



**Consolidated  
Financial Statements**

**for the period from 01 January 2012  
to 31 December 2012.**

Prepared in accordance with International  
Financial Reporting Standards



## A. INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENT

### 1. GENERAL INFORMATION ABOUT THE PARENT COMPANY

J.W. Construction Holding S.A. ("JWCH"), a joint-stock company domiciled in Ząbki at ul. Radzymińska 326, REGON id. no.: 010621332 was initially registered as Towarzystwo Budowlano-Mieszkaniowe Batory Sp. z o.o., a limited liability company, on 7 March 1994 under number RHB 39782. On 15 January 2001 it was transformed into a joint-stock company and registered with the District Court for Warsaw under number RHB 63464. On 16 July 2001 the Company changed its name to the current "J.W. Construction Holding S.A." and was entered into the National Court Register under number KRS 0000028142.

In accordance with the Polish Classification of Activities (Polska Klasyfikacja Działalności -PKD) the core business of the Company is development and sale of own properties for the Company's own account. The subject of the Company's activity is also the implementation of the building, designing and supportive production, as well as trade in real estate and hotel services.

As at 31 December 2012 the lifetime of the Company was unlimited. The accounting year of the Company is a calendar year i.e. the period from 1 January to 31 December.

### 2. ADOPTED PRINCIPLES (POLICY) OF ACCOUNTING

#### Basic information about the Group comprising the holding entity and the subsidiaries of the holding entity covered in the consolidated financial statement

The Group's structure and the holding entity's share in the share capital of subjects belonging to the Group as at 31 December 2012 are presented in the table below:

Company	Country of registration	Parent company's share in share capital	Parent company's share in voting rights	Method of consolidation
<b>Subsidiaries:</b>				
Lokum Sp. z oo	Poland	100.00%	100.00%	full consolidation
Towarzystwo Budownictwa Społecznego „Marki” Sp. z o.o.	Poland	100.00%	100.00%	full consolidation
Deweloper Sp. z o.o.	Poland	99.00%	99.00%	full consolidation
J.W. Construction Sp. z o.o.	Poland	99.99%	99.99%	full consolidation
Porta Transport Sp. z o.o. in liquidation	Poland	100.00%	100.00%	full consolidation
JW Group Sp. z o.o.	Poland	100.00%	100.00%	full consolidation
JW Group Sp. z o.o. 1 SKA	Poland	100.00%	100.00%	full consolidation
JW Group Sp. z o.o. 2 SKA	Poland	100.00%	100.00%	full consolidation
JW. Marka Sp. z o.o.	Poland	100.00%	100.00%	full consolidation
Ośrodek Wypoczynkowy "Ogoniok" Sp. z o.o. (currently Yakor House Sp. z o.o.)	Russia	70.00%	70.00%	full consolidation
Seahouse Sp. z o.o.	Poland	100.00%	100.00%	full consolidation
J.W. 2 Sp. z o.o.	Poland	100.00%	100.00%	full consolidation
J.W. 6 Sp. z o.o.	Poland	100.00%	100.00%	full consolidation

The core business of the Group's companies is:

- Lokum Sp. z o.o. - Development and sale of own properties for its own account
- JW Group Sp. z o.o. 1 SKA - Development and sale of own properties for its own account
- JW Group Sp. z o.o. 2 SKA - Development and sale of own properties for its own account
- JW Group Sp. z o.o. - Development and sale of own real estate
- JW. Marka Sp. z o.o. - marketing activities,
- Towarzystwo Budownictwa Społecznego „Marki” Sp. z o.o. - sale and administration of social building estates,
- Ośrodek Wypoczynkowy "Ogoniok" Sp. z o.o. (currently Yakor House Sp. z o.o.) - Development and sale of properties for its own account
- Deweloper Sp. z o.o. - building and assembly production,
- Porta Transport Sp. z o.o. - transport services,

- J.W. Construction Sp. z o.o. - prefabricated units production for the building industry,
- Seahouse Sp. z o.o. - Development and sale of own properties for its own account
- J.W. 2 Sp. z o.o. - Development and sale of own properties for its own account
- J.W. 6 Sp. z o.o. - Development and sale of properties for its own account

All Group companies operate in the territory of Poland, except for Yakor House Sp. z o.o., concentrate on building and developer production in the territory of Russia. The lifetime of the Group companies is unlimited.

#### **Preparation of the consolidated financial statements**

The consolidated financial statements for the years 2011-2012 were prepared based on separate financial statements of the companies of the Capital Group of J.W. Construction Holding S.A. and compiled in such a manner as if the Group was one company. The consolidated financial statements cover the financial statements of the parent company -J.W. Construction Holding S.A. and financial statement of the following subsidiaries of the parent company.

In the years 2011-2012 the parent company excluded the following subsidiaries from the obligatory consolidation:

##### *In 2011:*

- Business Financial Construction Sp. z o.o.-100%
- Polonia SSA - 100%
- J.W. Construction Bulgaria Sp. z o.o.-100%

##### *In 2012:*

- Business Financial Construction Sp. z o.o.-100%
- Polonia SSA - 100%
- J.W. Construction Bulgaria Sp. z o.o.-100%

The legal basis for the applied exclusion of companies from the consolidated financial statements were the conceptual framework of the International Financial Reporting Standards relating to restrictions on the usefulness and reliability of the information. Under these assumptions the benefits received by the acquired information must exceed the costs of providing them. It was found that the cost of obtaining information on non-consolidated subsidiaries, and their inclusion in the cost of consolidation outweigh the benefits achieved in this respect. Furthermore, when making the exclusion of subordinated companies from consolidation, the driven fact was that they were not essential for a true and fair presentation of the financial position and results of the Capital Group.

#### **Going concern basis and comparability of financial statements**

The Capital Group of J.W. Construction Holding S.A. assumes a going concern assumption and comparability of financial statements. As at the balance sheet date the Capital Group of J.W. Construction Holding S.A. did not find out any threats to the going concern assumption. The consolidated financial reporting is prepared in accordance with the historical cost convention. The consolidated financial information was not measured with any other method, which guarantees that the financial statements presented in the consolidated financial statements are comparable.

#### **Significant estimations and assumptions.**

Estimations and judgements are subject to periodic verification of the Capital Group companies. When making estimations J.W. Construction Holding S.A. makes the following assumptions referring to the future.

- Estimation of impairment allowance. Impairment allowance is established taking account of expected risk connected with receivables and created collateral having impact on effective debt collection. Although the assumptions are made using the best knowledge, real results may be different than expected.
- Estimations connected with establishing deferred tax assets in accordance with IAS 12. Due to the highly volatile economy it may happen that real earnings and tax income are different than planned.
- Estimation of potential costs of fiscal and court proceedings pending against the parent company. When preparing the financial statements the opportunities and risks connected with pending proceedings are reviewed on a case by case basis, and provisions for potential losses are created accordingly. However, it is also possible that a court or a fiscal authority makes a judgement or issues a decision other than expected by the company and the created provisions may prove insufficient.
- The company gains revenues from services supplied by the Issuer under contracts for a specified time. Services supplied by the Issuer are long-term ones and their term of performance is over six months.

#### **The results of applying new standards of accounting and changes to the accounting policy**

The principles (policy) of accounting that were used for preparation of this consolidated financial statements for 2012 are consistent with those used for preparation of the annual financial statements for 2011, with the exception of changes described below.

The Group changed the accounting policy for the moment of transferring the control and significant risks to the Buyer. After the amendment, the Company using the interpretation of IFRIC 15 recognizes revenue from the sale of the property after meeting the following conditions:

- Date of completion:
- Receiving property transfer protocol.

The change did not affect the data for the current and comparable period.

The same principles were used for the current and comparable period.

### **Changes resulting from changes to IFRS**

The following new or revised standards or interpretations issued by the International Accounting Standards Board or IFRS Interpretations Committee are applied from 01 January 2012:

- Amendments to IFRS 1 Severe hyperinflation and removal of fixed dates
- Amendments to IAS 12 Deferred tax: *Recovery of Underlying Assets as a basis of its determination.*
- Amendments to IFRS 7 Disclosures—Transfers of Financial Assets

Their adaptation did not affect the results of the Group's activity and financial situation, but resulted only in changes of applied accounting policy or eventually in expanding of the scope of required disclosures or terminology used.

The main consequences of the application of new regulations:

- Amendments to IFRS 1 Severe hyperinflation and removal of fixed dates

The amendments to IFRS 1 were published on 20 December 2010 and are applicable to annual periods beginning on 01 July 2011 or thereafter. The changes relate to the constant reference to the date "1 January 2004" as the date of application of IFRS for the first time and change it to "the date of adoption of IFRS for the first time" in order to eliminate the need for conversion transactions that occurred before the date of transition to IFRS by the entity. In addition, some guidelines for re-use of IFRS in the periods that follow periods of significant hyperinflation, preventing full compliance with IFRS, are added to the standard.

The Group will apply amended IFRS 1 after the date of entry into force set by the European Commission, it is from 1 January 2013.

The amended IFRS 1 had no impact on the financial statements of the Group.

- Amendments to IAS 12 Deferred tax: *Recovery of Underlying Assets as a basis of its determination.*

The amendment to IAS 12 was published on 20 December 2010 and is applicable to annual periods beginning on or after 01 January 2012. The change clarifies, among others, a valuation method of assets and provisions for deferred tax in the case of investment properties valued in accordance with the fair value model which is specified in IAS 40 Investment Property. Entry into force of the revised standard will also withdraw SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets

The Group will apply amended IFRS 12 after the date of entry into force set by the European Commission, it is from 1 January 2013.

The amended IAS 12 had no impact on the financial statements of the Group.

- Amendments to IFRS 7 Disclosures—Transfers of Financial Assets

The amendments to IFRS 7 were published on 07 October 2010 and are applicable to annual periods beginning on 01 July 2011 or thereafter. The aim of the changes in the standard is to enable users of financial statements to understand the transactions of financial assets better (eg, securitization), including understanding the potential effects of risks that are in the unit that provided assets. The changes also require additional disclosure in the case of a transfer of assets of significant value near the end of the reporting period.

The amended IFRS 7 had no impact on the financial statements of the Group.

### **Changes made by the Group itself**

The Group did not made a correction of presentation of comparable data for 2012.

### **Not effective standards (New standards and interpretations)**

In this financial statement, the Group did not decide of an earlier use of published standards or interpretations before their effective date.

The following standards and interpretations were issued by the IFRS Interpretations Committee and IFRIC and not yet entered into force on the balance sheet date:

- IFRS 9 Financial Instruments

The new standard was published on 12 November 2009 and is the first step of IASB to replace IAS 39 Financial Instruments: Recognition and Measurement. Following the publication, a new standard was subject to further works and was partially modified. The new standard will enter into force from 01 January 2015.

The Group will apply the new standard from January 1, 2015

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IFRS 10 Financial Instruments

The new standard was published on 12 May 2011 and it is supposed to replace the SIC 12 Consolidation – Special Purpose Entities and some of the provisions of IAS 27 Consolidated and Separate Financial Statements The standard defines the concept of control as a factor in determining whether an entity should be included in the consolidated financial statements and provides guidance to help determine whether an entity has control or not.

The Group will apply amended standard from 1 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IFRS 11 Joint Arrangements

The new standard was published on 12 May 2011 and it is supposed to replace the SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers and IAS 31 Interests in Joint Ventures. The standard emphasizes the rights and obligations arising from the common agreement, regardless of its legal form and eliminates the inconsistencies in reporting by defining the method to account for interests in jointly controlled entities.

The Group will apply amended standard from 1 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IFRS 12 Disclosure of Interests in Other Entities

The new standard was published on 12 May 2011 and includes requirements for disclosure of information on the relationship between entities.

The Group will apply amended standard from 1 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IFRS 13 Fair Value Measurement

The new standard was published on 12 May 2011 and the assumption of it is to facilitate the use of fair value by reducing the complexity of the solutions and to increase consistency in applying the principles of fair value measurements. The standard clearly defines the objective of such a valuation, and clarifies the definition of fair value.

The Group will apply the new standard from January 1, 2013

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IAS 27 Consolidated and Separate Financial Statements

The new standard was published on May 12, 2011, and it mainly results from the transfer of certain provisions of the existing IAS 27 to the new IFRS 10 and IFRS 11. The standard contains requirements for the presentation and disclosures in the separate financial statements of the investments in associates, subsidiaries or joint ventures. The standard will replace the previous IAS 27 Consolidated and Separate Financial Statements

The Group will apply amended standard from 1 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IAS 28 — Investments in Associates and Joint Ventures

The new standard was published on May 12, 2011, and addresses the accounting for investments in associates. It also specifies requirements for the application of equity method in associates and joint ventures. The standard will replace the previous IAS 28 Investments in Associates

The Group will apply amended standard from 1 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- Amendments to IAS 19 Employee Benefits

Amendments to IAS 19 were published on 16 June 2011 and they apply to annual periods beginning on 1 January 2013 or thereafter. The amendments eliminate potential delay in recognising profits and losses known as the "corridor method". Moreover, they improve presentation of changes in the balance sheet following from employee benefit schemes and of mandatory estimates presented in the statement of other comprehensive income as well as broaden the scope of required disclosures related thereto.

The Group will apply the amended IAS 12 from January 1, 2013.

As of the date of preparing these Financial Statements, it is not possible to assess reasonably the impact of applying the amended standard.

- Amendments to IAS 1 Presentation of Statement of Other Comprehensive Income

Amendments to IAS 1 were published on 16 June 2011 and they apply to annual periods beginning on 01 July 2012 or thereafter. The amendments concern grouping of items of the statement of other comprehensive income that may be transferred to the profit and loss statement. Moreover, the amendments confirm the possibility to present items of the statement of other comprehensive income and items of the profit and loss statement as one statement or two separate statements.

The Group will apply the amended IAS 12 from January 1, 2013.

As of the date of preparing these Financial Statements, it is not possible to assess reasonably the impact of applying the amended standard.

- Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 were published on 16 December 2011 and are applicable to annual periods beginning on 01 January 2013 or thereafter. Without changing the general principles regarding the offsetting of financial assets and liabilities, the amendment extended the scope of disclosures relating to the offset amounts. It also introduced the requirement of broader (more transparent) disclosures with respect to the management of credit risk using received or transferred collaterals (pledges).

The Group will apply the amended IFRS From January 1, 2013.

As of the date of preparing these Financial Statements, it is not possible to assess reasonably the impact of applying the amended standard.

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 32 were published on 16 December 2011 and they apply to annual periods beginning on 1 January 2014 or thereafter. These amendments were introduced in response to existing incoherence regarding the application of offsetting criteria in IAS 32.

The Group will apply the amended IAS 12 from January 1, 2013.

As of the date of preparing these Financial Statements, it is not possible to assess reasonably the impact of applying the amended standard.

- Interpretation IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

Interpretation IFRIC 20 was issued on 19 October 2011 and it applies to annual periods beginning on 1 January 2013 or thereafter. The interpretation provides guidelines regarding the recognition of costs relating to the removal of surface layers of ground in order to access mined resources in surface mines.

The Group will apply the new interpretation as of 1 January 2013.

The amended interpretation should not have any impact on the Group's Financial Statements.

- Amendments in IFRS 1

The amendments to IFRS 1 were published on 13 March 2012 and are applicable to annual periods beginning on 01 January 2013 or thereafter. The aim of amendments is to enable the release of entities applying IFRS for the first time from full retrospective application of all IFRS in case, where such individuals benefit from government loans with interest below market rates.

The Group will apply the amended IFRS 1 from January 1, 2013.

The amended IFRS 1 will have no impact on the financial statements of the Group.

- The amendments to different standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2009-2011)

On 17 May 2012, subsequent amendments to the seven standards arising from the draft of proposed amendments to International Financial Reporting Standards, published in June 2011. They are applicable to annual periods beginning on or after 01 January 2013 (depending on a standard).

The Group has applied revised standards in the scope of the amendments, which were made, since 1 January 2013, unless their different date of entry into force is provided.

Application of the revised standards will have no significant impact on the financial statements of the Group.

- Guidelines on the transitional rules (Amendments to IFRS 10, IFRS 11 and IFRS 12)

Guidelines were published on 28 June 2012 and contain additional information regarding the application of IFRS 10, IFRS 11 and IFRS 12, including the presentation of comparative data for the first application of the above mentioned standards.

The Group will apply the amendments when the European Union accepts the amendments.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new changes.

- Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Guidelines were published on 31 October 2012 and contain another principles regarding the application of IFRS 10, IFRS 12 concerning entities, which meet the definition of investment funds.

The Group will apply the amendments when the European Union accepts the amendments.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new changes.

The IFRS, as approved by the EU, do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, interpretations and amendments thereto which had not been approved by the EU as at the date of approving these Financial Statements.

