

Management Commentary
on J.W. Construction Holding S.A. in 2008



Ząbki, 29 April 2009

1. Introduction

Basic information

J.W. Construction Holding S.A., a joint-stock company domiciled in Ząbki ("Company"), registered with the Register of Companies of the National Court Register under number 0000028142, whose registration files are kept by the District Court for the Capital City of Warsaw, 14th Business Division of the National Court Register, is the parent company of the Capital Group of J.W. Construction Holding S.A. ("Capital Group").

The Company was entered into the Register of Companies of the National Court Register 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."

The Company was formed from transformation of Towarzystwo Budowlano - Mieszkaniowe Batory Sp. z o.o. domiciled in Ząbki, established on 10 February 1994. The transformation of a limited liability company into a joint stock company, executed under a notarial deed of 28 December 2000, was registered by the District Court for the Capital City of Warsaw, 16th Business and Registry Division on 15 January 2001.

Share capital of the Company amounts to PLN 10,939,656 and is divided into 51,250,000 A-class ordinary bearer shares and 3,448.280 B-class ordinary bearer shares with a par value of PLN 0.20 each.

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

Income statement

Key items of the income statement for the years 2008 and 2007, translated into EUR

Income statement item	1 January 2008 - 31 December 2008		1 January 2007 - 31 December 2007	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	671,694	190,162	683,412	180,950
Costs of products, goods and materials sold	481,987	136,454	480,554	127,239
Gross profit (loss) on sales	189,707	53,708	202,858	53,712
Selling expenses	26,449	7,488	27,287	7,225
Overhead expenses	18,439	5,220	20,333	5,384
Profit (loss) on sales	144,820	41,000	157,107	41,598
Operating profit (loss)	136,777	38,723	156,830	41,525
Gross profit (loss)	128,665	36,426	146,042	38,668
Income tax	26,153	7,404	26,633	7,052
Net profit (loss)	102,512	29,022	119,409	31,617

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

	1 January 2008 – 31 December 2008 in PLN'000	% of sales	1 January 2007 – 31 December 2007 in PLN'000	Dynamics 2008/2007
Net revenues from sales of products, goods and materials	671,694	100%	683,412	98%
Costs of products, goods and materials sold	481,987	72%	480,554	100%
Profit on sales	144,820	22%	157,107	92%
Operating profit	136,777	20%	156,830	87%
Gross profit	128,665	19%	146,042	88%
Net profit	102,512	15%	119,409	86%

The analysis of the income statement shows that the Company achieved a revenue of PLN 672 million, which is only 2% less than in 2007, a record year in every respect. At the same time, the company maintains a high net profit margin (15%), generating net profit of over PLN 100 million.

Company's income structure in 2008

The main item of income for 2008 are definitely the revenues from sales of premises (93% of revenues), revenues from sales of services make up 4% and revenues from sales of materials around 3%, which is presented in the following table. Compared to the previous year an even stronger concentration on developer activity is visible.

Other areas of activity, such as construction services, were separated to other entities which are subject to consolidation within the Capital Group of J.W. Construction Holding S.A.

OPERATING INCOME	1 January 2008 – 31 December 2008	% of sales	1 January 2007 – 31 December 2007	% of sales
- sales of products	627,997	93%	505,007	74%
- sales of services	23,543	4%	164,965	24%
- sales of goods	20,154	3%	13,440	2%
Total income	671,694	100%	683,412	100%

Balance sheet

The balance of assets, equity and liabilities as at 31 December 2008 and 31 December 2007 in PLN '000 and EUR '000

Issuer's balance sheet item	31 December 2008		31 December 2007	
	PLN	EUR	PLN	EUR
Total assets	1,404,040	336,507	1,194,159	333,378
Non-current assets	356,795	85,513	285,038	79,575
Current assets	1,047,245	250,993	909,121	253,803
Total equity and liabilities	1,404,040	336,507	1,194,159	333,378
Equity	602,437	144,386	494,789	138,132
Non-current liabilities	212,324	50,888	214,305	59,828
Current liabilities	589,279	141,233	485,064	135,417

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Structure and dynamics of changes in assets, equity and liabilities as at 31 December 2008 and 31 December 2007 in PLN '000

	31 Dec 2008	% of assets	31 Dec 2007	Change 2008/2007
Non-current assets	356,795	25%	285,038	25%
Current assets	1,047,245	75%	909,121	15%
Total assets	1,404,040	100%	1,194,159	18%

	31 Dec 2008	% of equity and liabilities	31 Dec 2007	Change 2008/2007
Equity	602,437	43%	494,789	22%
Liabilities and provisions for liabilities	801,603	57%	699,369	15%
Non-current liabilities	212,324	15%	214,305	-1%
Current liabilities	589,279	42%	485,064	21%
Total equity and liabilities	1,404,040	100%	1,194,159	18%

The structure of the balance sheet as at 31 December 2008 is very similar to the one at the end of 2007. Non-current assets constitute about 25% of the balance sheet total and current assets account for about 75% of total assets. Compared to 2007, at the end of 2008 the Company's balance sheet total went up by around PLN 210 million (by 18%). The growth in assets of J.W. Construction Holding S.A. is covered approximately fifty-fifty with an increase in equity (by 22%) and an increase in current liabilities. Non-current liabilities decreased slightly – by 1% p.a.

Financial ratios

	2008	2007	2006
Net profit margin on sales			
$\frac{\text{net profit/loss}}{\text{revenues from sales}}$	15.26%	17.47%	16.70%
Liquidity I (current)			
$\frac{\text{total current assets}}{\text{current liabilities}}$	1.91	2.61	2.10
Liquidity II (quick)			
$\frac{\text{total current assets} - \text{inventories}}{\text{current liabilities}}$	1.90	2.54	2.01
Liquidity III (cash)			
$\frac{\text{cash and cash equivalents}}{\text{current liabilities}}$	0.04	0.15	0.13
Inventories turnover			
$\frac{\text{average inventories} \times 365 \text{ days}}{\text{cost of goods sold}}$	11.00	17.00	21.00
Equity to fixed assets			
$\frac{\text{equity}}{\text{fixed assets}}$	1.69	1.74	0.61

In the current accounting year 2008 net profit margin on sales is still high and it does not differ from the figures for 2007 and 2008.

