakład Produkcji Rolnej", in connection with taking up 172,929 new shares by the Company, with a par value of PLN 50 each, in the increased share capital of J.W. Agro Sp. z o.o.

On 27 September 2007 the Company and J.W. Agro Spółka z o.o. concluded an agreement providing for the rules of repayment of a loan incurred by the Company for purchasing agricultural real estate located near Nowogard, which was contributed in kind as an organised part of the enterprise - Oddział Zakład Produkcji Rolnej J.W. Construction Holding S.A. - by the Company to J.W. Agro Sp. z o.o. Under the said agreement J.W. Agro Sp. z o.o. paid PLN 17,097,500 to the Company on 30 September 2007 and PLN 450,000 on 15 December 2007. The outstanding amount provided under the agreement will be paid as follows: PLN 450,000 until 30 June 2008 and PLN 1,224,578.72 until 30 December 2008. In accordance with the agreement, the outstanding amount bears the market interest of 3M WIBOR plus a market margin.

On 10 November 2007 there was concluded a lease agreement for agricultural machines and equipment between the Company, as the lessor, and J.W. Agro Sp. z o.o., as the lessee, under which the Company invoiced J.W. Agro Sp. z o.o. for PLN 637,251. In the result of settlement of costs connected with the real estate contributed in kind to J.W. Agro Sp. z o.o., in 2007 the Company issued direct-charge invoices to J.W. Agro Sp. z o.o. for the total amount of PLN 376,149.08.

**Transactions with Klub Sportowy Piłkarski Polonia Warszawa S.S.A.**

In accordance with an agreement for advertising and promotion services during sports events, KSP Polonia Warszawa S.A. charged the Company with invoices for the total amount of PLN 3,600,000. At the same time the Company invoiced KSP Polonia Warszawa S.S.A. for the total amount of PLN 143,549.99 due to the lease of two passenger cars and services performed to the benefit of the said company.

Moreover, in 2007 the Company granted loans to Klub Sportowy Piłkarski Polonia Warszawa S.S.A. for the total amount of PLN 4,850,000. The major loan agreement was concluded on 29 October 2007 for PLN 900,000 for the purpose of financing business activity of the company. The said loan bears the market interest of 3M WIBOR plus a market margin, interest is payable on the loan repayment date falling not later than on 31 December 2008. The loan is unsecured. Terms and conditions of other agreements are similar. In the same period the company concluded annexes for postponing repayment dates of due and payable loans of the total amount of PLN 3,060,890.07 until 31 December 2008.

## 11. Utilisation of receipts from issue of securities

Funds received from the issue of shares (at the amount of over PLN 240 million) were used firstly for partial financing of transactions connected with purchase of land for new housing projects. The said purchases were made in accordance with the assumed development strategy of the Company, described in the issuing prospectus i.e. they referred to land located both in Warsaw and vicinity, and in other regions of the country and abroad – in Russia (in Sochi) and in Bulgaria. Out of the total share issue funds expended, around 55% was spent for the purchase of new land in Warsaw and vicinity, 20% in Szczecin and the remaining part was allocated for foreign investments.

The said investments significantly reinforced the "land bank" held by the Group, providing it with Works for the next several years and at the same time creating additional development opportunities. The owned land may be developed with over 16,000 flats.

Moreover, some funds were allocated for funding modernisation and development of the recreational centre "Czarny Potok" in Krynica, as well as for investment purchases connected with construction, building production, purchase of aggregate mines and a workers' hotel. Until the funds received from share issue were fully expended, the said funds were invested in debt securities and in bank deposits.

## 12. Cash management

Cash management of J.W. Construction consisted in guaranteeing liquidity in all segments of activities, including mainly in developer activities. The supreme objective of activities of the whole Group was providing sources of financing for all implemented projects, while maintaining safe liquidity ratios. Turnovers in the companies and the structure of financing were analysed on a daily basis to guarantee optimum current and future liquidity. During the whole 2007 the Group generated positive cash flows and earned the year-end profits much higher than in previous years. The Company was able to perform its obligations in all areas of activities conducted by the same. In the opinion of the Company's management, the economic and financial standing of the Company is so good and stable, that additional threats, e.g. connected with slower rate of flat sales observed recently, would not have an adverse effect on its cash flows on a long-term basis. Nevertheless, to reinforce the sales policy, the Company introduced additional tools in the form of innovative flat purchase programmes (among other PROFIT, LOKUM), due to which the clients can choose the manner of flat purchase financing.