- IFRS 9 Financial Instruments published on 12 November 2009 (as amended),
- The amendment to IFRS 1 published on 13 March 2012.
- The amendments to different standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2009-2011) published on 17 May 2012;
- Guidelines on the transitional rules (Amendments to IFRS 10, IFRS 11 and IFRS 12) were published on 28 June 2012.
- Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

## **Policy of accounting**

### ***Intangible assets***

Intangible assets are priced at cost and include proprietary rights such as: concessions, patents, licenses, trademarks, copyrights, know-how and computer software. Intangible assets are identifiable non-monetary assets. Intangible assets are recognisable if:

- they are identifiable,
- the company controls such assets, due to which it is entitled to future economic benefits that are attributable to them and is able to restrict third party access to such benefits,
- they generate future economic benefits in the form of revenues from sales or cost savings for the company,
- the acquisition price or manufacturing cost of a given asset can be measured reliably

Intangible assets are amortised with the straight-line method for the period of their expected useful life.

Intangible assets of an indefinite useful life (goodwill) are not amortised but tested for impairment on an annual basis, in accordance with IAS 36.

### ***Tangible assets***

Tangible assets cover resources controlled by the company (owned by the same) as a result of past events, from which future economic benefits are expected to flow to the company and which are kept by the same for use in production or supply of goods and services, for rendering them for use to other entities under lease agreements or for the purpose of administration, and which are expected to be used for over one year. The company recognises tangible assets as assets when they are usable, complete and their cost (acquisition price or manufacturing cost) may be measured reliably.

Tangible assets are measured at acquisition price or manufacturing cost. Tangible assets are depreciated with the straight-line method for the period of their useful life as follows:

- Buildings and structures: the depreciation rates from 2% - 4,5%
- Machinery and equipment: 6% - 30%
- Means of transport: 12.5% - 20%

Subsequent expenditures on tangible assets are included in their carrying value if it is probable that the business entity will gain future economic benefits exceeding the ones obtainable under the initially estimated earnings from assets held before such expenditures. Current costs of maintenance and repairs are expensed in the period in which they were incurred.

Fixed small assets with a value below PLN 3,500.00 are amortized once on the date of purchase. In case of fixed assets, which permanently lost their economic usefulness, unplanned depreciation charge included in other operating costs is made.

The Company verified the value of their assets. Fixed assets that are disclosed in the financial statements do not differ from their assumed cost.

### ***Impairment of tangible assets and intangible assets***

Whenever there are indications that tangible assets and intangible assets may be impaired, the said assets are tested for impairment. The established amounts of impairment losses reduce the carrying value of an asset subject to impairment and are disclosed in the income statement.

Impairment losses on assets that were earlier remeasured adjust the revaluation reserve up to the amounts disclosed in equity, and below the acquisition price they are disclosed in the income statement. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's net realizable value and the value in use. Impairment losses are reversed when the circumstances due to which they were made cease to exist. Impairment loss reversals are disclosed in the income statement except for the ones which earlier reduced the revaluation reserve. They then adjust the said reserve up to the value of earlier reductions.

### ***Investment real estate***

Investment real estate is real estate (land, building or a part of the same, or both) treated by the owner as a source of revenues from rents or held for growth in value. Such real estate is not used in production, supply of goods and services or administration activities, neither is it held for sale in an ordinary course of business. Investment real estate is in particular land kept for its long-term growth in value or land whose future use is presently undetermined. Investment real estate is initially measured at acquisition price or manufacturing cost including transaction expenses.

### ***Lease***

A lease is an agreement whereby a lessor conveys to a lessee, in return for a specific payment or a series of payments, the right to use an asset for a specified time. The company classifies leases as operating leases or financial leases. A lease is classified as a financial lease when substantially all risks and rewards of ownership of the leased asset are transferred to company. A financial lease is initially disclosed on the lease commencement date understood as the day from which the company is entitled to use the leased asset.

As at the lease commencement date the financial lease is disclosed in the balance sheet of the company as an asset and a liability at the lower of:

- in the amount equal to the market value of the leased asset,
- the present (discounted) value of lease payments, depending on which amount is lower.

Lease payments are divided into financial expenses (presented in the income statement for a given period) and principal payments, reducing the liability under the lease. Financial expenses are disclosed directly in the income statement. Leased assets disclosed in the balance sheet are amortised and depreciated under the same principles as other purchased assets of a similar kind. The period of amortisation or depreciation is equal to the period of lease unless after the end of the lease the company intends to buy the ownership right to the leased asset.

Any lease that does not satisfy the criteria of a financial lease is classified as an operating lease. Payments made under an operating lease are expensed in the income statement on a straight-line basis over the period of lease.

### ***Inventories***

Inventories comprising materials, work in progress, finished products, goods and trade advances are understood as assets which are:

- materials or raw materials designated for use during production or supply of services,
- produced for the purpose of sale in an ordinary course of business,
- held for sale in an ordinary course of business.

**Finished products** are components of the completed projects (residential homes, multifamily housing), such as apartments, commercial spaces, basements, garage and parking places. Finished products are components of

completed projects (housing estates, multi-family housing estates) such as apartments, commercial premises, basements, garages, garage places, parking places. This item comprises other finished products used in the production process of the company. Finished products are measured at the lower of acquisition price (manufacturing cost - including direct costs and a substantiated part of indirect costs as well as costs of borrowings incurred until the production completion date) and a net realizable value.

Should the acquisition price or manufacturing cost be higher than the expected net realisable value, the company discloses an impairment loss adjusting costs of goods sold.

**Work in progress** covers expenditures made on building housing estates and costs connected with auxiliary production. Auxiliary production is measured at manufacturing cost. Production connected with building of housing estates is valued in accordance with IAS 11 "Construction Contracts" and the principles referred to under section "Long-term developer contracts".

#### ***Borrowing Costs***

Costs of borrowings comprise interest, exchange losses and other financial expenses incurred by the company due to borrowings. The Company defers costs of borrowings that may be allocated directly to acquisition (land and construction services), construction or manufacturing of an asset as a part of acquisition price or manufacturing cost of such asset. The said costs are deferred until the production or construction completion date. Other costs of borrowings are recognised in the period in which they are incurred, regardless of the manner of using the borrowings.

#### ***Current and non-current receivables***

Receivables are disclosed in the financial statements at the amount due less impairment allowance. Receivables are remeasured taking account of the probability of their payment, by way of making impairment allowance. Impairment allowance is included in other operating expenses or financial expenses, respectively, depending on the type of receivables covered by such allowance. Remitted, prescribed or uncollectible debts reduce the impairment allowance earlier recognised for the same. Remitted, prescribed or uncollectible debts for which no or only some impairment allowance was recognized are charged to other operating expenses or financial expenses, respectively.

#### ***Guarantee deposits***

Guarantee deposits being parts of receivables, retained by customers under contractual provisions as security for the guarantee and warranty period, are disclosed in assets of the Company.

Guarantee deposits securing claims of the Company against sub-contractors are disclosed as payables in liabilities. Deposits are measured as at the balance sheet date at acquisition price adjusted with an effective discount rate.

#### ***Cash and cash equivalents***

Cash on hand and with bank as well as current deposits kept to maturity are measured at par value.

#### ***Prepaid expenses***

The Company defers expenditures of prepaid expenses when it is probable that incurred costs refer to more than one reporting period, and in accordance with the principles of significance and prudence in accounting. The most important criterion for deferment of expenses is satisfaction of the definition of assets i.e. resources whose value can be measured reliably, recognised as a result of past events and from which future economic benefits are expected to flow to the company.

#### ***Provisions for liabilities***

Provisions are liabilities of uncertain amount or timing. The Group companies recognise provisions when all the following conditions are fulfilled:

- the company has a present (legal or constructive) obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of such obligation.

Provisions for liabilities in J.W. Construction Holding S.A. comprise:

- a provision for guarantee repairs disclosed at amounts of guarantee repair costs incurred in previous periods,
- a provision for unused annual leaves of employees, recognised based on records on unused days of annual leaves of particular employees at a given date and their daily gross salaries plus social insurance premiums paid by the Employer,
- provision for retirement benefits,
- deferred income tax liabilities.

#### ***Long-term developer contracts***

The core business of the Issuer Group is the realization of development contracts. The core business of the Group is performance of developer contracts. The characteristic feature of developer contracts is the construction of apartments that are generally financed by the principal over the whole project, by way of contractually agreed advances, and then - after the investment process has been completed - the ownership right is transferred to the apartment buyer. Such contracts are performed for over twelve months. Advances paid by buyers under concluded agreements are recorded as deferred income. Costs by nature incurred in a given period are disclosed as production in progress under inventories. From 1 January 2009, the Group recognizes revenues and expenses regarding the developer contracts in accordance with the IFRIC 15 interpretation : " Agreements for the construction of real estate", published in July 2008. This interpretation concerns the moment of recognition of revenue from sales of property.



From 2009, the Group recognizes revenues from developer contracts – sale of immovable property to the purchaser upon the transfer of control and significant risk of ownership. Transfer of control and significant risk of ownership take place the latest on the date of concluding the contract in a form of a notarial deed.

The Group changed the accounting policy for the moment of transferring the control and significant risks to the Buyer. After the amendment, the Group using the interpretation of IFRIC 15 recognizes revenue from the sale of the property after meeting the following conditions:

- Date of completion:
- Receiving property transfer protocol.

#### ***Long-term developer contracts***

As a provider of construction services, the Group of Issuer applies the regulations under IAS 11 "Construction Contracts" for accounting and recognition of construction services:

##### a) Zero-profit method

The zero-profit method is applied when it is not possible to measure the stage of completion of an unfinished construction service reliably. In accordance with the said method revenues from an unfinished construction service are established at a month end at costs incurred in the said month, not higher than costs probable to be covered by the principal in future. When invoiced revenues exceed incurred costs, a relevant part of revenues is derecognised to deferred income.

##### b) Percentage-of-completion method

The percentage-of-completion method is applied when it is possible to measure the stage of completion of an unfinished construction service reliably. Revenues from an unfinished construction contract are disclosed pro rata to costs incurred at a given moment of its performance. Revenues, expenses and profits are disclosed proportionally to the stage of work completion.

To measure the stage of completion of a construction contract the Group applies a method that will allow it to reliably establish the stage of completion of works as at a given date. Depending on the nature of a contract such method may comprise:

- establishing costs of the contract incurred due to work performed to date proportionally to estimated total costs of such contract,
- measurement of works performed,
- comparing physically completed parts of work with contractual works.

When establishing the stage of completion of a construction service, based on contractual expenses incurred to date, costs of the said works include only those contractual expenditures that can be allocated to the stage of completed work.

#### ***Borrowings***

Borrowings are recognised at acquisition price equal to fair value of received cash less costs of acquisition.

Borrowings are subsequently measured at acquisition price adjusted with an effective interest rate. All effects of the adjusted acquisition price and effects of derecognition of a liability from the balance sheet or recognition of its impairment are disclosed in the profit and loss account.

#### ***Deferred income tax***

Deferred income tax assets and liabilities are estimated based on temporary differences between the value of assets and liabilities disclosed in books and their tax value and a tax loss deductible in future from the tax base.

Income tax liabilities are recognised for temporary positive differences at the amount of income tax payable in future.

Deferred income tax assets are recognised at the amount of expected future deduction from income tax due to temporary negative differences and a deductible tax loss, in accordance with the principle of prudence in accounting. The carrying value of deferred income tax assets is verified as at each balance sheet date unless it is probable that taxable income sufficient to realise the whole or a part of a deferred income tax asset will be generated. Deferred income tax assets and deferred income tax liabilities are measured at tax rates applicable for the period when the asset is realised and the liability is discharged, based on tax rates applicable as at the balance sheet date.

#### ***Held-for-sale assets and discontinued operations***

Available-for-sale assets and discontinued operations are assets or groups of assets classified as such, disclosed in the financial statements at the lower of their carrying value or fair value less selling expenses.

Assets can be classified to that group when active operations are performed to locate a buyer, it is highly probable that assets will be sold within one year of their classification and they are available for immediate sale.

#### ***Liabilities***

Liabilities are obligations of the Company, arising from future events, the value of which can be measured reliably and which will cause the use of present or future assets of the company.

Based on their characteristics, liabilities can be divided into:

- current liabilities,
- non-current liabilities,



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- financial liabilities,
- contingent liabilities.

Current liabilities are all trade payables and all or those of other liabilities that fall due within one year of the balance sheet date. Non-current liabilities are those liabilities, other than trade payables, which fall due after one year of the balance sheet date.

Financial liabilities are obligations of the company to deliver financial assets or to exchange a financial instrument with another company on unfavourable conditions.

Contingent liabilities are obligations dependent on occurrence of certain events. Contingent liabilities are disclosed in additional information and notes.

Liabilities are measured as at the balance sheet date in the amount due.

**Accrued expenses**

Accrued expenses are recognised at the amount of probable obligations falling to the reporting period.

**Revenues**

The Group of Issuers recognise revenues at the amount of probable economic benefits flowing due to a transaction, which can be measured reliably. Revenues are recognised on an accrual basis, regardless of the date of payment receipt.

Revenues from sales of developer services - apartments - are disclosed in the manner provided under the section "Long-term developer contracts".

Revenues from sales of construction services are recognised in the period of service supply, on the basis of the stage of completion of a concrete transaction, established based on the relation of actually performed works to all services to supply.

**Other income, expenses, gains and losses**

Other operating income and expenses are income and expenses not connected directly with operating activities.

Financial income and expenses comprise, among other things, interest connected with loans and credits granted and used, default interest received and paid, foreign exchange gains and losses, commissions paid and received, gains and losses on sale of securities, provisions dissolved and created against financial expenses.

Extraordinary profits and losses present financial results of events that come into existence outside the main business of the company.

**Taxes**

Corporate income tax expense is calculated based on taxable earnings (tax base) for a given accounting year. Tax profit (loss) differs from net book profit (loss) due to exclusion of next-year taxable income and tax deductible costs, as well as permanently non-taxable income and expenses. Tax expense is calculated at a tax rate applicable in a given trading year.



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**B. CONSOLIDATED FINANCIAL STATEMENTS**

**Consolidated balance sheet**

ASSETS	Note	to 31-12-2012	to 31-12-2011
<b>NON-CURRENT ASSETS</b>		<b>909,476,895.11</b>	<b>687,358,395.85</b>
Intangible assets	1	15,912,158.66	17,062,653.63
Tangible assets	2	446,767,763.09	428,753,773.80
Investment real estate	4	376,747,529.48	166,894,332.33
Other financial assets	5	25,734,127.57	41,365,995.97
Deferred income tax assets	15	26,095,290.19	17,508,194.59
Trade and other receivables	6	18,220,026.11	15,773,445.52
<b>CURRENT ASSETS</b>		<b>646,630,578.16</b>	<b>693,447,304.23</b>
Inventories	7	31,546,326.84	38,374,466.75
Construction contracts	7	512,719,925.18	522,970,383.44
Trade and other receivables	8	57,525,716.18	64,823,508.08
Other financial assets	9	14,680,190.04	548,507.06
Cash and cash equivalents	10	16,729,078.51	42,995,638.89
Accruals	11	13,429,341.41	23,734,800.01
<b>Total Assets</b>		<b>1,556,107,473.27</b>	<b>1,380,805,700.09</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>		<b>503,256,055.60</b>	<b>493,447,404.34</b>
Share capital	12	10,814,656.00	10,814,656.00
Revaluation capital		7,490,208.19	7,490,208.19
Other capital	13	507,785,569.32	483,321,807.77
Retained earnings		-32,387,426.13	-39,435,078.65
Net profit / loss		9,553,048.22	31,255,811.03
<b>LIABILITIES</b>		<b>1,052,851,417.67</b>	<b>887,358,295.75</b>
<b>Non-current liabilities,</b>		<b>660,267,786.85</b>	<b>457,348,053.96</b>
Borrowings	14	240,457,011.34	205,546,898.02
Deferred income tax liabilities	15	20,241,725.04	11,005,674.67
Retirement benefit obligations	16	455,276.52	633,000.00
Provision for other liabilities and charges	17	56,005,157.45	56,648,040.32
Other liabilities	18	343,108,616.49	183,514,440.95
<b>Current liabilities</b>		<b>392,583,630.82</b>	<b>430,010,241.79</b>
Trade and other payables	19	109,621,917.74	113,822,288.39
Construction contracts	7	83,810,988.62	69,575,044.14
Borrowings	14	148,405,991.48	85,064,985.88
Provision for other liabilities and charges	17	16,003,544.37	18,634,022.30
Other liabilities	19	34,741,188.61	142,913,901.08
<b>Total Equity and Liabilities</b>		<b>1,556,107,473.27</b>	<b>1,380,805,700.09</b>