Also the liquidity ratios for 2008 are similar to the ones for 2006, while not differing significantly from 2007. They prove safe financial flows and at the same time reflect good ability of the Company to serve current liabilities.

Inventories turnover is at the lowest, in the last 3 years, level of 11 days, showing that the completed investment projects are smoothly handed over to clients.

3. Significant risk factors and uncertainties

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

Interest rate risk

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

Currency risk

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

Credit risk

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

Liquidity risk

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

Administrative risk

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

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Financial statements item	Value in PLN	Interest rate risk				Currency risk			
		Effect on earnings		Effect on equity		Effect on earnings		Effect on equity	
		+ 50 b.p. in PLN	- 50 b.p. in PLN	+ 50 b.p. in PLN	- 50 b.p. in PLN	+10%	-10%	+10%	-10%
		+ 25 b.p. in USD/EUR	- 25 b.p. in USD/EUR	+ 25 b.p. in USD	- 25 b.p. in USD				
Financial assets									
Cash in current accounts	10,143	51	-51						
Bank deposits	12,198	61	-61						
Bonds held	0	0	0						
Granted loans in PLN	11,129	56	-56						
Granted loans in USD	14,695	37	-37			1,469	-1,469		
Granted loans in EUR	35,153	88	-88			3,515	-3,515		
Effect on financial assets before tax		292	-292	0	0	4,985	-4,985	0	0
Tax (19%)		-55	55	0	0	-947	947	0	0
Effect on financial assets after tax		236	-236	0	0	4,038	-4,038	0	0
Financial liabilities									
Bonds issued	71,000	-355	355						
Bank loans	328,580	-1,643	1,643						
Effect on financial liabilities before tax		-1,998	1,998	0	0	0	0	0	0
Tax (19%)		380	-380	0	0	0	0	0	0
Effect on financial liabilities after tax		-1,618	1,618	0	0	0	0	0	0
Total increase / (decrease)		-1,382	1,382	0	0	4,038	-4,038	0	0

Untypical circumstances

In 2008 there were no untypical circumstances and events having effect on earnings for the accounting year.

4. Development perspectives of the Company

The Company plans to continue investment projects in progress in the scope of housing building in the territory of Warsaw, in accordance with the earlier approved work schedules. In 2009 premises from the following investment projects will be completed and handed over to clients: Osiedle Lazurowa (apartments have been handed over successively since January 2009), Górczewska Park, Rezydencja Quatro, Osada Wiślana. Besides, this year it is

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planned to commence works connected with preparing an investment project in Warsaw at ul. Zdziarska – Phase I (nearly 600 apartments).

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

Taking account of prevailing market trends, the Company offers apartments under the “Family on Its Own” Programme. At the same time it continues and develops co-operation with banks offering housing loans.

The conducted marketing campaigns are aimed at winning a broad circle of potential clients, also from other regions than Warsaw. According to the Company’s data 47% of clients come from beyond Warsaw, usually from small towns. Moreover, works are conducted connected with preparing office and service projects on plots owned by the Company in the centre of Szczecin, in Warsaw at ul. Badyłarska and at ul. Pileckiego.

Additionally, the segment of hotel activity is developed by the development and modernisation of a four-star hotel to the “Resort & Spa” category. The works were commenced in the previous years and are being continued.

Summing up, notwithstanding the market situation the Company diversifies the risk by:

- introducing the sale of office and commercial space to the offer,
- carrying on the housing investment projects in progress – none of the projects was suspended,
- a broad commercial offer – including apartments ready for immediate move-in.

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

- strengthening of the leading position among developers both in Warsaw and in the whole country by carrying on all investment projects in progress and preparing a new project for launch;
- reducing the dependence on third party sub-contractors by development and strengthening of own labour forces under a separated building company – J.W. Construction S.A.;
- cutting costs among other things by shortening the period of investment project implementation while using a new prefabricated unit production technology under a separated company – JWCH Produkcja Budowlana Sp. z o.o.;
- carrying on the works connected with preparing new investment projects by drawing up the documents, including project documentation, and applying for building permits, which will allow to smoothly commence further investment projects in the future.

Planned selected projects as at 31 December 2008

Investment project	Town / District	Number of premises / Commercial area
Badylarska – office building	Warsaw	4,269
Pileckiego – offices/hotel	Warsaw	17,500
Szczecin, al. Wyzwolenia	Szczecin	29,000
Lewandów Park III, ul. Lewandów	Warsaw / Białoleka	787
Zielona Dolina I, ul. Zdziarska/Ostródzka	Warsaw / Białoleka	596
Zielona Dolina II, ul. Zdziarska/Ostródzka	Warsaw / Białoleka	909
Światowida	Warsaw / Białoleka	196
Berensona	Warsaw / Białoleka	170

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

Developer activity

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

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

- Standard apartments (including above-average-standard apartments) – apartments in housing buildings and housing estates located beyond town centres (mainly in the Białoleka district), for the average price of PLN 6,700/m². The said housing estates are composed of a dozen or so repeatable buildings, where one building consists of up to 50 apartments.
- Above-average-standard suites – suites in housing buildings or small groups of buildings located in such districts as Mokotów and Wola, for the average price of PLN 9,500/m².

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

In the period from 1 January 2008 to 30 April 2008 J.W. Construction Holding S.A. also conducted the following activities: building and assembly, designing and production of building prefabricated units. As of 1 May 2008 the aforesaid activities were transferred to separate subsidiaries.

The following investment projects were commenced in 2008:

Investment project	Commenced on	Number of premises
Osiedle Lewandów I	6 February 2008	631
Osiedle Lewandów II	1 May 2008	1,274
“Osiedle Bursztynowe” ul. Korkowa	16 April 2008	322
“Wiślana Aleja” ul. Odkryta	1 April 2008	200
“Osada Wiślana” Phase III	3 March 2008	128
“Pyry II”	16 April 2008	24

"Lazurowe Ustronie" Phase I	2 July 2008	378
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Besides the aforesaid investment projects, construction works were carried out in the following housing estates:

- Osiedle Górczewska (Warsaw) – general contractor – 1,410 apartments,
- Rezydencja na Skarpie (Warsaw) – general contractor – 261 apartments,
- Willa Konstancin (Konstancin Jeziorna) – general contractor – 178 apartments,
- Pyry I (Warsaw) – 68 apartments,
- Osiedle Centrum (Łódź) – 303 apartments,
- Osiedle Lazurowa (Warsaw) – 689 apartments,
- Osiedle Leśne (Gdynia) – 202 apartments,
- Osiedle Katowice – 27 apartments,
- Osada Wiślana (Phase I and II) – 276 apartments,
- Osiedle „Górczewska Park” (Warsaw) – 889 apartments,
- Rezydencja Quatro (Warsaw) – 243 apartments.