## 13. Evaluation of the ability to implement investment plans

All companies of the Group are fully capable of implementing their investment projects. The basic developer activities will be financed with equity, prepayments made by clients, bank loans and issues of debt securities. Each project has a precisely devised financial engineering with the structure of financing, also with bank loans. All investments planned for launch have financing guaranteed based on rendered loan decisions. Those are usually loans in the form of safe revolving lines financing the balance of funds necessary for a given period. Financial terms and conditions of a loan are adjusted to the nature of a project, including the period of its implementation, while repayments are made with revenues from sales of flats. Financing is raised based on long-term, very good co-operation with banks, where lending formulas - taking account of characteristics of the building sector - were developed on the basis of mutual experience. It is possible that the separated, newly created companies will also be raising loans for their activities.

## 14. Circumstances of significant impact on activities of the Company

**In the opinion of the Company the most important external factors determining conditions of its functioning, with regard to realisation of earnings, in 2007 were:**

- prevailing deficit of new flats (1.5 million, in accordance with information of the Central Statistical Office for December 2007),
- a large, active group of clients entering the market, coming from the baby boom of the 80's,
- growing level of country urbanisation, supporting increasing demand for flats in large cities,
- prevailing high increase in GDP, decreasing rate of unemployment and growing salaries,
- broad, constantly modified mortgage loan offer,
- prevailing growing trend of flat prices,
- permanent interest in purchase of housing real estate by domestic and foreign financial institutions.

**External factors having impact on the rate of growth of revenues:**

- good, attractive housing offer,
- modern, effective marketing (product and brand),
- modern programmes of flat purchase: 10/90 and 20/80,
- close co-operation with banks crediting the investment process and clients of the Company,
- good commercial representatives forces,
- good internal communication between departments in charge of designing, production, marketing and customer service,
- professional public relations and investor relations activities,
- constant modernisation of the technical back-up, tools and equipment of particular building production departments.

The projections for the principal business of the Company for 2008 assume that the aforesaid circumstances will be prevailing in future. Tightened lending policies of banks serving the whole building sector and individual clients, periodic stagnation of prices due to demand restricted artificially by hampered access to the sources of flat purchase financing and a broad offer of finished flats sold on the market are considered as market threats. To eliminate those unfavourable factors it is planned to implement further special flat purchase programmes, launch sales of a new large housing investments in an attractive price and location, supported with a broad marketing campaign conducted in the spring and summer season.

**15. Changes in basic principles of management of the Company and its Capital Group**

In 2007 the internal structure of the Company was changed as follows:

- On 7 February 2007 an organised part of the enterprise in the form of a Company's branch preparing separate financial statements, operating as J.W. Construction Holding S.A. Oddział "Zakład Produkcji Rolnej" (*Branch: "Agricultural Production Plant"*) domiciled in Ząbki, conducting activities within a farm located near Nowogard, Zachodniopomorskie province, was contributed in kind to a company - J.W. Agro Sp. z o.o. domiciled in Nowogard. On 30 March 2007 the Company sold shares held in J.W. Agro Sp. z o.o. to Mr. Józef Wojciechowski.
- On 21 September 2007 on the basis of some assets of the Company, used for conducting building activities, there was established a branch preparing separate financial statements - J.W. Construction Holding S.A. Oddział "Budownictwo" (*Branch: "Construction"*) domiciled in Ząbki.
- On 21 September 2007 on the basis of some assets of the Company, used for conducting architectonic and designing activities, there was established a branch preparing separate financial statements - J.W. Construction Holding S.A. Oddział "Pracownia Architektoniczna" (*Branch: "Architectonic Workroom"*) domiciled in Ząbki.

In 2007 there were no major changes in basic principles of management, besides the aforesaid changes referring to branches of the Company.

**16. Management Board and Supervisory Board of J.W. Construction Holding S.A.****Management Board**

As at 31 December 2007 the Management Board of J.W. Construction Holding S.A. was composed of:

- Jerzy Zdrzałka, CEO – appointed in accordance with Article 14.2 in connection with Article 29 of the Statutes of the Company,
- Wojciech Rajchert, Management Board Member – appointed in accordance with Article 14.2 in connection with Article 29 of the Statutes of the Company,
- Barbara Czyż, Management Board Member,
- Irmina Łopuszyńska, Management Board Member,
- Bożena Malinowska, Management Board Member,
- Grażyna Szafarowska, Management Board Member.

**Changes in membership of the Management Board of the Company in 2007**

On 21 September 2007 the Company received a representation from an eligible party, on recalling Mr. Ryszard Matkowski from the Management Board of the Company, in accordance with Article 14.2 of the Statutes of the Company. Mr. Ryszard Matkowski held the office of the CEO of the Holding in the Management Board of the Company.

On 31 October 2007 the Company received a resignation as of 1 November 2007 of Mr. Tomasz Panabażys from membership in the Management Board, where he held the office of a member of the Management Board of the Company.