**Consolidated income statement**

	Note	for the period to 01-01-2012 to 31-12-2012	for the period to 01-01-2011 to 31-12-2011
<b>Net revenues from sales of products, goods and materials, of which:</b>	24	<b>355,559,180.73</b>	<b>378,632,092.79</b>
Net revenues from sales of products		352,690,620.12	374,039,985.37
Net revenues from sales of goods and materials		2,868,560.61	4,592,107.42
<b>Costs of products, goods and materials sold, of which:</b>	25	<b>275,185,456.81</b>	<b>277,268,878.93</b>
Manufacturing cost of products sold		272,169,330.53	273,177,628.59
Value of goods and materials sold		3,016,126.28	4,091,250.34
<b>Gross profit (loss) on sales</b>		<b>80,373,723.92</b>	<b>101,363,213.86</b>
<b>Selling expenses</b>	25	<b>20,831,273.83</b>	<b>26,928,565.24</b>
<b>Overhead expenses</b>	25	<b>31,543,750.51</b>	<b>34,831,058.90</b>
<b>Revaluation of investment properties</b>		<b>23,556,154.71</b>	<b>22,439,148.09</b>
<b>Profit (loss) on sales</b>		<b>51,554,854.28</b>	<b>62,042,737.81</b>
Other operating income	26	18,689,161.66	11,406,276.52
Other operating expenses	27	10,672,080.13	9,583,233.15
<b>Operating profit (loss)</b>		<b>59,571,935.81</b>	<b>63,865,781.18</b>
Financial income	28	5,863,232.93	10,170,476.12
Financial expenses	29	53,118,706.64	34,560,919.36
<b>Profit (loss) on ordinary activities</b>		<b>12,316,462.10</b>	<b>39,475,337.94</b>
<b>Gross profit (loss)</b>		<b>12,316,462.10</b>	<b>39,475,337.94</b>
Income tax	22	2,763,413.88	8,219,526.90
<b>Net profit (loss)</b>		<b>9,553,048.22</b>	<b>31,255,811.03</b>

<b>Other comprehensive income:</b>		<b>255,603.04</b>	<b>-353,163.04</b>
Exchange differences on foreign operations conversion		246,575.48	-427,348.06
Profit/loss from acquisitions		0.00	0.00
Profit from revaluation of tangible fixed assets		0.00	0.00
Other comprehensive income:		9,027.56	74,185.02
<b>Total revenue</b>		<b>9,808,651.26</b>	<b>30,902,647.99</b>

**Consolidated cash flow statements**

Operating cash flow - two-step method	to 01-01-2012 to 31-12-2012	to 01-01-2011 to 31-12-2011
<b>Net profit (loss)</b>	<b>9,553,048.22</b>	<b>31,255,811.03</b>
<b>Total adjustments, of which:</b>	<b>36,485,175.93</b>	<b>28,835,933.66</b>
Depreciation and amortisation	12,645,202.04	12,288,632.48
(Profits) losses on exchange differences related to investment and financial activities	2,686,654.46	-3,743,540.77
(Profits) loss from investment activities	2,582,392.55	-981,209.86
Interest and dividends	34,297,839.75	32,840,502.23
Changes in provisions and accruals	7,503,329.10	-11,504,084.39
Other adjustments	-23,230,241.97	-64,366.03
- write-off investment properties	-23,556,154.71	-1,211.23
- other adjustments	325,912.74	-63,154.80
<b>Changes in working capital</b>	<b>-1,256,348.48</b>	<b>-3,713,707.61</b>
Change in inventories	2,029,917.23	5,258,442.63
Change in construction contracts	50,779,948.38	-21,834,530.37
Change in investment properties	0.00	0.00
Changes in receivables	-51,261,673.06	-6,157,367.29
Changes in current liabilities, except for borrowings	-2,804,541.03	19,019,747.41
	<b>0.00</b>	<b>0.00</b>
<b>Net operating cash flows</b>	<b>44,781,875.67</b>	<b>56,378,037.08</b>
<b>Investment activity cash flows</b>	<b>0.00</b>	<b>0.00</b>
Disposal of tangible and intangible assets and other non-current assets	3,753,781.83	10,260,504.89
Purchase of tangible and intangible assets and other non-current assets	-224,930,930.02	-94,612,262.03
Expenses associated with the asset to be sold	0.00	0.00
Loans granted	-313,603.64	-391,445.50
Loans repaid	0.00	4,597,832.39
Other purchase of financial assets	-200,000.00	-479,284.30
Other disposal of financial assets	0.00	0.00
Dividends received	0.00	0.00
Interest received	22,140.00	42,270.00
Disposal of subsidiaries	0.00	0.00
Acquisition of subsidiaries	0.00	0.00
<b>Net investment cash flow</b>	<b>-221,668,611.83</b>	<b>-80,582,384.55</b>
<b>Financing cash flow</b>	<b>0.00</b>	<b>0.00</b>
Net proceeds from issue of shares, other equity instruments and additional capital contributions	0.00	0.00
Purchase of own shares or repayment of shares	0.00	0.00
Borrowings	660,952,463.75	473,718,494.13
Borrowings repaid	-561,932,888.08	-433,907,669.98
Debt securities issued	95,000,000.00	0.00
Debt securities redeemed	0.00	0.00
Payments under financial lease agreements	-5,017,127.43	-5,950,588.81
Dividends and other shared profits	0.00	0.00
Interest paid	-44,382,272.46	-33,813,819.05
Other financial proceeds (including notes)	6,000,000.00	9,070,000.00
Other financial expenditures (including notes)	0.00	-9,990,000.47
<b>Net financing cash flow</b>	<b>150,620,175.78</b>	<b>-873,584.18</b>
<b>NET DECREASE/(INCREASE) IN CASH</b>	<b>-26,266,560.39</b>	<b>-25,077,931.65</b>
Cash and cash equivalents at the beginning of the year	42,995,638.89	68,073,570.55
- foreign exchange gains/(losses) on cash	0.00	0.00
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>16,729,078.51</b>	<b>42,995,638.89</b>



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**Consolidated statement of changes in equity**

	Share Capital	Own shares (negative figure)	Revaluation capital	Supplementary capital	other capital reserves	Hedge valuation reserve and currency translation reserve	Retained earnings	Net earnings	Equity
<b>As at 31 December 2011</b>	<b>10,814,656.00</b>	<b>0.00</b>	<b>7,490,208.19</b>	<b>475,898,366.19</b>	<b>7,947,307.60</b>	<b>-523,866.03</b>	<b>-39,435,078.64</b>	<b>31,255,811.03</b>	<b>493,447,404.34</b>
Basic error corrections	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corrections from changes in a presentation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>As at 01 January 2012</b>	<b>10,814,656.00</b>	<b>0.00</b>	<b>7,490,208.19</b>	<b>475,898,366.19</b>	<b>7,947,307.60</b>	<b>-523,866.03</b>	<b>-39,435,078.64</b>	<b>31,255,811.03</b>	<b>493,447,404.34</b>
Additional equity contributions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchase of own shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share redemption	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gains/(losses) on revaluation of available-for-sale assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gains / (losses) on cash flow hedges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exchange gains / (losses) on translation of financial statements of foreign operations	0.00	0.00	0.00	0.00	0.00	246,575.48	0.00	0.00	246,575.48
Gains / (losses) on business acquisitions(unitary jwch)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Changes in accounting policies/presentation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consolidation adjustments	0.00	0.00	0.00	18,414.00	0.00	0.00	-9,386.44	0.00	9,027.56
Inclusion of the Company to the consolidation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total profit / (loss) recognised directly in equity</b>	<b>10,814,656.00</b>	<b>0.00</b>	<b>7,490,208.19</b>	<b>475,916,780.19</b>	<b>7,947,307.60</b>	<b>-277,290.55</b>	<b>-39,444,465.08</b>	<b>31,255,811.03</b>	<b>493,703,007.38</b>
Net profit (loss) for the accounting year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,553,048.22	9,553,048.22
Total profit / (loss) recognised in equity and net earnings	10,814,656.00	0.00	7,490,208.19	475,916,780.19	7,947,307.60	-277,290.55	-39,444,465.08	40,808,859.25	503,256,055.60
Increase / decrease from profit distribution	0.00	0.00	0.00	24,198,772.07	0.00	0.00	7,057,038.96	-31,255,811.03	0.00
<b>As at 31 December 2012</b>	<b>10,814,656.00</b>	<b>0.00</b>	<b>7,490,208.19</b>	<b>500,115,552.27</b>	<b>7,947,307.60</b>	<b>-277,290.55</b>	<b>-32,387,426.12</b>	<b>9,553,048.22</b>	<b>503,256,055.60</b>



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	Share Capital	Own shares (negative figure)	Revaluation capital	Supplementary capital	Other capital	Hedge valuation reserve and currency translation reserve	Retained earnings	Net earnings	Equity
<b>As at 31 December 2010</b>	<b>10,814,656.00</b>	<b>0.00</b>	<b>7,471,818.19</b>	<b>403,156,384.89</b>	<b>7,320,492.68</b>	<b>-96,517.97</b>	<b>-58,133,798.21</b>	<b>92,011,720.77</b>	<b>462,544,756.35</b>
Basic error corrections	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corrections from changes in a presentation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>As at 01 January 2011</b>	<b>10,814,656.00</b>	<b>0.00</b>	<b>7,471,818.19</b>	<b>403,156,384.89</b>	<b>7,320,492.68</b>	<b>-96,517.97</b>	<b>-58,133,798.21</b>	<b>92,011,720.77</b>	<b>462,544,756.35</b>
Issue of shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchase of own shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gains / (losses) on revaluation of fixed assets and investment properties	0.00	0.00	18,390.00	0.00	0.00	0.00	0.00	0.00	18,390.00
Gains / (losses) on cash flow hedges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exchange gains / (losses) on translation of financial statements of foreign operations	0.00	0.00	0.00	0.00	0.00	-427,348.06	0.00	0.00	-427,348.06
Gains / (losses) on business acquisitions(unitary jwch)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit/loss from the inclusion/exclusion of companies to consolidate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Changes in accounting policies/presentation	0.00	0.00	0.00	0.00	0.00	0.00	55,795.02	0.00	55,795.02
Consolidation adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total profit / (loss) recognised directly in equity</b>	<b>0.00</b>	<b>0.00</b>	<b>18,390.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-427,348.06</b>	<b>55,795.02</b>	<b>0.00</b>	<b>-353,163.04</b>
Net profit (loss) for the accounting year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,255,811.03	31,255,811.03
<b>Total profit / (loss) recognised in equity and net earnings</b>	<b>0.00</b>	<b>0.00</b>	<b>18,390.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-427,348.06</b>	<b>55,795.02</b>	<b>31,255,811.03</b>	<b>30,902,647.99</b>
Increase / decrease from profit distribution	0.00	0.00	0.00	72,741,981.31	626,814.92	0.00	18,642,924.55	-92,011,720.77	0.00
<b>As at 31 December 2011</b>	<b>10,814,656.00</b>	<b>0.00</b>	<b>7,490,208.19</b>	<b>475,898,366.19</b>	<b>7,947,307.60</b>	<b>-523,866.03</b>	<b>-39,435,078.64</b>	<b>31,255,811.03</b>	<b>493,447,404.34</b>

## C. SUPPLEMENTARY INFORMATION

### SIGNIFICANT PREVIOUS-YEAR EVENTS DISCLOSED IN THE FINANCIAL STATEMENTS

The financial statements of the Group do not disclose other than those significant events from previous years that were already described.

### SIGNIFICANT AFTER-BALANCE SHEET DATE EVENTS NOT DISCLOSED IN THESE FINANCIAL STATEMENTS

The financial statements of the Group for 2012 disclose all events that occurred until the day of these statements i.e till 20 March 2013 and had effect on the Consolidated Financial Statements of the Group for the period from 1 January 2012 to 31 December 2012.

### CHANGES IN THE PRINCIPLES (POLICY) OF ACCOUNTING DURING THE ACCOUNTING YEAR

In 2012, the Group changed the moment of transferring the control and significant risks to the recipients of the premises. The change did not cause a necessity of comparable data (the description is placed in the part on applied accounting principles).

### FUNCTIONAL AND PRESENTATION CURRENCY

Items presented in the financial statements of particular companies of the Group are measured with the currency of the basic economic environment where the company has a fixed establishment (functional currency).

The functional and presentation currency of the parent company is Polish zloty (PLN). The reporting currency of the financial statements of the Group is Polish zloty (PLN). The functional currency of some companies of the Group is other currency than Polish zloty. Financial statements of those companies, prepared in their functional currencies, are included in these consolidated financial statements upon translation into PLN in accordance with IAS 21.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Intangible assets

Intangible assets	to 31-12-2012	to 31-12-2011
a) research and development expenses	0.00	0.00
b) goodwill on consolidation	12,389,648.22	12,389,648.22
c) other intangible assets	3,522,510.44	4,673,005.41
d) advances on intangible assets	0.00	0.00
<b>Total intangible assets</b>	<b>15,912,158.66</b>	<b>17,062,653.63</b>



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Items of the group's assets		Goodwill	Other intangible assets	Total other intangible assets
value	Opening balance	12,389,648.22	15,600,316.54	27,989,964.76
	Mergers	0.00	0.00	0.00
	Total post-merger	12,389,648.22	15,600,316.54	27,989,964.76
	Merger	0.00	0.00	0.00
	Revenues	0.00	119,388.31	119,388.31
	In-kind contribution	0.00	0.00	0.00
	Expenses	0.00	0.00	0.00
	Balance sheet at the end of the financial year	12,389,648.22	15,719,704.85	28,109,353.07
depreciation	Opening balance	12,389,648.22	10,927,311.13	23,316,959.35
	Mergers	0.00	0.00	0.00
	Total post-merger	12,389,648.22	10,927,311.13	23,316,959.35
	Merger	0.00	0.00	0.00
	Depreciation for the year	0.00	1,269,883.28	1,269,883.28
	Increase	0.00	0.00	0.00
	Decrease	0.00	0.00	0.00
	In-kind contribution	0.00	0.00	0.00
Balance sheet at the end of the financial year	12,389,648.22	12,197,194.41	24,586,842.63	
Net balance sheet at beginning of financial year		12,389,648.22	4,673,005.41	17,062,653.63
Net balance sheet at the end of the financial year		12,389,648.22	3,522,510.44	15,912,158.66

**Note 2. Goodwill of subsidiaries**

Do not occur

**Note 3. Tangible assets**

<b>Tangible assets</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) property, plant and equipment, of which:	429,946,950.19	274,546,001.47
- land (including right of perpetual usufruct)	39,408,275.07	42,798,869.71
- buildings and structures	353,718,415.78	218,122,569.60
- plant and machinery	21,850,646.81	8,523,020.03
- motor vehicles	2,358,412.87	3,522,543.87
- other property, plant and equipment	12,611,199.66	1,578,998.26
b) constructions in progress	16,820,812.90	154,207,772.34
c) advances on constructions in progress	0.00	0.00
<b>Total tangible assets</b>	<b>446,767,763.09</b>	<b>428,753,773.80</b>



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Group of non-current assets		land (including right of perpetual usufruct)	buildings and structures	plant and machinery	means of transport:	other property, plant and equipment	Assets in constructions	Total tangible assets
value	Opening balance	44,466,934.52	264,309,933.43	33,256,085.23	13,459,909.66	9,385,937.61	148,250,956.94	513,129,757.39
	Total post-merger	44,466,934.52	264,309,933.43	33,256,085.23	13,459,909.66	9,385,937.61	148,250,956.94	513,129,757.39
	Revenues	993,846.44	151,570,129.20	16,610,384.77	227,226.97	12,408,615.34	34,430,439.95	216,240,642.67
	Relocations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Expenses	4,365,747.00	10,268,920.63	2,358,013.20	2,952,382.89	658,419.17	165,860,583.99	186,464,066.88
	Balance sheet at the end of the financial year	41,095,033.96	405,611,142.00	47,508,456.80	10,734,753.74	21,136,133.78	16,820,812.90	542,906,333.18
depreciation	Opening balance	1,668,064.81	46,187,363.83	24,733,065.20	9,937,365.79	7,806,939.36	0.00	90,332,798.99
	Merger	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total post-merger	1,668,064.81	46,187,363.83	24,733,065.20	9,937,365.79	7,806,939.36	0.00	90,332,798.99
	Depreciation for the year	95,389.08	6,244,787.91	3,070,954.55	1,192,987.18	771,200.04	0.00	11,375,318.76
	Relocations/in-kind contribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Increases	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Decreases	76,695.00	539,425.52	2,146,209.76	2,754,012.10	53,205.28	0.00	5,569,547.66
Closing balance	1,686,758.89	51,892,726.22	25,657,809.99	8,376,340.87	8,524,934.12	0.00	96,138,570.09	
Revaluation descriptions	Write-offs change	0.00	0.00	0.00	0.00	0.00	5,956,815.40	5,956,815.40
	Balance sheet at the end of the financial year	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net balance sheet at beginning of financial year		42,798,869.71	218,122,569.60	8,523,020.03	3,522,543.87	1,578,998.25	154,207,772.34	428,753,773.80
Net closing balance		39,408,275.07	353,718,415.78	21,850,646.81	2,358,412.87	12,611,199.66	16,820,812.90	446,767,763.09



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**Note 4. Investment real estate**

<b>Other long-term investments</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) investment properties	376,747,529.48	166,894,332.33
b) other	0.00	0.00
<b>Total other long-term investments</b>	<b>376,747,529.48</b>	<b>166,894,332.33</b>

In the reporting year, the Group changed its business strategy in relation to the property constituting the right of perpetual usufruct of a plot located in Warsaw. The property was originally classified as "inventories", as it was intended to implement the investment project on the property. Due to changes in the business model, the property will be held in the investment portfolio of the Company in anticipation of the increase in its value.