Hotel activity

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

Revenues from sales of hotel services in 2008 amounted to PLN 21,031,000 i.e. 21% more 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 43%.

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

During the first half of the year the number of individual clients spending at least two days in the 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 refurbishment and modernisation works in all buildings. In 2008 subsequent phases of the refurbishment of Hotel 500 in Zegrze were finished.

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

Real estate management activity

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

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In 2008 revenues from sales of the Company were as follows:

Revenues from sales	1 January 2008 - 31 December 2008	1 January 2007 - 31 December 2007	Change 2008/2007
- developer activity	626,864,715.36	515,473,583.21	increase by 22%
- hotel activity	21,031,433.79	17,243,114.06	increase by 22%
- real estate management	3,643,660.37	2,473,297.21	increase by 47%
- construction*	0.00	134,782,268.76	decrease by 100%
- sales of goods	20,154,335.76	13,440,037.41	increase by 50%
Total	671,694,145.28	683,412,300.65	decrease by 2%

* construction activity was transferred to a Subsidiary

6. Information about the market

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

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

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

7. Suppliers and recipients of the Company

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

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

8. Significant agreements for the business of the Company

8.1 Construction contracts

Contractor	Contract dated	Contract for	Net value	Completion date
J.W. Construction S.A.	27 Aug 2008	Comprehensive construction of a complex of housing buildings in the housing estate "Korkowa" in Warsaw	PLN 81,256,524	26 Mar 2010
J.W. Construction S.A.	23 Sep 2008	Investment task – completing the construction of a complex of multi-family housing buildings in the housing estate "Lazurowa" in Warsaw	PLN 62,973,877.45	30 Apr 2009
J.W. Construction S.A.	23 Sep 2008	Investment task – completing the construction of a multi-family building at ul. Łukowska in Warsaw	PLN 32,439,390.04	29 May 2009

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J.W. Construction S.A.	23 Sep 2008	Investment task – completing the construction of a complex of multi-family buildings in the housing estate “Odkryta” in Warsaw	PLN 41,984,055.16	20 Jan 2010
J.W. Construction S.A.	23 Sep 2008	Investment task – completion of the construction of a complex of multi-family buildings in the housing estate “Osada Wiślana” in Warsaw	PLN 44,742,144.28	31 Aug 2009
J.W. Construction S.A.	23 Sep 2008	Comprehensive construction of a complex of housing buildings in the housing estate “Pyry 2” in Warsaw	PLN 7,327,879.93	4 Jun 2009
J.W. Construction S.A.	3 Oct 2008	Investment task – construction of a complex of 11 multi-family buildings in the housing estate “Kręczki Kaputy I A and I B” and comprehensive performance of external infrastructure works for an investment project– “Kręczki Kaputy 1” in Ożarów Mazowiecki	PLN 91,573,630	23 Nov 2009
J.W. Construction S.A.	14 Oct 2008	Investment task – completing the construction of a complex of multi-family buildings in the housing estate “Górczewska Park” in Warsaw	PLN 91,988,955.06	13 May 2009
J.W. Construction S.A.	14 Oct 2008	Complex construction of a housing estate with multi-family buildings – “Lewandów II” in Warsaw	PLN 170,971,863.04	28 Jan 2010
J.W. Construction S.A.	17 Oct 2008	Complex construction of the housing estate with multi-family buildings – “Lewandów I” in Warsaw	PLN 76,235,664.91	30 Nov 2009

8.2 In-kind contribution agreements

On 30 April 2008 the Company concluded a notarised agreement with a subsidiary – JW Projekt Spółka z o.o. domiciled in Warsaw, for transferring an organised part of the enterprise in the form of a branch operating as J.W. Construction Holding S.A. Oddział “Pracownia Architektoniczna” (*Branch: “Architectonic Workroom”*) domiciled in Żąbki, in performance of the obligation under the resolution on increase of share capital of JW Projekt Sp. z o.o. and the representation on subscription to shares.

On 30 April 2008 the Company concluded a notarised agreement with a subsidiary – JWCH Produkcja Budowlana Spółka z o.o. domiciled in Żąbki, for transferring an organised part of the enterprise in the form of a branch operating as J.W. Construction Holding S.A. Oddział “Zakład Prefabrykacji Budowlanej” (*Branch: “Building Prefabrication Plant”*) domiciled in Żąbki, in performance of the obligation under the resolution on increase of share capital of JWCH Produkcja Budowlana Sp. z o.o. and the representation on subscription to shares.

On 30 April 2008 the Company concluded a notarised agreement with a subsidiary – J.W. Construction S.A. domiciled in Ząbki, for transferring an organised part of the enterprise in the form of a branch operating as J.W. Construction Holding S.A. Oddział “Budownictwo” (*Branch: “Construction”*) domiciled in Ząbki, in performance of the obligation under the resolution on increase of share capital of J.W. Construction S.A. and the share subscription agreement.

8.3 Insurance agreements

The Company holds insurance policies for the implemented construction projects covering losses, if any, incurred during implementation of investment projects. The insurance also covers third party liability for conducted works. The agreements are concluded for the term of an investment project.

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

The Company holds a third party liability insurance policy for the Management Board for PLN 20,000,000, concluded with AIG Europe Branch in Poland.

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

The Company also enters into insurance agreements for buildings implemented by it. Such agreements are transferred, by way of annexes, to particular housing communities, after such communities have been established.

Coverage	Insurer	Sum insured in PLN
Insurance connected with business activity of real estate management and performing the function of a real state manager	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A.	800,000.00 EUR 100,000.00
Third party liability insurance of the Management Board	AGI Europe S.A. Branch in Poland	20,000,000.00
Insurance connected with implemented constructions in the scope of property and third party liability insurance	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A. Towarzystwo Ubezpieczeń i Reasekuracji WARTA Towarzystwo Ubezpieczeń i Reasekuracji InterRisk S.A.	979,364,069.00
Property insurance	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A. Towarzystwo Ubezpieczeń i Reasekuracji	66,415,676.00

The Company also holds a package of insurance agreements connected with the conducted hotel activity.