**Rules of appointing and recalling the Management Board Members**

The Management Board of the Company is composed of three to eight members, including the CEO (in 2007 there was also the office of the CEO of the Holding, which was liquidated in 2008 with a resolution of the General Meeting). The Management Board is appointed for a common term of office of three years.

The manner of appointing members of the Management Board of the Company is regulated under the Code of Commercial Companies and the Statutes of the Company, which grants personal rights to that extent to Mr. Józef Wojciechowski. The manner of appointing the Management Board members was provided in detail in this Management Board's Report in information about shareholders of securities entitling to special control rights with regard to the Company.

**Rights of the Management Board, in particular a right to take decisions on issue or redemption of securities**

The Management Board operates on the grounds of the Code of Commercial Companies, the Statutes and Regulations of the Management Board. The Management Board manages the business of the Company and represents the same. Two members of the Management Board acting jointly are authorised to represent the Company.

**Rights of the Management Board, in particular the right to resolve a share issue or share redemption**

The Management Board of the Company operates in accordance with the Code of Commercial Companies, the Statutes of the Company and the Management Board Regulations. The Management Board manages the business of the Company and represents the same. Two members of the Management Board acting jointly are authorised to represent the Company.

**Rights to issue shares**

The Management Board is authorised to increase share capital of the Company by the maximum amount of PLN 1,400,000 /one million four hundred thousand/ by issue of new ordinary shares of the total par value of maximum PLN 1,400,000 /one million four hundred thousand/ by way of one or several increases of share capital within the aforesaid limit (authorised capital). The authorisation of the Management Board to issue share capital and issue new shares within the authorised capital expires with the lapse of three years of entering an amendment to the Statutes, made with Resolution No. 2 of the General Meeting of 16 February 2007, into the register of entrepreneurs (which took place on 28 February 2007). The Management Board may increase share capital within the authorised capital on the condition of its approval by the Supervisory Board. Upon consent of the Supervisory Board the Management Board may deprive shareholders of the whole or any part of pre-emptive rights to shares issued under the authorised capital. The Management Board resolves any and all matters connected with a share capital increase within the authorised capital, unless the Statutes of the Company and the Code of Commercial Companies provide otherwise. Resolutions of the Management Board on establishing the issue price of shares under the authorised capital or issue of shares in exchange for in-kind contributions must be approved by the Supervisory Board. Moreover, the Supervisory Board must approve agreements for an investment sub-issue or service sub-issue, or other underwriting agreements, as well as agreements under which depository receipts for shares are issued beyond the territory of the Republic of Poland. The authorisation to increase share capital, referred to under Article 7.1 of the Statutes of the Company, covers a possibility to issue subscription warrants with the subscription exercise right deadline provided therein. The authorisation of the Management Board to exclude the pre-emptive right provided under Article 7.4 of the Statutes of the Company also covers the exclusion of the pre-emptive right to subscription warrants.

**Supervisory Board**

As at 31 December 2007 the Supervisory Board was composed of:

- Józef Wojciechowski – Supervisory Board Chairman, appointed in accordance with Article 16.2 in connection with Article 29 of the Statute of the Company,
- Roman Kobyliński – Supervisory Board Member, appointed in accordance with Article 16.2 in connection with Article 29 of the Statute of the Company,
- Jacek Obłękowski – Supervisory Board Member, appointed in accordance with Article 16.2 in connection with Article 29 of the Statute of the Company,
- Marek Rocki – Supervisory Board Member,
- Henryk Pietraszkiewicz – Supervisory Board Member.



### Changes in the membership of the Supervisory Board of the Company in 2007

On 16 February 2007 the Extraordinary General Meeting of the Company recalled the then-current Supervisory Board composed of Józef Wojciechowski, Katarzyna Szajnowald and Maciej Gnoiński, and appointed the Supervisory Board composed of Józef Wojciechowski, Roman Kobyliński, Jacek Obłękowski, Henryk Pietraszkiewicz and Marek Rocki.

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

Members of the Management Board of the Company have standard contracts of employment concluded, providing for salaries in the period of notice of termination, on terms and conditions provided under the Labour Code.

Moreover, Mr. Jerzy Zdrzałka provides services under business activity to the benefit of a subsidiary of the Company, on the grounds of a civil law contract providing for a three-month period of notice.