**Note 5. Other financial assets**

<b>LONG-TERM FINANCIAL ASSETS</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) shares	4,600,629.60	4,600,379.60
b) loans granted	21,133,497.97	36,170,819.87
c) other long-term investments	0.00	594,796.50
<b>Total long-term financial assets</b>	<b>25,734,127.57</b>	<b>41,365,995.97</b>

<b>LONG-TERM FINANCIAL ASSETS</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) in subsidiaries	25,046,656.93	40,152,190.01
- shares	4,356,804.98	4,356,554.98
- debt securities	0.00	0.00
- other securities	0.00	0.00
- loans granted	20,689,851.95	35,795,635.03
- other long-term financial assets	0.00	0.00
b) in other parties	687,470.64	1,213,805.96
- shares	243,824.62	243,824.62
- debt securities	0.00	0.00
- other securities	0.00	594,796.50
- loans granted	443,646.02	375,184.84
- other long-term financial assets	0.00	0.00
c) other long-term investments	0.00	0.00
<b>Total long-term financial assets</b>	<b>25,734,127.57</b>	<b>41,365,995.97</b>



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	Name of a unit (and its legal form)	Domicile	Business	Relation	Method of consolidation	Date of assuming control	Value of shares/interests at acquisition price	Revaluation adjustments (total)	Write-offs up to book value of in-kind contribution	Carrying value of shares	% of total number of votes in the general meeting
1	TBS Marki Sp.z o.o.	Warsaw	social building	subsidiary	full consolidation	14/11/2003	13,360,000.00	0.00	0.00	13,360,000.00	100.00%
2	Business Financial Construction Sp. z o.o.	Warsaw	services	subsidiary	not consolidated	16/06/2003	4,346,500.00	0.00	0.00	4,346,500.00	99.99%
3	Lokum Sp. z o.o.	Warsaw	developer activity	subsidiary	full consolidation	13/09/2005	3,778,500.00	0.00	0.00	3,778,500.00	100.00%
4	Deweloper Sp. z o.o.	Siemianowice Slaskie	construction	subsidiary	full consolidation	08/09/2004	49,500.00	0.00	0.00	49,500.00	99.00%
5	Królewski Port Żerań Sp. z o.o.	Warsaw	developer activity	associate	not consolidated	08/09/2000	500,000.00	500,000.00	0.00	0.00	4.92%
6	Polonia SSA	Warsaw	sports	subsidiary	not consolidated	30/03/2006	15,440.00	15,440.00	0.00	0.00	100.00%
7	J.W. Construction Bułgaria Sp. z o.o.	Warna (Bułgaria)	developer activity	subsidiary	not consolidated	08/10/2007	9,854.98	0.00	0.00	9,854.98	100.00%
8	Porta Transport Sp. z o.o. in liquidation	Szczecin	transport	subsidiary	full consolidation	12/11/2007	19,118,737.41	0.00	0.00	19,118,737.41	100.00%
9	Yakor House Sp. z o.o.	Sochi, Russia	developer activity	subsidiary	full consolidation	07/12/2007	9,810,000.00	0.00	0.00	9,810,000.00	70.00%
10	J.W. Construction Sp. z o.o.	Ząbki	prefabricated unit production for the building industry	subsidiary	full consolidation	19/02/2008	57,451,956.00	0.00	30,430,356.00	27,021,600.00	99.99%
11	JW. Marka Sp. z o.o.	Ząbki	leasing of intellectual property	subsidiary	full consolidation	23/08/2011	155,841,000.00	0.00	155,779,575.58	61,424.42	100.00%
12	J.W. Group Sp. z o.o.	Ząbki	management of other entities	subsidiary	full consolidation	23/02/2012	50,000.00	0.00	0.00	50,000.00	100.00%
13	J.W. Group Sp. z o.o. 2 SKA	Ząbki	developer activity	subsidiary	full consolidation	26/03/2012	50,000.00	0.00	0.00	50,000.00	100.00%
14	J.W. Group Sp. z o.o. 1 SKA	Ząbki	developer activity	subsidiary	full consolidation	26/03/2012	50,000.00	0.00	0.00	50,000.00	100.00%
15	Seahouse Sp. z o.o.	Ząbki	developer activity	subsidiary	full consolidation	18/10/2012	8,750,000.00	0.00	0.00	8,750,000.00	100.00%
16	J.W. 2 Sp. z o.o.	Ząbki	developer activity	subsidiary	full consolidation	18/10/2012	50,000.00	0.00	0.00	50,000.00	100.00%
17	J.W. 6 Sp. z o.o.	Ząbki	developer activity	subsidiary	full consolidation	16/11/2012	50,000.00	0.00	0.00	50,000.00	100.00%



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Indirect ties											
18	SASPOL INFRASTRUKTURE Sp. z o.o. (former Trinity Self Companies Sp. z o.o.)	Warsaw	participation in public tenders as a leader of the consortium	associate	not consolidated	06/10/2009	4,644.62	0.00	0.00	4,644.62	25.00%
19	TBS Nowy Dom Sp. z o.o.	Ząbki	social building	associate	not consolidated	30/09/2006	1,000.00	0.00	0.00	1,000.00	2.00%
20	Business Financial Construction Sp. z o.o.	Warsaw	services	subsidiary	not consolidated	16/06/2003	500.00	0.00	0.00	500.00	0.01%
21	Deweloper Sp. z o.o.	Siemianowice Śląskie	construction	subsidiary	full consolidation	18/10/2006	500.00	0.00	0.00	500.00	1.00%
22	Karczma Regionalna Sp.z o.o.	Krynica Górská	hotel activity	subsidiary	not consolidated	16/12/2004	208,550.00	0.00	0.00	208,550.00	8.06%
24	J.W. Construction Sp. z o.o.	Ząbki	prefabricated unit production for the building industry	subsidiary	full consolidation	19/02/2008	50.00	0.00	0.00	50.00	0.01%
25	Fabryka Maszyn i Urządzeń FAMA S.A.	Kluczbork	production	associate	not consolidated	12/11/2007	29,630.00	0.00	0.00	29,630.00	0.04%

**Note 6. Non-current receivables**

<b>NON-CURRENT RECEIVABLES</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) guarantee receivables	1,630,777.30	0.00
b) deposit receivables( leasing)	16,364,359.90	15,773,445.52
b) other receivables	224,888.91	0.00
<b>Total receivables</b>	<b>18,220,026.11</b>	<b>15,773,445.52</b>

**Note 7. Inventories and construction contracts**

<b>INVENTORIES</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) materials	3,013,489.53	3,265,429.82
b) semi-finished products and work in progress	1,136,208.11	599,276.55
c) finished products	611,581.07	2,126,186.22
d) goods	26,775,040.83	32,380,574.16
e) trade advances	10,007.30	3,000.00
<b>Total inventories</b>	<b>31,546,326.84</b>	<b>38,374,466.75</b>

<b>CONSTRUCTION CONTRACTS</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
<b>CONSTRUCTION CONTRACTS (current assets)</b>		
a) semi-finished products and work in progress	226,163,774.88	390,764,358.35
b) finished products	282,001,304.83	112,139,256.80
c) advances for supplies	3,745,460.79	19,246,515.49
d) short-term prepayments	809,384.68	820,252.80
<b>Total construction contracts</b>	<b>512,719,925.18</b>	<b>522,970,383.44</b>
<b>CONSTRUCTION CONTRACTS (current liabilities)</b>		
a) accruals	83,810,988.62	69,575,044.14
<b>Total construction contracts</b>	<b>83,810,988.62</b>	<b>69,575,044.14</b>

The Companies of the Group, in connection with the business activities, incur the loans that are secured with the mortgage on the property. As at 31 December 2012, the Company established securities in the form of mortgages presented in inventories and construction contracts with the value of PLN 461,200,000 and presented in fixed assets with the value of PLN 289,700,000. The value of the mortgage is established on the amount of the credit granted (or higher), therefore, this amount exceeds the value of the property shown in assets of the Group's Companies. As at 31 December 2012, the loan liabilities amounted to PLN 385,500,000 (excluding credits of TBS Marki Sp. z o.o., liabilities amount to PLN 281,200,000).

<b>Accruals</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
-advances on premises	66,096,565.90	66,314,819.81
-works provision	17,241,056.83	2,155,550.05
-other	473,365.89	1,104,674.28
<b>The total value of accruals</b>	<b>83,810,988.62</b>	<b>69,575,044.14</b>

**Note 8. Current receivables**

<b>CURRENT RECEIVABLES</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) trade receivables - related parties	172,560.62	161,695.01
b) trade receivables - other parties	36,966,026.95	49,836,665.07
c) taxes, subsidies, customs duties, social and health insurance and other payments	16,388,806.99	13,535,049.31
d) other	3,998,321.62	1,290,098.69
<b>Total receivables</b>	<b>57,525,716.18</b>	<b>64,823,508.08</b>

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**Note 9. Other financial assets**

<b>SHORT-TERM INVESTMENTS</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) shares	0.00	0.00
b) loans granted	13,812,125.19	433,014.21
c) other investments	868,064.85	115,492.85
<b>Total value of short-term investments</b>	<b>14,680,190.04</b>	<b>548,507.06</b>

<b>SHORT-TERM INVESTMENTS</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) in subsidiaries	13,324,193.03	115,492.85
- shares	0.00	0.00
- debt securities	0.00	0.00
- other securities	0.00	0.00
- loans granted	13,324,193.03	0.00
- other short-term financial assets	0.00	115,492.85
b) in other parties	1,355,997.01	433,014.21
- shares	0.00	0.00
- debt securities	0.00	0.00
- other securities	273,268.35	0.00
- loans granted	487,932.16	433,014.21
- other short-term financial assets	594,796.50	0.00
c) other short-term investments	0.00	0.00
<b>Total value of short-term investments</b>	<b>14,680,190.04</b>	<b>548,507.06</b>

**Note 10. Cash and cash equivalents**

<b>CASH AND CASH EQUIVALENTS</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) cash on hand and with bank	11,136,116.35	26,905,980.13
b) other cash	5,569,568.03	16,083,746.78
c) other cash equivalents	23,394.13	5,911.98
<b>Total cash</b>	<b>16,729,078.51</b>	<b>42,995,638.89</b>

**Note 11. Accruals**

<b>ACCRUALS</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) short-term prepayments	13,429,341.41	23,734,800.01
<b>The total value of accruals</b>	<b>13,429,341.41</b>	<b>23,734,800.01</b>

<b>Accruals</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
- property insurance	144,214.36	90,678.71
- interest	3,619,040.08	4,859,505.46
- commission expenses	6,863,213.12	9,819,270.74
- property tax, perpetual usufruct, road tax	0.00	0.00
- social fund	0.00	0.00
- other	2,802,873.85	8,965,345.10
<b>The total value of accruals</b>	<b>13,429,341.41</b>	<b>23,734,800.01</b>

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**Note 12. Share capital**

SHARE CAPITAL (STRUCTURE) as at 31 December 2012								
Class / issue	Share type	Type of shares preference	Types of restrictions on rights to shares	Number of shares	Par value of class/issue	Coverage of capital	Registration Date	Right to dividend (from)
A and B	Bearer		-	54,073,280	10,814,656	Assets of a transformed company - TMBatory Sp. z o.o. / Cash	01/07/2010	
<b>Total number of shares</b>				54,073,280				
<b>Total share capital</b>					10,814,656			
<b>Par value of one share = PLN 0.20</b>								

On 18 May 2010, the General Meeting („General”) adopted the Resolution No.26 on the basis of which the District Court of the Capital City of Warsaw XIV Division of the National Court Register registered on 1 July 2010 the decrease in share capital of the Company from PLN 10.939.656 to PLN 10.814.656 that is PLN 125,000 by cancellation of 625.000 shares. The General was recorded in the minutes by a notary form Warsaw Krzysztof Kruszewski under a notarial deed with a number Rep. A 6811/2010.

Redeemed shares were owned by the Company which were acquired on the basis of the Resolution No.26 of the General Meeting of 19 June 2008 as a result of purchasing its own shares for redemption. Redeemed shares were purchased by net profit contained in the supplementary capital, in accordance with the Article 360.2.2 of the Code of Commercial Companies there was no convocation procedure. The average price of redeemed shares amounted to PLN 7,09.

At 31 December 2012 the shareholding structure was as follows:

Company	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	15.413.713	28.51 %	15.413.713	28.51 %
EHT S.A domiciled in Luxembourg	18.568.300	34.34 %	18.568.300	34.34 %
Other *	20.091.267	37.15 %	20.091.267	37.15 %

of which:

Investment funds managed by PKO TFI S.A	Between 5 and 10% of the shares <sup>x</sup>
Pioneer Pekao TFI S.A	Between 5 and 10% of the shares <sup>xx</sup>

<sup>x</sup> on 9 April 2010, the Company received a notification on exceeding a 5% threshold of the share capital of the Company by the Funds managed by PKO TFI S.A, as at 9 April 2010 it was 3,245,668 shares representing 5.93% of the share capital of the Company entitling to 3,245,668 votes at the General Meeting of the Company and representing 5.93% of the total number of votes. In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

<sup>xx</sup> on 22 November 2011, the Company received a notification on a decrease below a 10 % threshold of the share capital of the Company by the Pioneer Open\_End Investment Fund managed by Pioneer Pekao TFI S.A, as at that day it was 5.382.182 shares representing 9.95 % of the share capital of the Company entitling to 5.382.182 votes at the General Meeting of the Company representing 9.95% of the total number of votes.

In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

Mr. Józef Wojciechowski controls EHT S.A. domiciled in Luxembourg.

Information about the company's shareholders as at the date of the preparation of this report

Company	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	15.413.713	28.51 %	15.413.713	28.51 %
EHT S.A domiciled in Luxembourg	18.568.300	34.34 %	18.568.300	34.34 %
Other *	20.091.267	37.15 %	20.091.267	37.15 %

of which:

Investment funds managed by PKO TFI S.A	Between 5 and 10% of the shares <sup>x</sup>
Pioneer Pekao TFI S.A	Between 5 and 10% of the shares <sup>xx</sup>

<sup>x</sup> on 9 April 2010, the Company received a notification on exceeding a 5% threshold of the share capital of the Company by the Funds managed by PKO TFI S.A, as at 9 April 2010 it was 3,245,668 shares representing 5.93% of the share capital of the Company entitling to 3,245,668 votes at the General Meeting of the Company and representing 5.93% of the total number of votes. In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.



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<sup>xx</sup> on 22 November 2011, the Company received a notification on a decrease below a 10 % threshold of the share capital of the Company by the Pioneer Open\_End Investment Fund managed by Pioneer Pekao TFI S.A, as at that day it was 5.382.182 shares representing 9.95 % of the share capital of the Company entitling to 5.382.182 votes at the General Meeting of the Company representing 9.95% of the total number of votes.

In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

Mr. Józef Wojciechowski controls EHT S.A. domiciled in Luxemburg.

### Note 13. Other capital

<b>OTHER CAPITAL</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) supplementary capital	500,115,552.27	475,898,366.20
b) other reserve capital	7,947,307.60	7,947,307.60
c) translation reserve	-277,290.55	-523,866.03
<b>Total other capital</b>	<b>507,785,569.32</b>	<b>483,321,807.77</b>

### Note 14. Borrowings

In 2012 and from the balance sheet date until the date of these financial statements none of the concluded loan agreements was terminated by the bank.