8.4 Land purchase agreements

During the reporting period the total 4.2 ha area of land was purchased in the Białoleka district.

8.5 Financial agreements concluded and terminated during the accounting year

8.5.1 Loans contracted

Both in 2008 and in the period from the balance sheet date until the date of this Management Commentary for 2008 none of the credit agreements was terminated.

No.	Bank	Contractual loan amount (PLN '000)	Loan type	Currency	Outstanding as at 31 Dec 2008	Interest rate	Maturity date
1.	PKO BP S.A.	10,000	working capital	PLN	7,054	1M WIBOR + bank's margin	28 Dec 2010
2.	PKO BP S.A.	43,000	Investment	PLN	5,780	1M WIBOR + bank's margin	31 Aug 2010
3.	PKO BP S.A.	45,000	Investment	PLN	35,162	1M WIBOR + bank's margin	30 Sep 2010
4.	PKO BP S.A.	66,803	Investment	PLN	0	3M WIBOR + bank's margin	31 Dec 2017
5.	FORTIS BANK POLSKA S.A.	35,000	Investment	PLN	17,445	1M WIBOR + bank's margin	30 Jul 2010
6.	BRE BANK S.A.	22,400	working capital	PLN	0	1M WIBOR + bank's margin	15 Jul 2009
TOTAL		222,203			65,442		

Figures in PLN '000

Moreover, the following significant amendments were made to loan agreements concluded before 2008:

- on 11 April 2008 an annex to the Revolving Loan Agreement with Bank Ochrony Środowiska S.A. was executed, under which the value of the loan was increased from PLN 60,000,000 to PLN 115,000,000;
- on 14 August 2008 an annex to the Working Capital Loan Agreement with Bank Millennium S.A. was executed, under which the value of the loan was increased from PLN 11,000,000 to PLN 21,492,000;
- on 1 December 2008 an annex to the Investment Loan Agreement with Invest Bank S.A. was executed, under which the loan was increased from PLN 6,000,000 to PLN 13,000,000 and the repayment date was postponed until 31 October 2009.

Detailed information about liabilities under loans as at 31 December 2008 is presented under Note 12 to the financial statements.

8.5.2 Cash loans contracted

Lender	Granted on	Amount	Interest rate	Currency	Maturity date
TBS Marki Sp. z o.o.	26 Mar 2008	6,000,000	3M WIBOR + margin	PLN	31 Dec 2009
TBS Marki Sp. z o.o.	7 Apr 2008	4,200,000	3M WIBOR + margin	PLN	31 Dec 2009
TBS Marki Sp. z o.o.	12 Jun 2008	7,000,000	3M WIBOR + margin	PLN	31 May 2009

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

8.5.3. Cash loans granted

Borrower	Granted on	Amount and currency	Interest rate	Maturity date
Interlokum Sp. z o.o.	21 Feb 2008	PLN 200,000	3M WIBOR + margin	31 Dec 2008
Construction Invest Sp. z o.o.	9 Jan 2008	PLN 60,000	3M WIBOR + margin	31 Dec 2008
Locum Sp. z o.o.	20 Feb 2008	PLN 150,000	3M WIBOR + margin	31 Dec 2008
J.W. Construction Bulgaria	7 Apr 2008	EUR 260,000	3M LIBOR + margin	30 Jun 2010
J.W. Construction Bulgaria	25 Mar 2008	EUR 7,778,867	3M LIBOR + margin	30 Jun 2010
Przedsiębiorstwo Turystyczne "Czarny Potok" S.A.	24 Jul 2008	PLN 50,000	3M WIBOR + margin	31 Dec 2008
J.W. Construction International	9 Jan 2008	USD 1,500,000	1M LIBOR + margin	31 Dec 2008
Construction Invest Sp. z o.o.	12 Jun 2008	PLN 125,000	3M WIBOR + margin	31 Dec 2008
YAKOR HOUSE	17 Jan 2008	USD 500,000	3M LIBOR + margin	31 Dec 2009
YAKOR HOUSE	30 Apr 2008	USD 1,200,000	3M LIBOR + margin	31 Dec 2009
YAKOR HOUSE	9 Jun 2008	USD 350,000	3M LIBOR + margin	31 Dec 2009
YAKOR HOUSE	12 Sep 2008	USD 150,000	3M LIBOR + margin	31 Dec 2009
Polonia S.S.A.	31 Jan 2008	PLN 200,000	3M WIBOR + margin	31 Dec 2008

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

8.5.4 Issue of securities

In 2008 the Company issued bonds and notes. In accordance with the agreement of 17 November 2006 with BRE Bank S.A. domiciled in Warsaw, in the accounting year 2008 the Company issued short-term bonds with the total value of PLN 378.5 million. During the same period the Company redeemed bonds for the total amount of PLN 448.0 million (including bonds issued before 2008). Moreover, as at 31 December 2008 the Company had note liabilities for the total amount of PLN 41.9 million. Funds from the issue of bonds and notes were allocated for the current operations, including for the purchase of materials and services in accordance with concluded contracts for project implementation.

8.5.5 Information about guarantees and warranties granted and received

In 2008 the Company did not grant any warranties.