### 18. Company's share-based payments

<b>Occupational group</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
Management Board	6	6
Managers	36	30
Administration	386	366
Other employees	617	516
<b>Total</b>	<b>1,045</b>	<b>918</b>
<b>Civil law contracts</b>		
	<b>31 December 2007</b>	<b>31 December 2006</b>
Contract of employment	1,045	918
Contract of mandate	143	292
Contract for specific work	16	22
<b>TOTAL</b>	<b>1,204</b>	<b>1,232</b>
<b>Salaries</b>		
	<b>31 December 2007</b>	<b>31 December 2006</b>
Management Board	1,891,416.60	1,012,870.23
Supervisory board	83,600.00	0.00
<b>Total salaries</b>	<b>1,957,016.60</b>	<b>1,012,870.23</b>

### 19. Headcount in the Company

To guarantee high quality and quantity of sold flats, the Company employs highly qualified specialists: architects, designers, contractors and commercial representative. It supports their professional development by organising training and subsidising science on various levels of education.

As in previous year, the structure of headcount was adapted to applicable requirements on a current basis. Unfortunately, the lack of employees hired for building works was even more severe, which sometimes had an adverse effect on deadlines of technological cycles. To mitigate that, attempts were made to employ foreigners, who were on placement at building sites of the Company. The recruitment process has not been completed yet and it will still be continued.

The headcount structure of J.W. Construction Holding S.A. in 2007 was as follows:

<b>Employees</b>	<b>Headcount</b>
Production	378
Administration	560
Hotel 500 network	100
<b>Total</b>	<b>1,045</b>

The year 2007 was also another period of improving qualifications of the personnel. There were organised 47 training courses, attended by 282 employees. Programmes of the said courses covered subjects connected with:

- Influence of building projects on the environment,
- Internal audit of the enterprise,
- HR & payroll policy,

- taxes,
- management,
- controlling.

## 20. Information about shares of the Company held by members of the Management Board and Supervisory Board

Members of the Management Board and Supervisory Board holding shares of the Company as at 31 December 2007:

Party	Total number of shares held	Total par value of shares held
Józef Wojciechowski	19,241,219	PLN 3,848,243.80

## 21. Shareholders holding directly and indirectly over 5% of the total number of votes in the General Meeting of the Company

As at 31 December 2007 over 5% of the total number of votes in the General Meeting of the Issuer was held by:

Shareholder	Number of shares	% of share capital	Number of votes	% of total votes in the General Meeting
Józef Wojciechowski	19,241,219	35.18%	19,241,219	35.18%
EHT S.A.	25,448,300	46.52%	25,448,300	46.52%

EHT S.A. is controlled by Mr. Wojciechowski through another company.

## 22. Information about executed agreements that may constitute a future basis for changes in the present shareholding structure of the Company

The Company is not aware of any such agreements.

## 23. Holders of securities entitling to special control rights with regard to the Company

In accordance with Article 29 of the Statutes of the Company Mr. Józef Wojciechowski, as a shareholder holding over 50% shares as at the day of a resolution on amending the Statutes of the Company, was awarded with personal rights described below. The said rights are in force as long as he holds at least one share of the Company and together with its 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 Statutes, 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 14.2 of the Statutes of the Company the Shareholder holding more than 50% shares of the Company is entitled to personal rights to appoint and recall half of membership of the Management Board, including the CEO. 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 the given Management Board member, or on appointing or recalling the CEO or the CEO of the Holding. In the case of such appointment, the aforesaid representations should be appended by a declaration of consent of the given person for appointment as a member of the Management Board. Other members of the Management Board are appointed and recalled by the Supervisory Board.

In accordance with Article 16.2 of the Statutes 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 Supervisory Board Chairman. 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 the given Supervisory Board member, or on appointing or recalling the Supervisory Board Chairman. In the case of such appointment, the aforesaid representations should be appended by a declaration of consent of the given person for appointment as a member of the Supervisory Board. Other members of the Supervisory Board are appointed and recalled by the General Meeting.

Article 29 of the Statutes of the Company provides the following definition of the Shareholder holding the said personal rights, as well as the term of such rights: on the day of adopting a resolution on amending the Statutes of the Company and awarding the personal rights, the Shareholder holding more than 50% of shares of the Company was Mr. Józef Kazimierz Wojciechowski. In the case of any occurrence resulting in not holding more than 50% of shares of the Company by Mr. Józef Kazimierz Wojciechowski, the personal rights shall expire and applicable provisions of the Code of Commercial Companies shall be applied accordingly, with a reservation that the same shall not be applicable if Mr. Józef Kazimierz Wojciechowski holds at least one share of the Company and together with its 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 Statutes, 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. When the personal rights expire or are waived, provisions of the Statutes referring to such personal rights to have expired or been waived shall be substituted by applicable regulations of the Code of Commercial Companies. No default on performance or non-performance of personal rights shall result in expiry of the said rights.