<b>BORROWINGS</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) credits	385,578,602.63	287,515,062.15
<i>of which: long-term</i>	<i>240,457,011.34</i>	<i>205,546,898.02</i>
<i>Short-term</i>	<i>145,121,591.29</i>	<i>81,968,164.13</i>
b) loans	3,284,400.19	3,096,821.75
<i>of which: long-term</i>	<i>0.00</i>	<i>0.00</i>
<i>Short-term</i>	<i>3,284,400.19</i>	<i>3,096,821.75</i>
<b>Total borrowings</b>	<b>388,863,002.82</b>	<b>290,611,883.90</b>
<b>Borrowings - long-term</b>	<b>240,457,011.34</b>	<b>205,546,898.02</b>
<b>Borrowings - short-term</b>	<b>148,405,991.48</b>	<b>85,064,985.88</b>

<b>LOANS PER MATURITY</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
Up to 1 year	145,121,591.29	81,968,164.13
Over 1 year up to 2 years	63,300,760.00	39,630,932.30
Over 2 year up to 5 years	53,043,392.09	45,054,441.13
Over 5 years	124,112,859.25	120,861,524.59
<b>Total loans, including:</b>	<b>385,578,602.63</b>	<b>287,515,062.15</b>
- long-term	240,457,011.34	205,546,898.02
- short-term	145,121,591.29	81,968,164.13

Including the loans taken by the Company of TBS Marki Sp. z o.o – the companies form the group, which took the loan from the National Housing Fund on an entirely separate conditions, regulated by the Ordinance of 26 October 1995 in the Act on Some Forms of Supporting Housing Construction (Journal of Laws 00.98.1070.j.t)

<b>BORROWINGS</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) credits	104,355,771.00	105,400,897.17
<i>of which: long-term</i>	<i>99,653,557.92</i>	<i>100,778,668.44</i>
<i>Short-term</i>	<i>4,702,213.08</i>	<i>4,622,228.73</i>
b) loans	0.00	0.00
<i>of which: long-term</i>	<i>0.00</i>	<i>0.00</i>
<i>Short-term</i>	<i>0.00</i>	<i>0.00</i>
<b>Total borrowings</b>	<b>104,355,771.00</b>	<b>105,400,897.17</b>
<b>Borrowings - long-term</b>	<b>99,653,557.92</b>	<b>100,778,668.44</b>
<b>Borrowings - short-term</b>	<b>4,702,213.08</b>	<b>4,622,228.73</b>

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LOANS PER MATURITY	to 31-12-2012	to 31-12-2011
Up to 1 year	4,702,213.08	4,622,228.73
Over 1 year up to 2 years	4,702,213.08	4,622,228.73
Over 2 year up to 5 years	14,106,639.24	9,244,457.46
Over 5 years	80,844,705.60	86,911,982.25
<b>Total loans, including:</b>	<b>104,355,771.00</b>	<b>105,400,897.17</b>
- long-term	99,653,557.92	100,778,668.44
- short-term	4,702,213.08	4,622,228.73

**Note 15. Deferred income tax assets**

	to 31-12-2012		
	Deferred income tax assets	Deferred tax liabilities	Net value
<b>DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES</b>	26,095,290.19	20,241,725.04	5,853,565.15

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES	to 31-12-2012		
	Deferred income tax assets	Deferred tax liabilities	Net value
Tangible assets	5,404,752.17	1,578,671.20	3,826,080.97
Investment real estate	0.00	10,377,168.71	-10,377,168.71
Intangible assets	0.00	0.00	0.00
Other financial assets	186,016.00	0.00	186,016.00
Non-current receivables	0.00	0.00	0.00
Inventories and construction contracts	3,641,028.80	58,306.93	3,582,721.87
Trade and other receivables	802,413.97	0.00	802,413.97
Income tax receivables	0.00	0.00	0.00
Accruals	1,007,650.42	1,403,171.13	-395,520.71
Cash and cash equivalents	0.00	0.00	0.00
Borrowings	5,410,845.05	5,293,815.56	117,029.49
Provisions	994,298.30	0.00	994,298.30
Trade and other receivables	0.00	0.00	0.00
Tax loss	8,648,285.48	0.00	8,648,285.48
Other		1,530,591.51	-1,530,591.51
<b>Deferred income tax assets / liabilities disclosed in the balance sheet</b>	<b>26,095,290.19</b>	<b>20,241,725.04</b>	<b>5,853,565.15</b>

**Note 16. Retirement benefit obligations**

CHANGE IN RETIREMENT BENEFIT OBLIGATIONS	to 31-12-2012	to 31-12-2011
Opening balance	633,000.00	474,000.00
Increases	0.00	159,000.00
Decreases	177,723.48	0.00
<b>Closing balance</b>	<b>455,276.52</b>	<b>633,000.00</b>

**Note 17. Provision for other liabilities and charges**

PROVISIONS FOR OTHER LIABILITIES AND CHANGES	to 31-12-2012	to 31-12-2011
<b>a) short-term, of which:</b>	<b>16,003,544.37</b>	<b>18,634,022.30</b>
- accrued expenses, including:	15,232,503.58	10,867,215.30
- <i>interests charged</i>	2,206,281.27	2,207,264.45
- <i>rent deposits</i>	477,649.38	477,649.38
- <i>other</i>	12,548,572.93	8,182,301.47

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- other provisions, including:	771,040.79	7,766,807.00
- provisions for guarantee repairs	0.00	6,407,935.00
- other provisions	771,040.79	1,358,872.00
<b>a) long-term, of which:</b>	<b>56,005,157.45</b>	<b>56,648,040.32</b>
- accrued expenses, including:	56,005,157.45	56,648,040.32
- participation in costs of construction -TBS Marki	49,452,698.07	49,115,412.52
- deferred income- loan remittance-TBS Marki	6,092,142.78	6,688,713.69
- deferred surplus of revenues from sales over the carrying value/sale and lease back	460,316.60	843,914.11
<b>Total provisions for other liabilities and charges</b>	<b>72,008,701.82</b>	<b>75,282,062.62</b>

**Note 18. Other non-current liabilities**

<b>OTHER NON-CURRENT LIABILITIES</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) lease obligations	37,453,980.19	42,840,811.55
b) deposit liabilities	6,828,954.16	5,855,881.70
c) other non-current liabilities	5,242,504.87	4,817,747.70
d) note liabilities	92,883,177.27	0.00
e) bonds	200,700,000.00	130,000,000.00
<b>Total other liabilities</b>	<b>343,108,616.49</b>	<b>183,514,440.95</b>

**Note 19. Trade and other payables**

<b>TRADE AND OTHER PAYABLES</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) trade payables - other parties	85,330,575.12	83,475,994.56
b) trade payables - related parties	1,300,949.05	1,620,643.77
c) taxes, customs duties, insurance and other payments	11,691,667.37	14,113,887.29
d) salaries	2,494,368.63	2,436,940.68
e) trade advances received	0.00	0.00
f) other	8,804,357.56	12,174,822.09
<b>Total trade and other payables</b>	<b>109,621,917.73</b>	<b>113,822,288.39</b>

<b>OTHER LIABILITIES</b>	<b>to 31-12-2012</b>	<b>to 31-12-2011</b>
a) debt securities issue- liabilities	28,856,972.00	3,042,000.00
b) note liabilities	0.00	134,178,961.81
c) lease liabilities	5,884,216.61	5,692,939.27
d) other financial liabilities	0.00	0.00
<b>Total other liabilities</b>	<b>34,741,188.61</b>	<b>142,913,901.08</b>

**Note 20. Risk Management**

The main financial instruments used by the Group include bank loans, bonds and financial leasing. The main purpose of these financial instruments is to raise funds for the activities of the Group. The Group also has other financial instruments such as receivables, trade payables, which are formed directly in the course of the Group's activities and cash of the Companies of the Group does not include transactions with participation of derivatives.

The main risks arising from the Group's financial instruments include interest rate risk, currency risk, liquidity risk and credit risk. The Management Board verify and agree principles of managing each of these risks - the principles are briefly described below.

**Interest rate risk**

The Group has credit liabilities, for which interest are calculated on the basis of the variable interest rate, and therefore there is a risk of growth of interest in relation to the moment of the agreement conclusion. Due to the fact that the Group had, during the reporting period, both assets and liabilities with variable rate, which counterbalanced the risk, and due to slight fluctuations of interest rates in recent periods, as well as the lack of expected rapid changes of interest rates in subsequent reporting periods, the Group did not apply any interests rate securities as at 31 December 2012, considering that the interest rate risk is not significant.

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Regardless of the current situation, the Group monitors its exposure to interest rate risk and interest rate forecasts and does not preclude the adoption of the precautionary measures in the future.

The following table shows the sensitivity of the gross financial result for reasonably possible changes of interest rates, assuming that other factors remain unchanged (in connection with the variable rate liabilities, the impact on the own capital of the Group was not presented). The analysis does not include the credit in TBS Marki Sp. Ltd., which is a preferential credit, procured on different principles, where the risk is limited.

	Increase/decrease in the percentage points	The influence on gross profit
<b>Closing balance on 31 December 2012</b>		
PLN	1%	-4,928
PLN	-1%	4,928

### Currency risk

The Group is not exposed to currency risk as foreign currency loans were granted to subsidiaries, which are consolidated. Other transactions in foreign currencies have a negligible impact on the financial results of the Group.

### Credit Risk

The Group is exposed to the credit risk which is defined as the risk that creditors do not fulfil their obligations and thereby make the Company incur losses.

When it comes to a loan for a related company, the risk is considered irrelevant due to ongoing monitoring of financial standing and the control.

The maximum exposure to credit risk is PLN 51,288,000 at the balance sheet day was estimated as the carrying value of trade payables from other companies.

In the assessment of the Management Board of the Parent Company, the credit risk is included in the financial statements in the position of write-downs. The credit risk associated with bank deposits is considered irrelevant, because the Group concludes transactions with institutions that have well-established financial position.

### Liquidity Risk

The Group is exposed to the liquidity risk, defined as the risk of losing the ability to settle liabilities in a timely manner. The risk results from potential restriction of access to financial markets, which may result in inability to obtain new financing or refinancing its debt.

### Note 21. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	1 January 2012 to 31-12-2012	1 January 2011 to 31-12-2011
<b>Profits</b>		
(A) Profits of the Group disclosed in the consolidated financial statements	9,553,048.22	31,255,811.03
<b>Number of shares</b>		
(B) Number of ordinary shares and preferred shares (as to the right to vote in the General Meeting of the Company) for the purpose of calculating earnings per share *	54,073,280.00	54,073,280.00
(C) Number of ordinary shares and preferred shares (as to the right to vote in the General Meeting of the Company) for the purpose of calculating diluted earnings per share	54,073,280.00	54,073,280.00
<b>Basic earnings per share = (A)/(B)</b>	<b>0.18</b>	<b>0.58</b>
<b>Diluted earnings per share = (A)/(B)</b>	<b>0.18</b>	<b>0.58</b>

\* In accordance with IAS 33 "Earnings Per Share" the number of shares assumed for calculation of basic earnings per share was the weighted average number of shares during a given period. The said number was established as the number of shares as at the beginning of the given period adjusted by the number of shares bought back or issued during such period, weighted with an index reflecting the period of such number of shares (number of days of existence of shares to total number of days in a given period - from the day of share capital increase registration). During the analysed period there were no circumstances to dilute the number of shares.

#### Note 22. Income tax

INCOME TAX	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) Current income tax	2,114,459.10	11,813,933.48
b) deferred income tax	648,954.78	-3,594,406.58
<b>Total Income tax</b>	<b>2,763,413.88</b>	<b>8,219,526.90</b>

Reconciliation of effective tax rate	from 01-01-2012 to 31-12-2012
Gross Profit / (loss) before tax from continuing operations	<b>12,316,462.10</b>
Profit / (loss) before tax from abandoned operations	0.00
<b>Gross profit (loss) before tax</b>	<b>12,316,462.10</b>
Exempt Income TBS	1,156,978.33
<b>Gross profit (loss) before tax</b>	<b>11,159,483.77</b>
Tax at statutory tax rate of 19%	2,120,301.92
Adjustments to current income tax from previous years	323,904.00
Tax profit - JW. Marka	-752,860.35
Non tax deductible expenses -permanent differences	904,346.02
Merger differences and other	167,722.29
<b>Tax at effective tax rate</b>	<b>2,763,413.88</b>
Income tax (charge) shown in the profit and loss account	2,763,413.88
<i>of which:</i>	
current	2,114,459.10
deffered	648,954.78

#### Note 23. Segment Reporting

##### Branch Segments

As assumed, the primary division of activity into segments is the division based on branch segments. The business of the Group is conducted mainly in three following segments:

- developer activity
- social building
- hotel activities

Pursuant to IFR14 'Reporting concerning segments of activity', when drawing up financial data concerning particular segments of activity, according to the principle applied revenue and expenses along with assets and liabilities of a segment are established before the moment of consolidation when the settlement of balance sheet statements and transactions carried out among the Group's economic entities are excluded, with an exception of cases where this type of settling balances among entities were done within one segment. Internal transactions within the segment's framework were eliminated.

Financial data concerning the particular segments of activity include individual financial statements of Group's companies without the exclusions of balance sheet statements and transactions made, while the exclusion of revenue, expenses and mutual statements were presented in the 'Elimination' column. Developer activity in which consolidation of individual statements of companies running this kind of business was made, is an exception. In 2012, the segment was comprised of the following entities: JW. Construction Holding SA., - Lokum Sp. z o.o. , Seahouse Sp.z o.o., JW Group Sp. z o.o., JW Group Sp. z o.o. 1 SKA, JW Group Sp. z o.o. 2 SKA. The primary kind of goods and services within the framework of each branch segment:

- developer activity- the implementation of the building, designing and supporting production and sale of properties,
- social housing construction - sale and administration of social building estates,
- other construction - implementation of construction - assembly production
- - transport services,
- - hotel activities - catering and hotel services connected with the organization of tourism and recreation.



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2012	Developer activity	Hotel activity	Social building	Construction	Transport, other	Eliminations	Total
<b>Net revenues from sales of products, goods and materials, of which:</b>	<b>259,008,445.47</b>	<b>17,774,386.40</b>	<b>12,729,934.45</b>	<b>234,588,376.72</b>	<b>2,859,888.91</b>	<b>-171,401,851.22</b>	<b>355,559,180.73</b>
Net revenues from sales of products	258,325,411.40	17,389,134.49	12,706,834.45	232,674,267.84	0.00	-171,264,916.97	349,830,731.21
Net revenues from sales of goods and materials	683,034.07	385,251.91	23,100.00	1,914,108.88	2,859,888.91	-136,934.25	5,728,449.52
<b>Costs of products, goods and materials sold, of which:</b>	<b>180,338,893.77</b>	<b>20,716,754.55</b>	<b>7,463,254.57</b>	<b>232,521,518.43</b>	<b>1,412,026.39</b>	<b>-167,266,990.90</b>	<b>275,185,456.81</b>
Manufacturing cost of products sold	180,009,065.17	20,333,269.33	7,266,401.13	230,278,625.16	1,412,026.39	-167,130,056.65	272,169,330.53
Value of goods and materials sold	329,828.60	383,485.22	196,853.44	2,242,893.27	0.00	-136,934.25	3,016,126.28
<b>Gross profit (loss) on sales</b>	<b>78,669,551.70</b>	<b>-2,942,368.15</b>	<b>5,266,679.88</b>	<b>2,066,858.29</b>	<b>1,447,862.52</b>	<b>-4,134,860.32</b>	<b>80,373,723.92</b>
<b>Selling expenses</b>	<b>23,885,700.55</b>	<b>848,166.37</b>	<b>0.00</b>	<b>117,777.64</b>	<b>0.00</b>	<b>-4,020,370.73</b>	<b>20,831,273.83</b>
<b>Overhead expenses</b>	<b>23,031,094.92</b>	<b>1,140,923.19</b>	<b>1,071,202.38</b>	<b>4,874,961.13</b>	<b>1,587,732.32</b>	<b>-162,163.43</b>	<b>31,543,750.51</b>
<b>Revaluation of investment properties</b>	<b>23,556,154.71</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>23,556,154.71</b>
<b>Profit (loss) on sales</b>	<b>55,308,910.94</b>	<b>-4,931,457.71</b>	<b>4,195,477.50</b>	<b>-2,925,880.48</b>	<b>-139,869.80</b>	<b>47,673.84</b>	<b>51,554,854.28</b>
Other operating income	15,560,493.26	499,176.81	331,672.76	1,357,312.10	287,936.33	652,570.40	18,689,161.66
Other operating expenses	6,620,421.64	2,080,725.48	387,602.50	1,550,119.52	33,201.73	9.26	10,672,080.13
<b>Operating profit (loss)</b>	<b>64,248,982.56</b>	<b>-6,513,006.38</b>	<b>4,139,547.76</b>	<b>-3,118,687.90</b>	<b>114,864.80</b>	<b>700,234.98</b>	<b>59,571,935.81</b>
Financial income	7,658,616.97	728,933.42	1,672,761.76	1,514,827.38	701,703.71	-6,413,610.31	5,863,232.93
Financial expenses	44,821,484.99	3,011,692.68	4,310,315.40	969,095.98	4,597.80	1,519.79	53,118,706.64
<b>Profit (loss) on ordinary activities</b>	<b>27,086,114.53</b>	<b>-8,795,765.64</b>	<b>1,501,994.12</b>	<b>-2,572,956.50</b>	<b>811,970.71</b>	<b>-5,714,895.12</b>	<b>12,316,462.10</b>
<b>Gross profit (loss)</b>	<b>27,086,114.53</b>	<b>-8,795,765.64</b>	<b>1,501,994.12</b>	<b>-2,572,956.50</b>	<b>811,970.71</b>	<b>-5,714,895.12</b>	<b>12,316,462.10</b>
<b>Net profit (loss)</b>	<b>22,793,848.83</b>	<b>-8,883,225.84</b>	<b>1,436,441.12</b>	<b>-2,874,602.35</b>	<b>512,521.71</b>	<b>-3,431,935.25</b>	<b>9,553,048.22</b>