In 2008 the following guarantees were granted by the Company:

Beneficiary of the guarantee	Guarantee value in PLN '000
JWCH Budownictwo Drogowe	1,000
JWCH Budownictwo Drogowe	700
ZPM Metalcon Sp. z o.o.	800
J.W. Construction S.A.	2,000
JWCH Produkcja Budowlana Sp. z o.o.	1,850

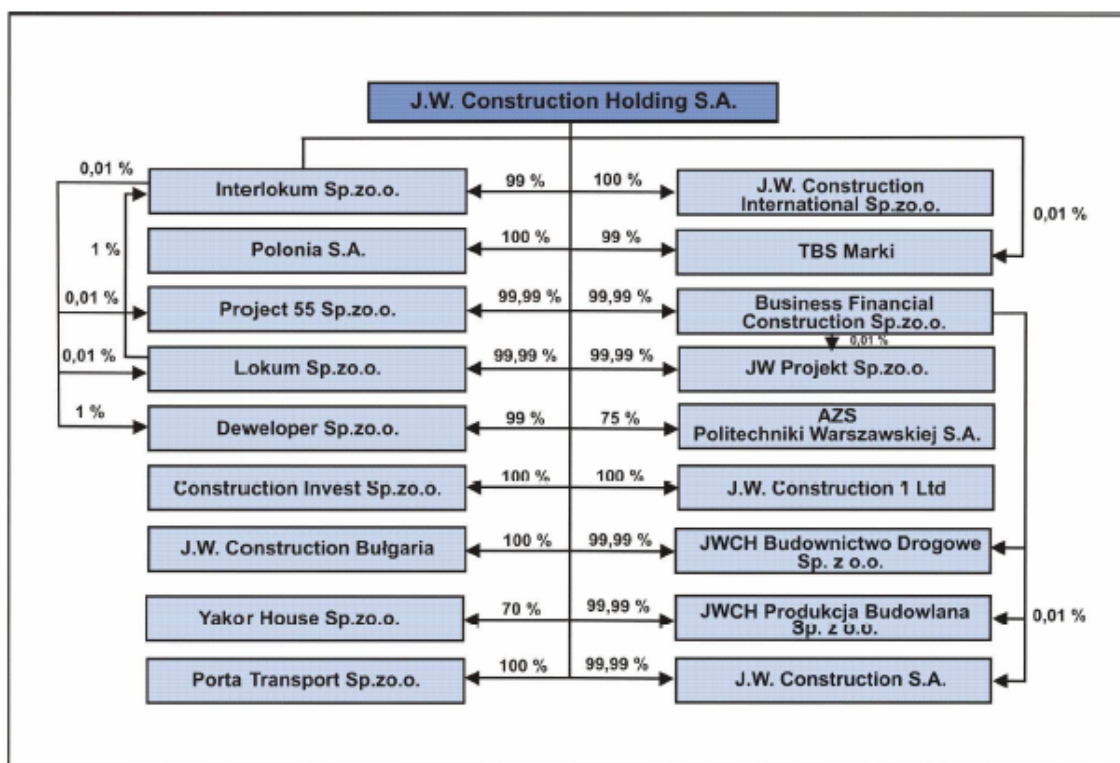
In 2008 the Company received the following defects liability guarantees:

Company	Type	Value in PLN '000
Resbud S.A.	Insurance guarantee	442
Inkom Sp. z o.o.	Bank guarantee	101
Mostostal Warszawa S.A.	Bank guarantee	640

The list of warranties and guarantees granted within the Company, year-to-date as at 31 December 2008, is presented in Note 27 to the financial statements.

9. Organisational and capital relations of the Company with other entities

Shares in other subsidiaries with description



J.W. Construction S.A.

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

JWCH Produkcja Budowlana Sp. z o.o.

JWCH Produkcja Budowlana Sp. z o.o., a limited liability company domiciled in Ząbki is registered with the register of companies under number KRS 0000300959. The Company holds 99.99% of its shares. Share capital of JWCH

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Produkcja Budowlana Sp. z o.o. amounts to PLN 15,495,000 and is divided into 307,900 shares with a par value of PLN 50 each. The business of JWCH Produkcja Budowlana Sp. z o.o. is production of building prefabricated units.

JW Projekt Sp. z o.o.

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

Construction Invest Sp. z o.o.

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

TBS Marki Sp. z o.o.

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

Lokum Sp. z o.o.

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

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

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

Project 55 Sp. z o.o.

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

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Interlokum Sp. z o.o.

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

Deweloper Sp. z o.o.

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

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

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

J.W. Construction – 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 companies on 24 October 2005 under number KRS 243759. The Company holds 75% of its shares. 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. J.W. Construction – Akademicki Związek Sportowy Politechniki Warszawskiej S.A. 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 is registered in the territory of Russia. The Company holds a 100% of its share capital. The business of J.W. Construction International Sp. z o.o. is investment activity in housing building industry in the territory of the Russian Federation. Presently it builds a housing estate – “Victoria Park” in Kolomna near Moscow.

J.W. Construction 1 Ltd in liquidation

J.W. Construction 1 Ltd. domiciled in London is registered in Great Britain. The Company 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 of J.W. Construction 1 Ltd. Presently J.W. Construction 1 Ltd. is subject to a pending liquidation procedure.

J.W. Construction Bułgaria EOOD

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

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

Porta Transport Sp. z o.o.

Porta Transport Sp. z o.o., a limited liability company domiciled in Szczecin was registered with the register of companies under number KRS 0000177420. Share capital of Porta Transport Sp. z o.o. is divided into 258,308 shares with a par value of PLN 100 each. The business of the company is transport services provided to Porta Szczecin Nowa Spółka z o.o. in the territory of the Szczecin shipyard and forwarding services in the country and abroad. The Company holds 100% of its share capital. On 9 April 2009 in the District Court for Szczecin-Centrum in Szczecin, 13th Business Division of the National Court Register there was filed an application for initiating a liquidation procedure for the company – for details see item 24.6 hereof.

JWCH Budownictwo Drogowe Sp. z o.o.

JWCH Budownictwo Drogowe Sp. z o.o., a limited liability company domiciled in Ząbki was registered with the register of companies on 21 February 2008 under number KRS 0000299665. The Company holds 99.95% of its shares. Share capital of JWCH Budownictwo Drogowe Sp. z o.o. amounts to PLN 100,000 and is divided into 2,000 shares with a par value of PLN 50 each. The business of JWCH Budownictwo Drogowe Sp. z o.o. is road construction.

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

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

10. The Company's investments in shares

1/ Due to registration on 26 May 2008 by the District Court for the Capital City of Warsaw, 12th Business Division of the National Court Register of capital increase in a subsidiary – JW Projekt Spółka z o.o. domiciled in Warsaw, from PLN 52,000 to PLN 1,155,600 i.e. by PLN 1,103,600, the Company subscribed to 5,518 newly created shares with a par value of PLN 200 each.

The capital increase was covered by Company with an in-kind contribution in the form of an organised part of its enterprise – a branch preparing separate financial statements, operating as J.W. Construction Holding S.A. Oddział “Pracownia Architektoniczna” (*Branch: “Architectonic Workroom”*) domiciled in Ząbki.