Moreover, Mr. Józef Wojciechowski controls the Company by holding, directly or indirectly, a block of shares constituting over 80% of the its total shares.

## **24. Employee share plan control system**

The Company did not implement any employee share plan.

## **25. Restrictions on assignment of ownership rights to Company's securities and restrictions on exercising the voting rights attached to shares of the Company**

### **Contractual restrictions**

The Company is not aware of any contractual restrictions on assignment of ownership rights to Company's securities or any restrictions on exercising the voting rights attached to the Company's shares.

### **Restrictions under the applicable laws**

The restrictions are provided under the act on trading in financial instruments and refer to the so-called "closed periods".

## **26. Information about an agreement concluded with a licensed certified auditing firm for auditing and reviewing separate and consolidated financial statements**

On 29 August 2007 the Company concluded an agreement with BDO Numerica Sp. z o.o. (a licensed auditing firm) for auditing and reviewing separate and consolidated financial statements.

The agreement was concluded for auditing financial statements of the Company and its Capital Group for the year ended 31 December 2007 and reviewing semi-annual financial statements of the Company and its Capital Group for the period ended 30 June 2007. The total fee for auditing the annual financial statements of the Company and for auditing the annual financial statements of its Capital Group amounted to PLN 125,000. The total fee for reviewing the semi-annual financial statements of the Company and the semi-annual financial statements of its Capital Group was PLN 80,000.



The total fee for auditing the annual financial statements of the Company and the annual financial statements of its Capital Group for the same period of the previous year was PLN 70,000 and the total fee for reviewing the semi-annual financial statements of the Company and the semi-annual financial statements of its Capital Group was PLN 40,000.

## **27. Information about significant actions and achievements of the Company**

### **IPO on the Warsaw Stock Exchange**

The major event of 2007 was the Initial Public Offering on the Warsaw Stock Exchange and the first quoting on 4 June 2007, which proved an unprecedented success in the 14-year history of the Company. J.W. Construction Holding S.A. was recorded as the second largest non-privatising offering in the history of the Polish capital market. The demand for shares in the public offering was fifteen times bigger than the supply, which meant that individual investors, to have subscribed for shares, received much less than they were willing to buy – the reduction reached as much as 98.1%.

### **Transferring flats in Kolomna for use**

In March 2007 the Company transferred for use the first of the planned six buildings in Kolomna near Moscow. The seven to nine-storey building with 192 flats and the overall area of 11,315 m<sup>2</sup> with underground garages, is the first building of that class in Kolomna and it became the visiting card of the Company on the said market.

### **Extension of the ISO 9001:2001 certificate**

In June 2007 the Polish Centre for Testing and Certification conducted a supervisory audit to check the implementation and practical realisation of all provisions of the ISO 9001:2001 system by the Company. The audit did not disclose any non-compliance. The validity of the certificate for the Company was extended. Under the works performed to improve documentation of the quality management system the Company revised its Quality Policy.

### **Organisational changes in the Company structure**

On 21 September 2007 the Management Board of the Company adopted resolutions on establishing two new branches within the structures of the Company:

- Oddział "Pracownia Architektoniczna" (*Branch: "Architectonic Workroom"*) to conduct activities of the Company connected with architectonic designing,
- Oddział "Budownictwo" (*Branch "Construction"*) to conduct construction activities performed by the Company.

### **Obtaining a building permit and commencing an investment - "Górczewska Park"**

On 19 July 2007 the President of the capital city of Warsaw issued Decision No. 557/WOL/A/2007 approving the building project and granting a building permit for an investment – "Górczewska Park". The said decision became effective on 13 August 2007. The investment covered 12 buildings with the total of 890 above-average-standard flats. Based on the aforesaid decision of the Company, in the 3<sup>rd</sup> quarter building works connected with implementation of the said investment were commenced. The main contractors of the said investment, with whom the Company concluded contracts for implementation, were "Mostostal Warszawa S.A.", "Resbud" S.A. and a Bulgarian law company – "Kurortno Stroitelstvo" LTD. Contracts with the aforesaid companies referred mainly to realisation of reinforced concrete and wall constructions.

### **Significant flat sales contract**

On 4 July 2007 one hundred preliminary agreements were concluded with "Sawa Residential Fond" Sp. z o.o. for sales of flats and the same number of parking places in buildings developed on an investment – "Górczewska Park" in Warsaw. On 30 August 2007 in the result of performance of provisions of preliminary agreements, an agreement was concluded in the form of a notarial deed, obliging to develop a building and establish separate ownership right to 100 flats and the same number of parking places, and to transfer ownership rights to the said flats to the buyer.