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2011	Developer activity	Hotel activity	Social building	Construction	Transport, other	Eliminations	Total
<b>Net revenues from sales of products, goods and materials, of which:</b>	<b>310,569,448.78</b>	<b>15,465,402.19</b>	<b>12,409,572.29</b>	<b>217,708,024.16</b>	<b>8,961,981.61</b>	<b>-186,482,336.24</b>	<b>378,632,092.79</b>
Net revenues from sales of products	308,482,676.82	15,465,402.19	12,409,572.29	213,439,150.78	8,961,875.69	-184,718,692.40	374,039,985.37
Net revenues from sales of goods and materials	2,086,771.96	0.00	0.00	4,268,873.38	105.92	-1,763,643.84	4,592,107.42
<b>Costs of products, goods and materials sold, of which:</b>	<b>215,910,998.02</b>	<b>14,973,520.07</b>	<b>7,580,259.31</b>	<b>216,378,304.79</b>	<b>5,104,679.32</b>	<b>-182,678,882.58</b>	<b>277,268,878.93</b>
Manufacturing cost of products sold	213,847,783.84	14,973,520.07	7,580,259.31	212,586,730.71	5,104,573.40	-180,915,238.74	273,177,628.59
Value of goods and materials sold	2,063,214.18	0.00	0.00	3,791,574.08	105.92	-1,763,643.84	4,091,250.34
<b>Gross profit (loss) on sales</b>	<b>94,658,450.76</b>	<b>491,882.12</b>	<b>4,829,312.98</b>	<b>1,329,719.37</b>	<b>3,857,302.29</b>	<b>-3,803,453.66</b>	<b>101,363,213.86</b>
<b>Selling expenses</b>	26,736,080.26	0.00	0.00	192,484.98	0.00	0.00	26,928,565.24
<b>Overhead expenses</b>	23,434,298.26	457,453.35	1,129,610.84	6,963,255.19	3,120,582.92	-274,141.65	34,831,058.90
<b>Revaluation of investment properties</b>	21,202,649.25	0.00	0.00	0.00	0.00	1,236,498.84	22,439,148.09
<b>Profit (loss) on sales</b>	<b>65,690,721.49</b>	<b>34,428.77</b>	<b>3,699,702.14</b>	<b>-5,826,020.80</b>	<b>736,719.37</b>	<b>-2,292,813.17</b>	<b>62,042,737.81</b>
Other operating income	9,346,462.82	506,858.31	186,617.59	906,190.98	1,717,588.47	-1,408,090.51	11,255,627.66
Other operating expenses	7,131,687.08	107,990.26	259,807.52	1,366,035.21	2,880,052.41	-2,312,988.19	9,432,584.29
<b>Operating profit (loss)</b>	<b>67,905,497.23</b>	<b>433,296.82</b>	<b>3,626,512.21</b>	<b>-6,285,865.03</b>	<b>-425,744.57</b>	<b>-1,387,915.49</b>	<b>63,865,781.18</b>
Financial income	6,442,311.94	674,255.71	1,603,843.98	1,293,630.32	621,477.47	-465,043.30	10,170,476.12
Financial expenses	25,600,554.96	1,523,949.48	4,525,747.49	1,568,399.91	71,299.83	1,270,967.69	34,560,919.36
<b>Profit (loss) on ordinary activities</b>	<b>48,747,254.21</b>	<b>-416,396.95</b>	<b>704,608.70</b>	<b>-6,560,634.62</b>	<b>124,433.07</b>	<b>-3,123,926.48</b>	<b>39,475,337.94</b>
<b>Gross profit (loss)</b>	<b>48,747,254.21</b>	<b>-416,396.95</b>	<b>704,608.70</b>	<b>-6,560,634.62</b>	<b>124,433.07</b>	<b>-3,123,926.48</b>	<b>39,475,337.94</b>
Income tax	10,482,912.10	64,803.16	55,649.00	-706,319.22	59,090.00	-1,736,608.13	8,219,526.90
<b>Net profit (loss)</b>	<b>38,264,342.12</b>	<b>-481,200.11</b>	<b>648,959.70</b>	<b>-5,854,315.40</b>	<b>65,343.07</b>	<b>-1,387,318.35</b>	<b>31,255,811.03</b>

## NOTES TO THE CONSOLIDATED INCOME STATEMENTS

### Note 24. Operating income

<b>OPERATING INCOME</b>	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
Revenues from sales of products	254,707,387.40	297,910,367.84
Revenues from sales of services	97,983,232.72	76,129,617.56
Revenues from sales of goods	2,868,560.61	4,592,107.42
<b>Total income</b>	<b>355,559,180.73</b>	<b>378,632,092.82</b>

	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
<b>Revenues from sales, of which:</b>	<b>355,559,180.73</b>	<b>378,632,092.79</b>
- from sales of products - units, plots, buildings	246,794,125.02	290,882,206.86
- sales of products - other	7,913,262.38	7,028,160.98
- sales of services	97,983,232.72	76,129,617.56
- sales of goods	2,868,560.61	4,592,107.39

	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
<b>Revenues from sales of products and services per business segment</b>	<b>352,690,620.12</b>	<b>374,039,985.40</b>
- developer activity	262,268,561.71	311,025,429.20
- hotel activities	17,389,134.49	15,465,402.19
- social building	12,706,834.45	12,409,572.29
- transport services	0.00	277,896.15
- construction	60,326,089.47	34,861,685.57

	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
<b>Revenues from sales of products - premises, plots, buildings per geographic segments</b>	<b>246,794,125.02</b>	<b>290,882,206.86</b>
- Warsaw and vicinity	183,400,356.98	285,696,280.40
- Gdynia	1,355,436.08	5,394,856.44
- Łódź	29,316,385.96	-212,002.86
- Sopot	32,721,946.00	3,072.88

	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
<b>Revenues from sales of hotel services per geographic segments</b>	<b>17,389,134.49</b>	<b>15,465,402.19</b>
- Warsaw and vicinity	5,752,363.92	6,234,147.61
- Tarnowo	4,867,614.85	4,757,229.20
- Stryków	2,287,026.25	2,923,171.25
- Cieszyn	1,043,015.43	1,156,980.74
- Krynica Górská	3,439,114.04	393,873.39

### Note 25. Operating expenses

<b>OPERATING EXPENSES</b>	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
Costs on sale of products	182,797,338.12	207,879,619.69
Costs on sale of services	89,371,992.41	65,298,008.90
Costs on sale of goods	3,016,126.28	4,091,250.34
<b>Total costs of products, services and goods sold</b>	<b>275,185,456.81</b>	<b>277,268,878.93</b>



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Selling and overhead expenses	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Selling expenses	20,831,273.83	26,928,565.24
Overhead expenses	31,543,750.51	34,831,058.90
<b>Total selling and overhead expenses</b>	<b>52,375,024.34</b>	<b>61,759,624.14</b>

Costs by type	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Depreciation and amortisation	12,645,202.04	12,288,632.48
Cost of materials and energy	177,069,462.14	42,075,194.61
Services made by other contractions	247,121,250.16	178,371,348.36
Taxes and duties	11,503,613.70	11,038,602.43
Wages and Salaries	34,250,557.66	42,215,120.85
Services for the benefit of employees	5,987,194.53	6,913,846.53
Other costs	18,046,898.02	22,484,387.17
<b>Total costs according to types</b>	<b>506,624,178.25</b>	<b>315,387,132.43</b>

**Note 26. Other operating income**

OPERATING INCOME	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) profit from disposal of non-financial fixed assets	0.00	981,209.86
b) other operating income	18,689,161.66	10,425,066.66
<b>Total operating income</b>	<b>18,689,161.66</b>	<b>11,406,276.52</b>

OPERATING INCOME	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) profit from disposal of non-financial fixed assets	0.00	981,209.86
b) handling charges	14,366,834.75	3,065,250.98
c) provisions	2,751,116.47	2,251,434.17
d) other	1,571,210.44	5,108,381.51
<b>Total operating expenses</b>	<b>18,689,161.66</b>	<b>11,406,276.52</b>

**Note 27. Other operating expenses**

OPERATING EXPENSES	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) loss on disposal of non-financial fixed assets	2,582,392.55	0.00
b) revaluation of non-financial assets	0.00	0.00
c) other operating expenses	8,089,687.58	9,583,233.15
<b>Total operating expenses</b>	<b>10,672,080.13</b>	<b>9,583,233.15</b>

OPERATING EXPENSES	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) loss on disposal of non-financial fixed assets	2,582,392.55	0.00
b) revaluation of non-financial assets	1,913,346.27	0.00
c) provisions	75,505.95	363,824.05
d) compensation, penalties and damages	794,066.43	1,988,646.04
e) compensation fee	146,304.30	254,295.74
f) cost of renovation of TBS Marki	0.00	1,646,461.00
g) other	5,160,464.63	5,330,006.32
<b>Total operating expenses</b>	<b>10,672,080.13</b>	<b>9,583,233.15</b>



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**Note 28. Financial income**

<b>FINANCIAL INCOME</b>	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
a) dividends	0.00	0.00
b) interest	5,651,888.55	4,639,791.84
c) revaluation of investment	0.00	0.00
d) other	211,344.38	5,530,684.28
<b>Total financial income</b>	<b>5,863,232.93</b>	<b>10,170,476.12</b>

<b>Financial income</b>	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
a) dividends	0.00	0.00
b) interests from customers	710,717.15	1,509,347.42
c) loan interests	736,980.50	1,053,058.49
d) deposit interests	452,256.50	947,484.90
e) bill interests	77,985.76	22,847.12
f) other interests	3,673,948.64	1,107,053.91
g) foreign exchange differences	0.00	5,061,655.31
h) other	211,344.38	469,028.97
<b>Total</b>	<b>5,863,232.93</b>	<b>10,170,476.12</b>

**Note 29. Financial expenses**

<b>FINANCIAL EXPENSES</b>	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
a) interests	34,334,910.56	34,461,758.48
b) loss on disposal of investments	14,430,895.92	0.00
c) other	4,352,900.17	99,160.88
<b>Total financial expenses</b>	<b>53,118,706.64</b>	<b>34,560,919.36</b>

<b>FINANCIAL EXPENSES</b>	<b>from 01-01-2012 to 31-12-2012</b>	<b>from 01-01-2011 to 31-12-2011</b>
a) interest, commission, credits	11,352,067.77	9,900,410.25
b) interest - leases	2,710,541.29	3,160,625.39
c) interest-loans	57,803.01	34,589.73
d) interest-bills	8,820,099.83	9,930,542.92
e) interest-bond issue	10,905,298.21	9,359,549.37
f) other interests	489,100.45	2,077,596.11
g) loss on disposal of investments	14,430,895.92	0.00
h) other	4,352,900.17	97,605.59
<b>Total financial expenses</b>	<b>53,118,706.65</b>	<b>34,560,919.36</b>

**Note 30. Transactions with related parties**

All transactions with the related parties were concluded on market terms.

BALANCES WITH RELATED PARTIES (from the viewpoint of the parent company) \*

No.	COMPANY NAME	Receivables from related parties		Liabilities to related parties	
		to 31-12-2012	to 31-12-2011	to 31-12-2012	to 31-12-2011
1	TBS Marki Sp. z o.o.	73,441.01	426,736.60	26,247,753.11	24,793,734.70
2	Business Financial Construction Sp. z o.o.	152,157.80	138,570.47	2,954,633.60	3,236,794.88
3	Lokum Sp. z o.o.	257,920.01	91,402.84	0.00	0.00
4	Deweloper Sp. z o.o.	18,813.03	126,977.74	20,000.00	20,000.00
5	J.W.Bulgaria	34,014,045.58	35,749,007.08	0.00	0.00
6	Porta Transport Sp. z o.o. in liquidation	31,491.69	16,041.00	11,258,140.04	9,152,712.74
7	Yakor House Sp.z o.o.	15,316,561.38	12,248,060.52	0.00	0.00
8	J.W. Construction Sp. z o.o.	22,728,679.96	15,846,387.12	109,062,218.19	72,848,687.94
9	Saspol Infrastrukture Sp. z o.o.	49,836.70	46,627.95	0.00	0.00
10	J.W. Marka Sp. z o.o.	4,602,419.73	484,763.87	5,637,903.61	1,648,097.67
11	J.W.Group Sp. z o.o.	16,551.81	4,040.00	0.00	0.00
12	J.W.Group Sp. z o.o. 1 SKA	168,049,284.27	0.00	0.00	0.00
13	J.W.Group Sp. z o.o. 2 SKA	10,651.80	0.00	0.00	0.00
14	J.W.2 Sp. z o.o.	15,751.08	4,040.40	0.00	0.00
15	Seahouse Sp. z o.o.	1,990,536.00	4,428.00	369.00	0.00
16	J.W.6 Sp. z o.o.	25,310.28	13,212.00	0.00	0.00

\* The aforesaid statement presents balances with related parties from the point of view of the parent company. The said balances cover the following transactions between the related parties: trade receivables and payables, loans, direct charge, paid security deposits, advances and other transactions, except for the amounts derived from valuation of construction contracts concluded by the parent company with special purpose vehicles.

J.W. Construction Holding S.A. as the buyer of products or services (transactions for more than 100 thousand).

COUNTERPARTY OF TRANSACTION	A TRANSACTION/AGREEMENT SUBJECT	from 01-01-2012	from 01-01-2011
		to 31-12-2012	to 31-12-2011
<b>Related parties subject to consolidation</b>			
J.W. Construction Sp. z o.o.	other	273,016.60	19,793.24
J.W. Construction Sp. z o.o.	building works	203,428,207.12	0.00
J.W. Construction Sp. z o.o.	lease	131,264.76	350.00
J.W. Construction Sp. z o.o.	Type of service	121,108.93	0.00
J.W. Construction S.A.	building works	0.00	147,568,168.71
J.W. Construction S.A.	Type of service	0.00	370,767.68
J.W. Marka Sp. z o.o.	marketing services	5,572,785.84	2,000,485.81
<b>Related parties excluded from consolidation</b>			
Business Financial Construction Sp. z o.o.	marketing services	3,196,181.71	4,755,391.77

J.W. Construction Holding S.A. as a seller of services (transactions for more than 100 thousand).

	TRANSACTION/AGREEMENT SUBJECT	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
<b>Related parties subject to consolidation</b>			
TBS Marki Sp. z o.o.	other	0.00	106,698.84
TBS Marki Sp. z o.o.	building services	378,308.80	882,422.43
J.W. Construction S.A.	other services	0.00	576,246.46
J.W. Construction S.A.	reinvoice	0.00	1,411,364.16
J.W. Construction S.A.	other	0.00	593,926.58
J.W. Construction S.A.	secretarial service	0.00	983,645.00
J.W. Construction S.A.	sale of services - repair under guarantee	0.00	3,405,127.86
J.W. Construction Sp. z o.o.	other	740,646.21	31,357.68
J.W. Construction Sp. z o.o.	sale of goods and materials	113,677.27	293.02
J.W. Construction Sp. z o.o.	reinvoice	1,961,105.79	54,849.38
J.W. Construction Sp. z o.o.	other services	1,036,156.39	488,681.87
J.W. Construction Sp. z o.o.	equipment tenancy	300,415.24	63,086.55
J.W. Construction Sp. z o.o.	secretarial service	969,936.00	124,978.00
J.W. Construction Sp. z o.o.	sale of services - repair under guarantee	2,393,778.86	0.00
Porta Transport Sp. z o.o. in liquidation	other services	144,000.00	144,000.00
J.W. Group Sp. z o.o. 1 SKA	secretarial service	431,145.00	0.00

**Note 31. Remuneration of members of authorities of the Company, the structure of employment.**

The remuneration for 2012 is presented below. The tables contain aggregate data of members of authorities of all companies of the Parent Company per remuneration for offices held in Group Companies, employment in Group Companies and other forms of remuneration.

JW Construction Holding S.A.	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
<b>Management Board</b>		
Panabażys Tomasz	48,834.73	49,000.00
Rajchert Wojciech	306,000.00	312,000.00
Samarcew Marek	0.00	198,757.87
Wójcik Robert	304,000.00	312,000.00
Łopuszyńska Irmina	277,000.00	44,000.00
Malinowska Bożena	148,136.36	0.00
Starzyńska Magdalena	177,253.25	0.00

JW Construction Holding S.A.	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
<b>Supervisory Board</b>		
Król Jarosław	24,000.00	24,000.00
Michnicki Marcin	21,304.35	24,000.00
Oleksy Józef	186,000.00	177,000.00
Pietraszkiewicz Henryk	0.00	10,000.00
Podsiadło Andrzej	24,000.00	24,000.00
Samarcew Marek	40,695.65	0.00
Wojciechowski Józef	0.00	0.00

Other Companies of the Capital Group	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
<b>Management Board</b>		
Panabażys Tomasz	316,315.56	320,562.60
Rajchert Wojciech	6,835.16	35,361.53
Samarcew Marek	0.00	0.00
Wójcik Robert	0.00	1,185.71
Łopuszyńska Irmína	29,000.00	0.00
Malinowska Bożena	0.00	264,000.00
Starzyńska Magdalena	0.00	0.00

Other Companies of the Capital Group	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
<b>Supervisory Board</b>		
Król Jarosław	0.00	0.00
Michnicki Marcin	0.00	0.00
Oleksy Józef	0.00	12,000.00
Pietraszkiewicz Henryk	0.00	0.00
Podsiadło Andrzej	0.00	0.00
Samarcew Marek	0.00	0.00
Wojciechowski Józef	0.00	0.00
Pietraszkiewicz Henryk	0.00	0.00
Podsiadło Andrzej	0.00	0.00
Wojciechowski Józef	0.00	0.00

#### Average headcount per occupational groups in the Parent Company

Company	to 31-12-2012	to 31-12-2011
Management Board	4	4
Managers	32	27
Administration	196	234
Other employees	149	109
<b>Total</b>	<b>381</b>	<b>374</b>

Contracts	to 31-12-2012	to 31-12-2011
The employment contract	381	374
Commission contracts	137	110
Contracts for a specific task	4	4
<b>TOTAL</b>	<b>522</b>	<b>488</b>

#### Note 32. Significant events during the accounting year

The following important events took place over the period of time covered in this report:

##### Changes in the Board

On 01 February 2012, the Supervisory Board appointed Ms. Magdalena Starzyńska to the Management Board as its member.