2/ Due to registration on 30 May 2008 by the District Court for the Capital City of Warsaw, 14th Business Division of the National Court Register of capital increase in a subsidiary – JWCH Produkcja Budowlana Spółka z o.o. domiciled in Ząbki, from PLN 100,000 to PLN 15,495,000 i.e. by PLN 15,395,000, the Company subscribed to 307,900 newly created shares with a par value of PLN 50 each.

The capital increase was covered by Company with an in-kind contribution in the form of an organised part of its enterprise – a branch preparing separate financial statements, operating as J.W. Construction Holding S.A. Oddział “Zakład Prefabrykacji Budowlanej” (*Branch: “Building Prefabrication Plant”*) domiciled in Ząbki.

3/ Due to registration on 22 September 2008 by the District Court for the Capital City of Warsaw, 14th Business Division of the National Court Register of share capital increase in a subsidiary – J.W. Construction S.A. domiciled in

Ząbki, from PLN 500,000 to PLN 11,526,618 i.e. by PLN 11,026,618, the Company subscribed to 11,026,618 newly created B-class registered shares with a par value of PLN 1 each.

The capital increase was covered by Company with an in-kind contribution in the form of an organised part of its enterprise – a branch preparing separate financial statements, operating as J.W. Construction Holding S.A. Oddział “Budownictwo” (*Branch: “Construction”*) domiciled in Ząbki.

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

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

All transactions with related parties entered into by the Company are arm’s length transactions and they are described under Note 28 to the financial statements.

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

With Current Report No. 87/2008 of 31 October 2008 the Management Board of the Company cancelled the projections for 2008. Taking account of a change in the macroeconomic situation in the business environment of the Company, that was beyond control of the Company but had significant impact on its projected financial results, the Management Board of the Company decided to cancel the projected financial results for 2008 published under Current Report No. 56 of 7 August 2008, being a correction to the projections presented under Current Report No. 3 of 8 January 2008.

13. Cash management of the Company

Cash management of J.W. Construction Holding S.A. consists in guaranteeing liquidity in all business segments, including mainly the developer activity. The supreme objective of the Company’s business is to provide sources of financing for all implemented projects, while maintaining safe liquidity ratios. Financing of a vast majority of implemented projects, also with granted bank loans, is guaranteed. Turnovers in the Company and the structure of financing are analysed on a day to day basis to guarantee optimum current and future liquidity. In 2008 the Company generated satisfactory profits. In 2008 the Company was able to perform its obligations in all areas of activities conducted by the same. In the opinion of the management of the Company, its economic and financial standing is secured firstly in the form of proceeds from investment projects being completed and handed over in 2009 (Osiedle Lazurowa, Górczewska Park, Rezydencja Quatro, Osada Wiślana), and secondly with held assets, including finished but unsold apartments. Nevertheless, to reinforce the sales policy, the Company introduced additional tools in the form of innovative apartment purchase programmes, including an option of individual price negotiations dependent on the amounts and terms of payment.

14. Ability to implement investment projects planned by the Company

Despite a difficult situation on the market, the Company is fully capable of implementing their investment projects. The activity will be financed with equity, prepayments made by clients and bank loans. Each project has a precisely devised financial engineering with the structure of financing, also with bank loans. Taking account of the present market situation resulting from a slowdown in the real estate turnovers, the commencement of new investment projects is dependent on financing from banks. Those will still be loans in the form of safe revolving lines financing the gap of the given period. Financing is raised based on very good long-term co-operation with banks, where lending formulas have been developed on the basis of mutual experience, taking account of characteristics of the building sector.

15. Factors with significant effect on activity of the Company

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

- change in the credit policy by banks (more stringent conditions of granting loans), both regarding mortgage and investment loans,
- slowdown on the real estate turnover market,
- in spite of market stagnation, still unsatisfied housing needs of an active group of clients coming from the baby boom of the 80's,
- expected decrease in interest rates on PLN loans,
- projected decreasing supply of new apartments starting from the end of 2009 – developer companies suspend constructions and do not launch further projects, which will cause a renewed demand for apartments sold probably at higher prices,
- stable situation on the market of building material prices.

Internal factors with effect on dynamics of income:

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

Projections for development of the core business of the Company for 2009 assume that the said factors will prevail in future. The threat to the market is seen in more stringent credit policy of the banks serving the whole building sector and individual clients, periodic stagnancy of prices due to artificially restricted demand by hampered access to sources of purchase financing and a broad offer of ready for immediate move-in apartments coming to the market. In order to eliminate those unfavourable factors it is planned to introduce further special apartment purchase programmes and launch the sale of a new large housing investment project for an attractive price and in an attractive location.

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

On the grounds of resolutions of the Extraordinary General Meeting of the Company passed on 1 April 2008, approving in-kind contributions in the form of organised parts of the enterprise operating as the following branches:

J.W. Construction Holding S.A. "Oddział Budownictwo" domiciled in Żąbki,

J.W. Construction Holding S.A. "Pracownia Architektoniczna" domiciled in Żąbki,

J.W. Construction Holding S.A. "Zakład Prefabrykacji Budowlanej" domiciled in Żąbki,

to subsidiaries and resolutions passed in those companies on share capital increase and its coverage with an in-kind contribution, some business so far conducted in the Company was separated from the same and transferred to the subsidiaries. The construction and building works were transferred to J.W. Construction S.A. domiciled in Żąbki, architectonic and urban planning was transferred to JW Projekt Sp. z o.o. domiciled in Warsaw, production of building materials and prefabricated units was transferred to JWCH Produkcja Budowlana Sp. z o.o. domiciled in Żąbki.

Presently the Company itself conducts the activity connected with own land development by way of building real estate for the purpose of selling the same (developer activity) and it conducts hotel activity through its branch operating as J.W. Construction Holding S.A. "Oddział Hotel 500" domiciled in Żąbki.

In the result of the aforesaid separation of particular types of activities to subsidiaries, the scope of business of particular companies was narrowed, which in turn enables to control the profitability of particular types of activity with reference to prevailing market conditions.