**Changes in the organisational structure of the Capital Group of J.W. Construction Holding S.A.****Establishing a subsidiary in Bulgaria**

On 8 October 2007 the Municipal Court for Sofia registered a company - J.W. Construction Bulgaria EOOD domiciled in Sofia, in which J.W. Construction Holding S.A. took up 500 shares with a par value of BGN 10 each and the total value of BGN 5,000, constituting 100% of share capital and entitling to the same number of votes in the general meeting of the company. The Company plans to conduct business activity in the developer sector in the territory of Bulgaria through the said company.

**Registration of a construction company - J.W. Construction S.A.**

On 10 October 2007 the District Court for the capital city of Warsaw, 14<sup>th</sup> Business Division of the National Court Register, registered a company - J.W. Construction S.A. domiciled in Ząbki, which was established on 26 September 2007.

**Acquisition of financial assets in Porta Transport Sp. z o.o. Szczecin**

On 12 November 2007 the Company acquired, from the official receiver of Porta Holding S.A. domiciled in Szczecin, 258,307 shares of Porta Transport Sp. z o.o. domiciled in Szczecin, with a par value of PLN 100 each. The said shares constitute 99.99% of share capital of Porta Transport Sp. z o.o. and entitle to the same number of votes in the general meeting of the said company. Porta Transport Sp. z o.o. provides transport services to Stocznia Szczecińska Nowa Sp. z o.o. and forwarding services in the country and abroad, moreover, it holds the right of perpetual usufruct to land located in the city of Szczecin, of around 9.5 ha. The shares were acquired for PLN 19,117,737.41 and were disclosed in the Company's books at their acquisition value. On 7 December 2007 the Company acquired one share in Porta Transport Sp. z o.o., thus as at 31 December 2007 it held 258,308 shares constituting 100% of share capital, entitling to the same number of votes in the general meeting. The Company plans to use the right of perpetual usufruct acquired under the aforesaid transaction for developer activities.

**Agreement for buying financial assets - Ośrodek Wypoczynkowy "Ogoniok", presently "Yakor House"**

On 7 December 2007 the Company acquired interests in share capital of a Russian law limited liability company - Ośrodek Wypoczynkowy "Ogoniok" domiciled in Sochi, Russian Federation ("Target Company"), amounting to 70% of share capital of the Target Company and entitling to 70% of the total number of votes in the general meeting of the same ("Interests"). The par value of the Interests is RUB 7,350,000 (seven million three hundred and fifty thousand), being equivalent to PLN 735,735 (seven hundred thirty five thousand seven hundred and thirty five) at the average rate of the National Bank of Poland as at 7 December 2007. To the best knowledge of the Company, the core business of the Target Company to date was hotel services. The Interests were acquired under a sales agreement with a disposing effect, concluded on 7 December 2007 between the Company and a natural person, a citizen of the Russian Federation ("Natural Person"), so far holding 100% of share capital and the total number of votes in the general meeting of the Target Company. The gross price for acquisition of Interests by the Company, stipulated in the agreement, was USD 4,000,000 (four million), being equivalent to PLN 9,834,000 (nine million eight hundred and thirty four thousand) at the average rate of the National Bank of Poland as at 7 December 2007.

The Target Company owns real estate in Sochi of the area of 47,802 m<sup>2</sup>, where it plans to construct a complex of nine housing buildings with a sports, commercial and service area, including around 1,000 flats. The Interests were acquired with own funds of the Company and constitute a long-term investment. The Interests will be recognised in Company's books at the acquisition price. J.W. Construction Holding S.A. plans to implement investments in Sochi through the Target Company.

**Sale of flats in 2007**

In the whole 2007 the sales intensification policy was effectively implemented, which resulted in 2,787 agreements concluded with clients, for the total value of PLN 1,165,712,013.95.

**In 2007 new investments were introduced to sale:**

- in Warsaw at Zdziarska Street – "Zielona Dolina"
- in Warsaw at Górczewska/Olbrachta Streets – "Górczewska Park"
- in Warsaw at Odkryta Street – "Wiślana Aleja"
- in Katowice at Bałtycka Street – "Osiedle Uroczysko"

**Awards and distinctions**

Activities of the Company were honoured with many valuable awards and distinctions, being a token of recognition of its achievements and market position. In 2007 the collection of titles and awards held by the Company was expanded by:

- the Europroduct certificate awarded by the Polish Trading Society,
- Grand Prix of the President of the Chamber of Construction,
- the Pearl of the Polish Economy title in the category "The Largest Pearls" awarded by the editorial staff of the Polish Market magazine and the Institute of Economics of the Polish Academy of Sciences,
- the Superbrands Polska title awarded by the Brand Council of the Superbrand organisation.