On July 26, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of dismissal of Ms. Bożena Malinowska from the Management Board.

On 03 December 2012, the Company received a statement from Mr. Tomasz Panabażys - the Member of the Management Board on his resignation from the membership in the Management Board on 03 December 2012.

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

-On 22 October, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of :

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- - dismissal Mr. Andrzej Podsiadło from Supervisory Board of the Company;
  - - appointment Mr. Marek Samarcew to the Company's Supervisory Board
- On 22 October 2012, the Extraordinary General Meeting passed the following resolutions:
- - on dismissal Mr. Marcin Michnicki from the Supervisory Board of the Company.
  - - on appointment Mr. Andrzej Podsiadło to the Supervisory Board of the Company;

#### Mergers

On 31 October 2012, the District Court for the City of Warsaw, XIV Commercial Division of the National Court Register registered the merger of the Company (as a merging company) with its subsidiaries: JW Projekt Spółka z o.o with its seat in Ząbki, Architects Polska Spółka z o.o with its seat in Ząbki and JWCH Budownictwo Drogowe Spółka z o.o with its seat in Ząbki (as a merged company). The merger was in accordance with art. 492 § 1. A Code of Commercial Companies by transferring all the assets of merged companies to the Company.

On 26 November 2012, the District Court for the Capital City of Warsaw XIV Commercial Division of the National Court Register registered the merger of the company under the name of J.W.Construction Sp. z o.o with its seat in Ząbki (the acquiring company) with J.W.Construction S.A with its seat in Ząbki (the acquired company). The merger was effected pursuant to the Art. 492.1.1 of the Commercial Companies Code by transferring all assets of the acquired company to the acquiring company.

#### Credit agreements

On 20.02.2012, the Company concluded the revolving credit agreement with Millenium Bank S.A in the amount of PLN 21.000.000 for financing the investment at Jaroczyńskiego Street in Poznań. The repayment date was set on 31 March 2015.

On 09.03.2012, the Company concluded an agreement on Nowy Dow investor loan in the amount of PLN 27,558,000 for co-financing the implementation of Lewandów investment buildings 3-6 at Lewandów Street in Warsaw. The repayment date was set on 25 December 2014.

On 16 April 2012, the Company concluded a revolving credit agreement in the amount of PLN 30 million with Bank Polskiej Spółdzielczości S.A dedicated to finance a current activity. The repayment date was set on 15 April 2015.

On 29 May 2012, the Company concluded a non-revolving credit with Bank Polskiej Spółdzielczości S.A in the amount of PLN 13 million dedicated to finance a current activity. The repayment date was set on 28 May 2015.

On 05 July 2012, the Company concluded the overdraft credit with PKO BP S.A in the amount of PLN 7 million. The repayment date was set on 04 July 2013.

On 27 July 2012, the Company concluded the investment loan agreement with Getin Noble Bank S.A in the amount of PLN 20.000.000 for refinancing the investment costs of building 292 residential units in Villa Campina investment in Ożarów Mazowiecki. The repayment date was set on 20 July 2015.

#### In 2012, the Company repaid the following credits:

On 31 March 2012, the subsidiary under the company of J.W. Construction S.A paid an overdraft facility granted by Bank PKO BP S.A in the amount of PLN 7,000,000 dedicated to finance the current activity.

On May 30, 2012, the Company fully repaid the overdraft facility granted by BOŚ Bank S.A in the amount of PLN 13 million which was dedicated to finance the current activity.

On 6 November 2012, the Company paid off the investment credit granted by Getin Noble Bank S.A for co-financing the implementation of the "Osiedle Swiatowida" investment at Swiatowida Street in Warsaw.

On 30 November 2012, the Company concluded a working-capital credit with Bank Polskiej Spółdzielczości S.A in the amount of PLN 30 million for financing the purchase of real estate located in Spokojna and Leśna Street, in Gdynia.

On 21 December 2012, the Company repaid in full an investor loan " Nowy Dom" granted by Bank PKO BP to co-finance the implementation of Lewandów investment buildings 3-6 at Lewandów Street in Warsaw.

#### In 2012, the following changes occurred in credit agreements that were concluded in the previous years:

On 16 April 2012, the Company concluded an Annex to the working capital credit granted by Bank Polskiej Spółdzielczości S.A in the amount of PLN 10 million, dedicated to finance a current activity. By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 26 April 2013.

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On 24 April 2012, the Company concluded an overdraft facility agreement with Invest Bank S.A. in the amount of PLN 15 million. By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 25 April 2013.

On 25 May 2012, the Company concluded an Annex to the overdraft credit with PKO BP S.A. in the amount of PLN 10 million. By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 27 April 2013.

On 23 August 2012, the Company entered into the Annex to the revolving working capital loan granted by Invest Bank to co-finance the commercial investment of "Łódź Tymienieckiego II" at Tymienieckiego Street in Łódź. By virtue of the Annex, the repayment term of the credit was postponed and set on 30 September 2013.

The issue of Bonds

On April 27, 2012, the Company issued a total number of 9,500 long-term unsecured bonds with a nominal value of PLN 10,000 each. The total value of the issue is PLN 95,000,000. Interest bonds was determined on a basis of WIBOR 3M plus margin, thus the maturity date was set on 27 April 2015. The bonds were used to finance a part of the purchase price of the property located in Kasprzaka 29/31 street with a total area of 81,185.00 m<sup>2</sup>, purchased by the subsidiary operating under the name of J.W. Group limited liability company 1 company limited by shares with its registered office in Ząbki.

Guarantees and sureties

On April 27, 2012, the Company provided a guarantee for the liabilities of J.W. Group Spółka z o.o 1 SKA (partnership limited by shares) based in Ząbki to VIS Investments SKA (partnership limited by shares) with its registered seat in Warsaw. The subject of a guarantee was a payment of the contract sale price of acquiring the right of perpetual usufruct of land plots with ownership of the buildings erected on them, located in Warsaw in Kasprzaka 29/31 Street. The total area of the property that is the subject of the contract is 81,185.00 m<sup>2</sup>. The value of the guarantee, which is also the purchase price of the property, amounts to PLN 155 million net ( PLN 157,614.085 gross). The Company is the sole shareholder of the Buyer and the sole shareholder of the general partner. The guarantee expired to the amount of the sale price upon payment of the price of the property.

Other significant agreements:

On 29 June 2013, the Company concluded two agreements for sale with the company under the name of J.W. Consulting Spółka z o.o J.W. 3 SKA (Partnership limited by shares) with its seat in Ząbki with a total value of PLN 44,400,719 net (i.e PLN 54,612,883.79 gross) and applied to:

- Sale Agreement of 21 November 2012, regarding the sale of ownership rights to the property located in Sopot, in Parkowa 67/69 Street developed with two guest-house buildings with a total usable area of 2,848.37 m<sup>2</sup> for the amount of PLN 24,265,946 net (i.e PLN 29,847,113 gross).
- Sale Agreement of 23 November 2012, regarding the sale of ownership rights to 38 plots for detached houses development with a total area of 31,165 m<sup>2</sup> located in the municipality of Kręczki Kaputy, Ozarów Mazowiecki for the amount of PLN 20,134,773 net (i.e PLN 24,765,770.79 gross).

These agreements were signed in accordance with binding agreements of 29 June 2012.

On 30 November 2012, the Company sold a property situated in Gdynia, at Powstania Wielkopolskiego/Powstania Śląskiego Street creating a plot of land with the area of 0.4150 ha to a subsidiary operating under the name of J.W Spółka z o.o. based in Ząbki (at the date of this report, the company has changed the name to Seahouse Spółka z o.o) for the amount of PLN 8,456,000 net ( PLN 10,400,880 gross). The building project was sold together with the property. Within the Capital Group of the Company, the buyer will be implementing the housing investment dedicated for sale within a separate project.

Land purchase agreements

On 27 April 2012, a subsidiary of the Company - J.W. Group Spółka z o.o based in Ząbki concluded with VIS Investments Spółka z o.o SKA based in Warsaw an agreement to acquire the right of perpetual usufruct of land plots with ownership of the buildings erected on them, located in Warsaw. Parcel of land with a total area of 81,185 m<sup>2</sup> which is the subject of this Agreement is located in Kasprzaka 29/31 Street. The purchase price was set at PLN 155 million net (ie PLN 157,614,085 gross). On 6 August 2012, the parties concluded an annex to the contract of sale, which confirmed, in connection with the entry into the life of the local land use plan covering the property that the determined sale price between the parties is final.

Construction contracts

Agreements within the Capital Group

The agreements concluded with a subsidiary of J. W. Construction sp. z o.o (in connection with the acquisition of JW Construction S.A by this company) on the implementation of the following investments:

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<b>Project's name</b>	<b>Date of the agreement</b>	<b>Subject of the contract</b>
Poznań, at Jaroczyńskiego Street	12/09/2012	implemenatation of housing buildings in general contracting system
Szczecin/ Aleje Wyzwolenia/	03/03/2012	performance of the diaphragm wall, excavation
Szczecin/ Aleje Wyzwolenia/	03/03/2012	performance of reinforced concrete construction of multi-purpose building with a garage

The total value of the above agreements exceeds 10% of the Company's equity.

Agreements concluded outside the Capital Group

During the reporting period, on 19 June 2012, the Company of J.W Construction Sp. z o.o (prior to the acquisition of J.W. Construction S.A) signed a contract with the general subcontractor - SPS Construction Sp. z o.o Kielce on the purchase of erection works - the implementation of the investments at Jaroczyńskiego Street, Poznań. The contract value di not exceed 10% of the equity of the Company.

In 2012, the Company received the following decision on permission:

a) Building permission

On 26 April 2012, the Company received the decision on building permission of a group of multi-family buildings with a garage and technical infrastructure in Powstania Wielkopolskiego Street and Powstania Śląskiego Street in Gdynia. The permit is final.

On 12 June 2012, the Company received the decision on building permission of a group of multi-family- service buildings with land development at Tysiąclecia Street in Katowice. The permit is final.

b) Occupancy permits

On 27 January 2012, the Company received the decision on occupancy of a sewage treatment plant located in Ożarów Mazowiecki.

On 27 April 2012, the Company received the decision on building permit of a group of multi-family houses in Ożarów Mazowiecki. The permit is final.

On 04 June 2012, the Company received the decision on occupancy permit of two guest -house buildings in Sopot, at Parkowa Street. The permit is final.

On 20 August 2012, the Company received the decision on the occupancy permit of Czarny Potok -a hotel complex in Krynica Zdrój. The permit is final.

On 14 September 2012, the Company received the decision on building permit of single-family houses in Villa Campina Investment near Ożarów Mazowiecki. The permit is final.

On 07 November 2012, the Company received the final occupancy permit for the multi-family community "Lewandów buildings 3-6 at Lewandów Street in Warsaw. The permit is final.

On 13 November 2012, the Company received a certificate of occupancy of the multi-family housing estate "Łódź Tymienieckiego II' at Tylina Street in Łódź. The permit is final.

c) The investment implementation commencement

On 15 December 2012, the entry on the completion of the construction of a multi-family housing estate "Green Valley" at Zdziarska Street, Warsaw was made in the Construction Logbook.

On 17 December 2012, the entry on the completion of the construction of a multi-family housing estate "Osiedle Światowida" at Światowida Street, Warsaw was made in the Construction Logbook.

The investment implementation commencement

On 15 December 2012, the entry on the completion of the construction of a multi-family housing estate "Green Valley" at Zdziarska Street, Warsaw was made in the Construction Logbook.



On 17 December 2012, the entry on the completion of the construction of a multi-family housing estate "Osiedle Światowida" at Światowida Street, Warsaw was made in the Construction Logbook.

### **Note 33. Events which occurred after the balance sheet date**

#### Occupancy permits

On 12 March 2013, the Company received the occupancy permit for the multi-family real estate "Osiedle Światowida" at Światowida Street in Warsaw. The permit is not final.

On 14 March 2013, the Company received the occupancy permit for the multi-family real estate " Zielona Dolina" at Zdziarska Street in Warsaw. The permit is not final.

#### Credit Agreements

On 21 January 2013, the Company signed the Annex to the overdraft facility agreement with Millennium Bank S.A. . By virtue of the Annex, the repayment term of the credit was postponed and set on 22 January 2014.

On 29 January 2013, the Company concluded an investment credit agreement in the amount of PLN 10,955,252 with PKO BP for refinancing the construction costs of unsold flats built within the development of Lewandów Park II real estate in Warsaw. The repayment date was set on 31 December 2014.

On 15 February 2013, the Company concluded the Annex to the revolving loan granted by Millennium Bank S.A. to to co-finance the investment at Jaroczyńskiego Street in Poznań. Pursuant to the Annex, the amount of the given credit was reduced from PLN 21 milion to PLN 20 milion and the final repayment date with credit use period were postponed. The final repayment date is set on 30 June 2015.

#### Changes in the Board

On 07 February 2013, the Company received a statement from Mr. Robert Wójcik - the Member of the Management Board on his resignation from the membership in the Management Board on 09 February 2013.

#### The issue of Bonds

On 24 January 2013, the Board of the Company passed a Resolution, on the basis of which it changed conditions of issuance of the Company's bonds, issued pursuant to the Resolution of 26 April 2012, in the number of 9,500 units with a par value PLN 10,000 each and a total value of PLN 95 million marked in a system of KDPW PLJC0000043, the above-mentioned issuance was mentioned by the Company in the current report no 14/2012 of 27 April 2012 in the following scopes: (i) the maturity of the bond, which was changed from 27 April 2015 to 25 January 2016, (ii) supplementing interest table with three new interest periods falling respectively on the date from 24 April 2015 to 24 July 2015, from 24 July 2015 to 23 October 2015 and from 23 October 2015 to 25 January 2016; (iii) the interest by an increase margin by 0.75% binding from 25 January 2013, the Company obtained the approval of all bondholders to change the above mentioned terms of the issue.

On 25 January 2013, the Company issued a total number of 1,057 pieces of secured bonds with a par value PLN 100,000 each and a total value of PLN 105,700,000, of which the issue price corresponds to the par value, and the interest rate was based on WIBOR 3M plus margin (the "Bonds"), with a final maturity of 25 January 2016. The purpose of the Bonds issue was a partial debt repayment of repayment of the Series A bonds issued by the Company pursuant to the Resolution No. 1 of the Management Board of 18 June 2010, registered in the The National Depository for Securities S.A in Warsaw under ISIN code of PLJWC0000035. The bonds were paid with series A Bonds. In consequence of the Bonds issuance, 1057 series A bonds marked with ISIN code of PLJWC0000035 were deregistered from depository of securities held by the National Depository for Securities S.A, 243 bonds of the above-mentioned series remained. The bonds entitle bondholders to be given a redemption installment in the amount of 10% of a par value on 25 April 2014 and 25 April 2015. The redemption installment, referred to above, reduces the amount of the redemption of the Bonds attributable to pay on the final maturity date. Interest is paid quarterly. The bonds are secured by the establishment of:

(1) joint mortgage in the amount of PLN 135,000,000 on:

(a) real estate ownership right built with an office building located in Warsaw, in Aleje Jerozolimskie 216 Street, entitled to the Company. The property is comprised of a plot of land No. 62/2 with an area of 3,999m<sup>2</sup>, for which the District Court for Mokotów Warsaw XIII Division of Land Registry maintains land and mortgage register No. WA1M/00149632/9 (a value of the above-mentioned property is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 36,365,800 net) (the Company provides a collateral);

(b) right of perpetual usufruct of property, entitled to the Company, which consists of a parcel of land located in Krynica-Zdrój at Czarny Potok Street with No. 163/1, 164/1, 164/4, 174/4, 146, 172, 173, 174/8, 174/9, with a total area of 29,491

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m<sup>2</sup>, and the right of ownership of buildings built on the property and are under separate ownership, for which the District Court in Nowy Sącz, X Branch Land Registry in Muszyna maintains the Land and Mortgage Register No. NS1M/00007069/8 (a value of the above-mentioned property is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 200,268,000,000) (the Company provides a collateral);

(c) undeveloped real estate ownership right entitled to the company of Lokum Spółka z o.o with its seat in Warsaw ( a subsidiary):

(i) comprising of plots of land No. 86/2 i 86/4, with a total area of 15,066 m<sup>2</sup>, located in Konstancin - Jeziorna, at Bielawska Street, for which the District Court in Piaseczno, IV Land Registry maintains the Land and Mortgage Register No. WA1I/00006117/5 and

(ii) comprising of a plot of land with No. 84/27 with an area of 29m<sup>2</sup> located in Konstancin-Jeziorna at Bielwska Street, for which the District Court in Piaseczno, IV Land Registry maintains the Land and Mortgage Register No. WA1I/00006116/8,(which the value is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 4,212,000) (Lokum Spółka z o.o provides a collateral); and

(2) property mortgage in the amount of PLN 75,000,000 which ownership right is entitled to the Company and which is located in the municipality of Ożarów Mzaowiecki, in the area of Sochaczewska and Żyzna Street, consisting of plots of land with a total area of 141,497 m<sup>2</sup>, for which the District Court in Pruszkow, VI Land Registry maintains Land and Mortgage Register No. WA1P/00105675/5 (a value of the above-mentioned property is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 86,152,000) (the Company provides a collateral).