On 5 December 2008 the District Court for the Capital City of Warsaw, 14th Business Division of the National Court Register registered a merger of the Company with a subsidiary – PRZEDSIĘBIORSTWO TURYSTYCZNE "CZARNY POTOK" S.A. domiciled in Krynica ("Target Company"). The merger was performed in accordance with Article 492.1.1 of the Code of Commercial Companies by transferring the entire assets of the Target Company to the Company (merger by acquisition). On the grounds of the assets of the Target Company there was established a branch of the Company operating as J.W. Construction Holding S.A. Branch "Czarny Potok".

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

As at 31 December 2008

Shareholder	Company	Number of shares held	Share par value	Total par value of shares held	% of the total number of shares
Józef Wojciechowski	J.W. Construction Holding S.A.	19,385,213	PLN 0.20	PLN 3,877,042.60	35.44%

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

The total value of court procedures regarding liabilities or receivables of the Company, pending in 2008 before a court, arbitration tribunal or public administration authority was lower than 10% of equity of the Company.

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

The members of the Management Board of the Company have not concluded any specific agreements providing for compensation in the case of their resignation or dismissal from their offices.

The members of the Management Board are subject to the prevailing regulations of the Labour Law.

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

Salaries, bonuses and benefits for members of the Management Board and Supervisory Board of the Company are presented under Note 26 to the financial statements.

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

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

22. Agreement with a licensed auditing firm

On 15 August 2008 the Company concluded an agreement for an interim audit and review of the financial statements for 2008 with BDO Numerica S.A. (presently BDO Numerica International Auditors & Consultants Sp. z o.o. – legal successor), a licensed auditing firm.

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

The fee for auditing the stand-alone financial statements for the accounting year ended 31 December 2007 was PLN 145,000, including PLN 90,000 for auditing the annual financial statements and PLN 55,000 for reviewing the interim financial statements. The aforesaid amounts are net of VAT.

Moreover, in 2008 the Company concluded an auditing services agreement with BDO Numerica S.A. (presently BDO Numerica International Auditors & Consultants Sp. z o.o. – legal successor), for the verification of the concept for separation of the organised parts of the enterprise and tasks connected with it.

23. Statement on corporate governance of J.W. Construction Holding S.A. in 2008**a. Rules of corporate governance of the Company**

In 2008 J.W. Construction Holding S.A. observed the rules provided under the Best Practices of WSE Listed Companies (*Dobre Praktyki Spółek Notowanych na Giełdzie Papierów Wartościowych w Warszawie S.A.*).

The Polish version of the Best Practices is available at

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

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

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

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

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

Authorities and responsibilities of particular management lines

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

Specialist accounting and financial divisions separated in the organisational structure

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

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

Financial reporting processes are covered with the constantly improved Quality Management System. The said system is reviewed periodically by internal and external quality system auditors. The last review was made at the beginning of 2008 and ended with the renewal of the ISO 9001 certificate. The main document governing the principles of handling financial documents is the "Internal Document Circulation and Control Instruction" introduced with the regulation of the President of the Management Board of the Company in November 2005. The most important documents governing financial records and projections are the "Procedure for Budgeting and Budget Supervision" and "Procedure for Investment Project Budgeting".

Implementation of the SAP R/3 integrated IT system

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

Commissioning the control over periodic reports to an independent external auditor

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

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

As at 31 December 2008

Party	Number of shares	% of share capital	Number of votes	% of total votes in the General Meeting
Józef Wojciechowski	19,385,213	35.44%	19,385,213	35.44%
EHT	25,448,300	46.52%	25,448,300	46.52%

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

Shares purchased by the Company under the share buyback programme for the purpose of redemption.

As at 31 December 2008

Number of shares	% of share capital	Number of votes	% of total votes in the General Meeting
312,304	0.57%	312,304	0.57%

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

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

As at 31 December 2008 Mr. Józef Wojciechowski was entitled to the aforesaid rights. In the case of any event resulting in not holding more that 50% of shares in the Company by the eligible shareholder, the personal rights expire and the regulations of the Code of Commercial Companies are applied accordingly, with a reservation that the same is not applicable when Mr. Józef Wojciechowski holds at least one share of the Company and together with his subsidiaries, within the meaning of the Act on Public Offering, or companies controlled by the same, within the

meaning of the Act on Accounting of 29 September 1994 (i.e. Dz. U. – Journal of Laws of 2002 No. 76 item 694, as amended), applicable on the day of registration of the amendment to the Articles of Association, introduced with Resolution No. 2 of the General Meeting of 16 February 2007, he holds the total of over 50% of the Company's shares, whether directly or indirectly.

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

As at 31 December 2008 Mr. Józef Wojciechowski was entitled to the aforesaid rights. In the case of any event resulting in not holding more than 50% of shares in the Company by the eligible shareholder, the personal rights expire and the regulations of the Code of Commercial Companies are applied accordingly, with a reservation that the same is not applicable when Mr. Józef Wojciechowski holds at least one share of the Company and together with his subsidiaries, within the meaning of the Act on Public Offering, or companies controlled by the same, within the meaning of the Act on Accounting of 29 September 1994 (i.e. Dz. U. – Journal of Laws of 2002 No. 76 item 694, as amended), applicable on the day of registration of the amendment to the Articles of Association, introduced with Resolution No. 2 of the General Meeting of 16 February 2007, he holds the total of over 50% of the Company's shares, whether directly or indirectly.

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

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

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

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

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

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

Management Board member. Other members of the Management Board are appointed and recalled by the Supervisory Board. Management Board members are appointed for a common three-year term of office.

The Management Board represents the Company in and beyond the court. Declarations of will and signatures for the Company are valid if made by two members of the Management Board acting jointly.