**Key events after the balance sheet date:****Changes in the organisational structure of the Capital Group of J.W. Construction Holding S.A.****Registration of JWCH Budownictwo Drogowe Sp. z o.o.**

On 21 February 2008 the District Court for the capital city of Warsaw, 14<sup>th</sup> Business Division of the National Court Register, registered a company - JWCH Budownictwo Drogowe Sp. z o.o. domiciled in Ząbki, formed with a notarial deed of 7 February 2008.

**Registration of JWCH Produkcja Budowlana Sp. z o.o.**

On 7 March 2008 the District Court for the capital city of Warsaw, 14<sup>th</sup> Business Division of the National Court Register, registered a company - JWCH Produkcja Budowlana Sp. z o.o. domiciled in Ząbki, formed with a notarial deed of 19 February 2008.

**Registration of changes in JW Projekt Sp. z o.o.**

On 19 February 2008 the District Court for the capital city of Warsaw, 12<sup>th</sup> Business Division of the National Court Register, registered a change in the business name of a company: from "Dremet-Projekt" to "JW Projekt".

**Appointment of the Management Board for a common term of office**

On 25 March 2008, due to the end of the term of office of Ms. Grażyna Szafarowska, a member of the Management Board of the Company, the Supervisory Board of the Company standardised the term of office for all members of the Management Board by recalling the then-current Management Board and appointing it for the common term of office, in accordance with the Statutes of the Company. At the same time Mr. Józef Wojciechowski exercised personal rights due to it to appoint members of the Management Board. Presently the Management Board of the Company is composed of six members i.e. the CEO – Jerzy Zdrzałka (appointed by Mr. Józef Wojciechowski), Management Board Members: Grażyna Szafarowska, Irmina Łopuszyńska, Bożena Malinowska, Barbara Czyż (appointed by Mr. Józef Wojciechowski) and Wojciech Rajchert (appointed by Mr. Józef Wojciechowski).

**Loan repayments**

On 29 February 2008 an investment loan with Bank Millennium S.A. for PLN 6,500,000 was repaid, incurred for the purpose of partial financing of an investment – "Ludwinowska Aleja".

On 4 April 2008 a subsidiary - Project 55 Sp. z o.o. repaid a loan with Bank Millennium S.A. for PLN 40,000,000, incurred for co-financing an investment – "Osiedle Górczewska".

On 30 April 2008 a subsidiary - Interlokum Sp. z o.o. repaid a loan with Bank PKO BP S.A. for PLN 20,600,000, incurred for co-financing an investment – "Rezydencja na Skarpie".

**Concluding an annex to the loan agreement**

On 11 April 2008 the Company concluded Annex No. 2 to Loan Agreement No. 368/09/2007/1102/K/OBR for a revolving working capital loan, concluded with Bank Ochrony Środowiska S.A. on 17 September 2007 for partial financing of an investment – "Górczewska Park". By virtue of the said annex the value of the granted loan was increased from PLN 60,000,000 to PLN 115,000,000.

### Purchase of land in Bulgaria

On 17 April 2008 a subsidiary - J.W. Construction Bulgaria EOOD domiciled in Sofia concluded a final agreement for purchase of real estate located in Golden Sands (Bulgaria) of the area of 14,667 m<sup>2</sup>. The Acquisition price was EUR 7,778,867.42 (including VAT), which translates to PLN 26,685,404.69 at the average exchange rate of the National Bank of Poland of 17 April 2008, equal to PLN 3.4305.

### Obtaining a building permit

- on 14 January 2008 a building permit for construction of a housing estate - Lewandów I in Warsaw became effective;
- on 12 February 2008 the Company received a valid building permit for construction of a housing estate "Wiślana Aleja" at Odkryta Street in Warsaw;
- on 9 April 2008 the Company received a valid permit for construction of a housing estate - Ludwinowska Aleja II in Warsaw;
- on 11 April 2008 the Company received a valid permit for construction of a housing estate - "Lewandów II" at Lewandów Street in Warsaw;
- on 11 April 2008 the Company received a permit for construction of an investment – "Bursztynowe Osiedle" at Korkowa Street in Warsaw. The permit is not valid.
- on 28 April 2008 the Company received a valid permit for construction of 11 buildings under Phase 1 of a housing estate - "Lazurowe Ustronie" I in Kręczyki-Kaputy, Ożarów Mazowiecki commune.

### Extraordinary General Meeting

An Extraordinary General Meeting of the Company was held on 1 April 2008. The General Meeting resolved to give consent to selling organised parts of the enterprise in the form of branches of the Company operating as J.W. Construction Holding S.A. Oddział "Budownictwo" (*Branch: "Construction"*) domiciled in Żąbki, J.W. Construction Holding S.A. Oddział "Pracownia Architektoniczna" (*Branch: "Architectonic Workroom"*) domiciled in Żąbki and J.W. Construction Holding S.A. Oddział "Zakład Prefabrykacji Budowlanej" (*Branch: "Building Prefabrication Plant"*) domiciled in Żąbki, by contributing them in kind to subsidiaries of the Company.