Issue of shares

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

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

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

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

Buyback of shares

In accordance with Resolution No. 26 of the Annual General Meeting of 19 June 2008, the Management Board of the Company is authorised to buy back own shares for the purpose of their redemption and to reduce share capital in compliance with Commission Regulation (EC) No. 2273/2003 of 22 December 2003 ("Regulation"). The number of shares which the Company may buy back is not less than 1,500,000 pieces and not more than the product of the amount of PLN 55,000,000 divided by the price for which the shares will be bought. The funds for the buyback of shares come from the supplementary capital of the Company and the end of the share buyback programme was set at 30 June 2009 or until the funds allocated for the same are exhausted. The programme of buying shares back for the purpose of redemption is implemented and managed by an investment firm, as specified under Article 6.3.B) of the Regulation.

i. Amendments to the Articles of Association of the Issuer

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

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

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

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

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

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

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

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

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

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

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

Management Board

Composition of the Management Board

As at 31 December 2008 the Management Board of the Company was composed of six members:

Robert Wójcik – Vice-President of the Management Board

Barbara Czyż – Vice-President of the Management Board

Irmina Łopuszyńska – Member of the Management Board

Bożena Malinowska – Member of the Management Board

Grażyna Szafarowska – Member of the Management Board

Wojciech Rajchert – Member of the Management Board

Management Commentary on J.W. Construction Holding S.A.
for the period from 1 January 2008 to 31 December 2008

During 2008 the composition of the Management Board of the Company was changed as follows:

As of 22 August 2008 Mr. Jerzy Zdrzałka resigned from membership in the Management Board of the Company.

As of 9 October 2008 Mr. Robert Wójcik was appointed to the Management Board of the Company as a Vice-President of the Management Board.

As of 10 December 2008 Ms. Barbara Czyż was appointed as a Vice-President of the Management Board of the Company.

Rules of the Management Board

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

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

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

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

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

Supervisory Board

Composition of the Supervisory Board

As at 31 December 2008 the Supervisory Board was composed of five members:

Józef Wojciechowski – Chairman of the Supervisory Board

Henryk Pietraszkiewicz – Deputy Chairman of the Supervisory Board

Jacek Obłəkowski – Member of the Supervisory Board

Roman Kobyliński – Member of the Supervisory Board

Józef Oleksy – Member of the Supervisory Board

During 2008 the composition of the Supervisory Board of the Company was changed as follows:

As of 13 June 2008 Mr. Marek Rocki resigned from membership in the Supervisory Board.

As of 19 June 2008 Mr. Grzegorz Ślak was appointed as a member of the Supervisory Board of the Company.

As of 19 June 2008 Mr. Jacek Obłəkowski was recalled from membership in the Supervisory Board and then appointed as an Independent Member of the Supervisory Board.

As of 17 October 2008 Mr. Grzegorz Ślak was recalled from membership in the Supervisory Board.

As of 22 October 2008 Mr. Józef Oleksy was appointed as a member of the Supervisory Board.

Rules of the Supervisory Board

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

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

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

The Supervisory Board may appoint the Audit Committee and Remuneration Committee from among its members, however, in connection with the provisions of the Best Practices of WSE Listed Companies and the fact that the Supervisory Board acted with the minimum number of members provided under applicable laws, as at 31 December 2008 the Supervisory Board did not appoint any Committees and all members of the Supervisory Board debated on matters provided for the authority of a committee.

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

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

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

24. Significant events after the balance sheet date

24.1 Significant agreements

On 6 January the Company concluded an agreement with a subsidiary – J.W. Construction S.A. domiciled in Ząbki (“Contractor”) for completing an investment task consisting of modernisation and development of a recreational centre “Czarny Potok” located in Krynica at ul. Czarny Potok 65. The contractual value of works was set at PLN 59,700,504 net and the completion date of Phase I was set for 21 August 2009 and Phase II for 23 December 2009.

24.2 Annexes to loan agreements

On 9 January 2009 the Company executed Annex No. 3 to the investment loan agreement concluded with Bank Polskiej Spółdzielczości S.A. for financing an investment project – “Bursztynowe Osiedle” at ul. Korkowa in Warsaw. By virtue of the annex the loan amount was increased from PLN 16,000,000 to PLN 50,000,000 and the final repayment date was postponed until 31 December 2010.

On 4 February 2009 the Company executed Annex No. 12 to the working capital loan agreement with Invest Bank S.A. By virtue of the annex a part of the debt – PLN 7,500,000 will be repaid on 25 February 2009 and the repayment date of the outstanding part of the debt – PLN 7,500,000 was postponed until 25 January 2010.

24.3 Issue of bonds

On 7 January 2009 the Company issued 286 bonds with a par value of PLN 100,000 each and the total par value of PLN 28,600,000 with the redemption date of 8 April 2009.

24.4 Redemption of bonds

On 6 January 2009 the Company redeemed bonds issued on 28 November 2008 with the total par value of PLN 24,400,000.

On 7 January 2009 the Company redeemed bonds issued on 3 October 2008 with the total par value of PLN 28,600,000.

On 8 April 2009 the Company redeemed bonds issued on 7 January 2009 with the total par value of PLN 28,600,000.

24.5 Issue of notes

On 8 April 2009 the Company issued a promissory note for PLN 28,200,000 that was acquired by J.W. Consulting Spółka z o.o. J.W. 3 Spółka komandytowo-akcyjna, a limited joint-stock partnership domiciled in Warsaw. The note bears the interest rate of 3M WIBOR plus margin and its redemption date was set for 31 December 2009.

24.6 Corporate changes

On 9 April 2009 there was submitted an application with the District Court for Szczecin-Centrum in Szczecin, 13th Business Division of the National Court Register, for initiating a liquidation procedure for a subsidiary – Porta Transport Sp. z o.o. domiciled in Szczecin. The resolution on dissolution of Porta Transport Sp. z o.o. upon liquidation was passed by the Extraordinary General Meeting on 1 April 2009.

Signatures of Members of the Management Board

Barbara Czyż Vice-President of the Management Board	Signature: <i>/-/ Barbara Czyż</i> Vice-President of the Management Board J.W. CONSTRUCTION HOLDING S.A.
Robert Wójcik Vice-President of the Management Board	Signature: <i>/-/ Robert Wójcik</i> Vice-President of the Management Board J.W. CONSTRUCTION HOLDING S.A.
Grażyna Szafarowska Member of the Management Board	Signature: <i>/-/ Grażyna Szafarowska</i> MANAGEMENT BOARD MEMBER
Bożena Malinowska Member of the Management Board	Signature: <i>/-/ Bożena Malinowska</i> MANAGEMENT BOARD MEMBER
Wojciech Rajchert Member of the Management Board	Signature: <i>/-/ Wojciech Rajchert</i> MANAGEMENT BOARD MEMBER
Irmina Łopuszyńska Member of the Management Board	Signature: <i>[signature illegible]</i>

Ząbki, 29 April 2009