On 30 April 2008 the Extraordinary General Meeting of a Company's subsidiary - J.W. Construction S.A. domiciled in Żąbki was held. The General Meeting resolved to increase share capital from PLN 500,000 to PLN 11,526,618 i.e. by PLN 11,026,618 by way of issuing 11,026,618 B-class registered ordinary shares of a par value of PLN 1 each. The entire issue was taken up by the Company and covered with an in-kind contribution in the form of a branch of the Company operating as J.W. Construction Holding S.A. Oddział "Budownictwo" domiciled in Żąbki. In performance of the said resolution an agreement for taking up shares was executed between the Company and J.W. Construction S.A. domiciled in Żąbki. On the same day an agreement was executed between the Company and J.W. Construction S.A. domiciled in w Żąbki, transferring the ownership to an organised part of the enterprise in the form of a branch of the Company, which operated as J.W. Construction Holding S.A. Oddział "Budownictwo" domiciled in Żąbki.

On 30 April 2008 the Extraordinary General Meeting of a Company's subsidiary - J.W. Projekt Spółka z o.o. domiciled in Warsaw was held. The General Meeting resolved to increase share capital from PLN 52,000 to PLN 1,155,600 i.e. by PLN 1,103,600 by way of issuing 5,518 shares of a par value of PLN 200 each. The entire issue was taken up by the Company and covered with an in-kind contribution in the form of a branch of the Company operating as J.W. Construction Holding S.A. Oddział "Pracownia Projektowa" (*Branch: "Designing Workroom"*) domiciled in Żąbki. In performance of the said resolution the Company made a representation on taking up the newly issued shares. On the same day an agreement was executed between the Company and J.W. Projekt Spółka z o.o. domiciled in Warsaw, transferring the ownership to an organised part of the enterprise in the form of a branch of the Company, which operated as J.W. Construction Holding S.A. Oddział "Pracownia Projektowa" domiciled in Żąbki.

On 30 April 2008 the Extraordinary General Meeting of a Company's subsidiary - JWCH Produkcja Budowlana Spółka z o.o. domiciled in Żąbki was held. The General Meeting resolved to increase share capital from PLN 100,000 to PLN 15,495,000 i.e. by PLN 15,395,000 by way of issuing 307,900 shares of a par value of PLN 50 each. The entire issue was taken up by the Company and covered with an in-kind contribution in the form of a branch of the Company operating as J.W. Construction Holding S.A. Oddział "Zakład Prefabrykacji Budowlanej" domiciled in Żąbki. In performance of the said resolution the Company made a representation on taking up the newly issued shares. On the same day an agreement was executed between the Company and JWCH Produkcja Budowlana Spółka z o.o. domiciled in Żąbki, transferring the ownership to an organised part of the enterprise in the form of a branch of the Company, which operated as J.W. Construction Holding S.A. Oddział "Zakład Prefabrykacji Budowlanej" domiciled in Żąbki.

### Concluded significant agreement

On 21 April 2008 the Company concluded a contract with a company operating as PRUMSTAV DEVELOP POLAND Spółka z o.o. w organizacji (*limited liability company in organisation*) domiciled in Kłodzko ("**Contractor**") for performance by the Contractor of 14 multi-family housing buildings, implemented under the Lewandów II housing

estate, under a general contracting system. The contractual value was set at the lump-sum of PLN 62,960 net and the investment completion day was set for 26 October 2009.

### **Awards and distinctions**

#### **In the 1<sup>st</sup> quarter 2008 the Group was:**

- ranked the first in the "Ranking of Developers 2008", prepared by the editorial staff of the Business Forum of the Gazeta Prawna magazine. The ranking nominates the biggest and the most dynamic representatives of the developer industry;
- titled "Company of the Year 2007" for special achievements in housing building and for effective launch on the Warsaw Securities Exchange, by the Polish Business Club;
- ranked among the most valuable companies "Diamonds of Forbes 2008". The list contained enterprises which most effectively increased their value in the years 2004-2006 and thus, made best use of the economic boom.

Jerzy Zdrzałka, CEO –	.....
Barbara Czyż, Management Board Member –	.....
Irmina Łopuszyńska, Management Board Member –	.....
Bożena Malinowska, Management Board Member –	.....
Wojciech Rajchert, Management Board Member –	.....
Grażyna Szafarowska, Management Board Member –	.....