The mortgages were written in favour of bondholders, whose rights and obligations of the encumbrancer are performed by Biedeki Biedeki and Partners Legal Advisers, as an administrator of the mortgage.

**Note 34. Selected financial data including the main items of the financial statements in thousands of PLN**

In order to convert the balance for the period from 1 January 2010 – 31 December 2012, the average EUR exchange rate, that was determined by the National Bank of Poland on that day; was PLN 4.0882/ EUR

In order to convert the balance for the period from 1 January 2010 – 31 December 2011, the average EUR exchange rate, that was determined by the National Bank of Poland on that day; was PLN 4.4168/ EUR

In order to convert the income statement for the period from 01/01/2012 – 31 /12/2012, the average EUR exchange rate was assumed, that was calculated as the arithmetic mean of exchange rates on the last day of month of the given period, as determined by the National Bank of Poland on that day; the exchange rate PLN 4.1521 / EURO.

In order to convert the income statement for the period from 01/01/2011 – 31 /12/2011, the average EUR exchange rate was assumed, that was calculated as the arithmetic mean of exchange rates on the last day of month of the given period, as determined by the National Bank of Poland on that day; the exchange rate PLN 4.1401 / EURO.

Consolidated balance sheet item	to 31-12-2012		to 31-12-2011	
	PLN	EUR	PLN	EUR
<b>Total Assets</b>	<b>1,556,107</b>	<b>380,634</b>	<b>1,380,806</b>	<b>312,626</b>
Non-current assets	909,477	222,464	687,358	155,624
Current assets	646,631	158,170	693,447	157,002
<b>Total Equity and Liabilities</b>	<b>1,556,107</b>	<b>380,634</b>	<b>1,380,806</b>	<b>312,626</b>
Equity	503,256	123,100	493,447	111,721
Non-current liabilities,	660,268	161,506	457,348	103,547
Current liabilities	392,584	96,028	430,010	97,358

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Consolidated income statement item	from 01-01-2012 to 31-12-2012		from 01-01-2011 to 31-12-2011	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	355,559	85,633	378,632	91,454
Costs of products, goods and materials sold	275,185	66,276	277,269	66,971
<b>Gross profit (loss) on sales</b>	<b>80,374</b>	<b>19,357</b>	<b>101,363</b>	<b>24,483</b>
Selling expenses	20,831	5,017	26,929	6,504
Overhead expenses	31,544	7,597	34,831	8,413
Profit (loss) on sales	51,555	12,416	62,043	14,986
Operating profit (loss)	59,572	14,347	63,866	15,426
<b>Gross profit (loss)</b>	<b>12,316</b>	<b>2,966</b>	<b>39,475</b>	<b>9,535</b>
Income tax	2,763	666	8,220	1,985
<b>Net profit (loss)</b>	<b>9,553</b>	<b>2,301</b>	<b>31,256</b>	<b>7,549</b>

Issuer's balance sheet item	to 31-12-2012		to 31-12-2011	
	PLN	EUR	PLN	EUR
<b>Total Assets</b>	<b>1,452,050</b>	<b>355,181</b>	<b>1,261,108</b>	<b>285,525</b>
Non-current assets	826,527	202,174	575,207	130,232
Current assets	625,523	153,007	685,901	155,294
<b>Total Equity and Liabilities</b>	<b>1,452,050</b>	<b>355,181</b>	<b>1,261,108</b>	<b>285,525</b>
Equity	521,788	127,633	520,732	117,898
Non-current liabilities,	554,927	135,739	341,272	77,267
Current liabilities	375,335	91,809	399,103	90,360

Consolidated income statement item	from 01-01-2012 to 31-12-2012		from 01-01-2011 to 31-12-2011	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	282,961	68,148	333,214	80,484
Costs of products, goods and materials sold	211,798	51,010	253,189	61,155
<b>Gross profit (loss) on sales</b>	<b>71,162</b>	<b>17,139</b>	<b>80,024</b>	<b>19,329</b>
Selling expenses	24,691	5,946	27,865	6,730
Overhead expenses	23,332	5,619	23,858	5,763
Profit (loss) on sales	44,495	10,716	49,505	11,957
Operating profit (loss)	51,883	12,496	52,929	12,784
<b>Gross profit (loss)</b>	<b>11,224</b>	<b>2,703</b>	<b>32,993</b>	<b>7,969</b>
Income tax	3,163	762	7,621	1,841
<b>Net profit (loss)</b>	<b>8,061</b>	<b>1,941</b>	<b>25,372</b>	<b>6,128</b>

**Note 35. Off-balance sheet entries**

OFF- BALANCE SHEET COLLATERALS - credit agreements	to 31-12-2012
Investment real estate pledged as collateral - loans	670,643,936.00
blank bill	324,353,028.00
Executory titles	505,462,543.05
Assignment of the insurance contract	379,535,977.00

\* the amounts of collateral in the form of blank promissory notes are presented up to the full value of the principal liability;



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The table above presents all collateral under concluded loan agreements. Since several items of collateral were established under particular loan agreements, the value of collateral was not summed up.

<b>OFF- BALANCE SHEET COLLATERALS - other</b>	<b>to 31-12-2012</b>
blank bill	36,357,234.30
Executory titles	3,750,000.00
Guarantees to the benefit of ZPM Metalcon Sp z o.o.	800,000.00
Guarantees to the benefit of Deweloper Sp. z o.o.	625,011.72
Guarantees to the benefit of JW. Wronia Sp. z o.o.	75,000,000.00
Guarantees to the benefit of JW. Consulting Sp. z.o.o J.W.2 partnership limited by shares	39,653,100.00
Guarantees to the benefit of Capital City of Warsaw	907,800.00
Other	500,000.00
Guarantees to the benefit of TBS "Marki" Sp z o.o.	22,400,000.00

As at 31 December 2012 there were disclosed insurance guarantees to remove failures and defects, granted by banks and insurance institutions to the benefit of the Company. Moreover, there were blank promissory notes issued to the benefit of J.W. Construction Holding S.A. to secure rights of such companies under guarantees granted by counterparties, which the Companies may fill in at any time with the amount corresponding to the costs of failure and defect removal. As at 31 December 2012 the total value of guarantees was PLN 4.7 million and EUR 12.3 thousand (J.W. Construction Holding S.A) and 9,200,000 and EUR 172,7 thousand (J.W. Construction Sp. z o.o).

#### **Note 36. Significant issues in litigation**

2012. The Company filed against the Capital City of Warsaw ("Respondent") a petition for commitment of the Defendant to submit a declaration of intent for the acquisition from the Company right of perpetual use of the plot no 2/6 with the area of 3,2605 ha for which the District Court for Warsaw- Mokotów, X Division of Land Registry maintains a land and mortgage registry no WA4M/00413015/1 KW ("Property") for a net price of PLN 91,130,975 together with interest from the date of 8 January 2010. The company filed a petition according to the Article 36.1 point. 2) of the Act of 27 March 2003 on spatial planning and development (Journal of Laws 2003.80.717) in connection with the adoption by the Respondent of the area development plan area of Olbrachta Street (approved by the resolution of the City of Warsaw No. LVI/1669/2009, which entered into force on 3 August 2009) ("Plan"). The property has been earmarked for the N-S Route. In the period when the Company acquired the Property, the zoning plan of the property was not obligatory. With the adoption of the Plan and as a result of this adoption, there has been a significant restriction on the use of the Property by the Company, therefore the Company has the right to request to redeem to purchase/buy out the Property by the Defendant. The Company applied to the Defendant with a request to take steps to voluntary purchase of the Property by the Respondent but the request was refused. The Company believes the claim is fully justified and deserves the judgement in accordance with the petition of the Company.

As at 31 December 2012, the Capital Group was a party to proceedings brought against it in the total amount of PLN 53,176,662.

#### **Note 37. Financial instruments and hedge accounting**

The Group does not use derivatives. The Group uses bank credits, loans, bond issues as well as financial leases. The main financial assets of the Company is a loan for the related not consolidated Company as well as cash and cash equivalents.

#### **The fair values of particular classes of financial instruments**

The following table shows a comparison of the carrying amounts and fair values of all financial instruments of the Company, divided into different classes and categories of assets and liabilities.

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	Category <i>in accordance with IAS 39</i>	Carrying value		Fair value	
		to 31-12-2012	to 31-12-2011	to 31-12-2012	to 31-12-2011
<i>Financial assets</i>					
Long term financial assets in related entities	DDS	4,356,804.98	4,356,554.98	0.00	0.00
Long term financial assets in related entities	DDS	243,824.62	243,824.62	0.00	0.00
Short-term loans	PiN	487,932.16	433,014.21	487,932.16	433,014.21
			0.00		
Trade and other receivables	PiN	41,136,909.19	51,288,458.77	41,136,909.19	51,288,458.77
			0.00		
<b>Cash and cash equivalents</b>	WwWGpWF	16,729,078.51	42,995,638.89	16,729,078.51	42,995,638.89
<i>Financial liabilities</i>					
Loans with a variable interest rate	PZFwgZK	385,578,602.63	287,515,062.15	385,578,602.63	287,515,062.15
Loans from related companies	PZFwgZK	0.00	0.00	0.00	0.00
Liabilities from long-term financial lease	PZFwgZK	37,453,980.19	42,840,811.55	47,268,288.91	47,268,288.91
Liabilities from short-term financial lease	PZFwgZK	5,884,216.61	5,692,939.27	7,066,702.63	7,066,702.63
Trade and other receivables	PZFwgZK	95,435,881.73	97,271,460.42	95,435,881.73	97,271,460.42
Bonds	PZFwgZK	229,556,972.00	133,042,000.00	229,556,972.00	133,042,000.00
Liabilities from long-term deposits	PZFwgZK	6,828,954.16	5,855,881.70	6,828,954.16	5,855,881.70

UdtW - Financial assets held to maturity,

WwWGpWF - assets / liabilities at fair value through profit/loss

PiN - Loans and receivables

DDS - Financial assets available for sale

PZFwgZK - Other financial liabilities measured at amortized cost

### **Interest rate risk**

The following table presents the carrying amount of the Company's financial instruments which are exposed to interest rate risk, in division into particular age categories.

<b>December 31, 2012 - variable interest rate</b>	<b>Up to 1 year</b>	<b>Up to 2 years</b>	<b>from 2 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Cash Assets	16,729,078.51	0.00	0.00	0.00	16,729,078.51
Loans for related not consolidated companies	487,932.16	0.00	0.00	0.00	487,932.16
Loans	0.00	0.00	0.00	0.00	0.00
Bank Loans	145,121,591.29	63,300,760.00	53,043,392.09	124,112,859.25	385,578,602.63
Bonds liabilities	28,856,972.00	200,700,000.00	0.00	0.00	229,556,972.00

### **COLLATERALS**

The Company does not apply hedge accounting.

### **Note 38. Changes in the Management and Supervisory Board of the Parent Company in the Capital Group - J.W. Construction Holding SA.**

Management Board of the Company

As at 01 January 2012 the Management Board of the Company was composed of:

- Mr. Tomasz Panabażys Vice-Chairman of Management Board
- Mr. Wojciech Rajchert Member of Management Board
- Mr. Robert Wojcik Member of Management Board
- Ms. Bożena Malinowska Member of Management Board
- Ms. Irmina Łopuszyńska Member of Management Board

In the current period , the following changes in the composition of the Management Board occurred:

- On 01 February 2012, the Supervisory Board appointed Ms. Magdalena Starzyńska to the Management Board as its member.
- On July 26, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of dismissal of Ms. Bożena Malinowska from the Management Board.
- On 03 December 2012, the Company received a statement from Mr. Tomasz Panabażys - the Member of the Management Board on his resignation from the membership in the Management Board on 03 December 2012.

As at 31 December 2012 the Management Board of the Company was composed of:

- Mr. Wojciech Rajchert                      Member of Management Board
- Mr. Robert Wojcik                        Member of Management Board
- Ms. Magdalena Starzyńska              Member of Management Board
- Ms. Irmína Łopuszyńska                Member of Management Board

From the balance sheet date until the date of the report in the Management Board, the following changes occurred:

- On 07 February 2013, the Company received a statement from Mr. Robert Wójcik - the Member of the Management Board on his resignation from the membership in the Management Board on 09 February 2013.

#### Supervisory Board

As at 01 January 2012 the Supervisory Board of the Company was composed of:

- Mr. Józef Wojciechowski                Chairman of Supervisory Board
- Mr. Józef Oleksy                         Vice Chairman of Supervisory Board
- Marcin Michnicki                         Vice Chairman of Supervisory Board
- Mr. Andrzej Podsiadło                  Member of Supervisory Board
- Mr. Jarosław Król                         Member of Supervisory Board

During 2012 the composition of the Supervisory Board of the Company was changed as follows:

- on 22 October, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of :

- dismissal Mr. Andrzej Podsiadło from the Supervisory Board of the Company;
- appointment Mr. Marek Samarcew to the Company's Supervisory Board

- On 22 October 2012, the Extraordinary General Meeting passed the following resolutions:

- on dismissal Mr. Marcin Michnicki from the Supervisory Board of the Company.
- on appointment Mr. Andrzej Podsiadło to the Supervisory Board of the Company;

As at 31 December 2011 the Supervisory Board of the Company was composed of:

- Mr. Józef Wojciechowski - Chairman of Supervisory Board
- Mr. Józef Oleksy                         Vice Chairman of Supervisory Board
- Mr. Andrzej Podsiadło                  Member of Supervisory Board
- Mr. Jarosław Król                         Member of Supervisory Board
- Mr. Marek Samarcew                    Member of Supervisory Board

From the balance sheet date to the date of the report in the Supervisory Board, there were no changes.

#### **Note 39. Capital Management**

The Group manages its capital in order to maintain the capacity to continue operations, in order to generate returns for shareholders and benefits to other stakeholders.

In accordance with market practice, the Group monitors its capital, among other things, on the basis of equity ratio and the ratio of loans, credits and other financing sources / EBITDA.

The equity ratio is calculated as the ratio of net tangible assets (equity diminished by the value of intangible assets) to total assets.

The ratio of credits, loans and other financing sources / EBITDA is calculated as the ratio of credits, loans and other financing sources to EBITDA. Credits, loans and other financing sources presents a total amount of liabilities arising from credits, loans and lease, while EBITDA presents an operating profit after adding depreciation.

In order to maintain a liquidity and the credit capacity allowing to attract an external financing with a reasonable level of costs, the Group intends to maintain the equity ratio at the level no lower than 0.3.



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	<b>31 December 2012</b>	<b>31 December 2011</b>
Interest-bearing loans and borrowings	388,863,002.82	290,611,883.90
Trade and other receivables	663,988,414.85	596,746,411.85
Minus cash and cash equivalents	-16,729,078.51	-42,995,638.89
Net debt	1,036,122,339.16	844,362,656.86
Equity	503,256,055.60	493,447,404.34
Total share capital	503,256,055.60	493,447,404.34
Capital and net debt	1,539,378,394.76	1,337,810,061.20
Equity ratio	32.69%	36.88%
Credits ratio	67.31%	63.12%

**Note 40. Information on the agreement with the entity authorized to audit the financial statements and review of financial statements**

On 02 July 2012, the Company concluded an agreement, with BDO Sp. Ltd., a company authorized to perform audits of financial statements, on performing the interim review and audit of financial statements for the year 2012.

The remuneration of the auditor for auditing the consolidated financial statements for the financial year ended on 31.12.2010 amounted to PLN 60 thousand, of which PLN 30 thousand for a consolidated annual survey, and PLN 30 thousand for an interim review of the consolidated financial statement. The remuneration of the auditor for auditing the unitary financial statements for the financial year ended on 31.12.2010 amounted to PLN 140 thousand, of which PLN 90 thousand for a unitary annual survey, and PLN 50 thousand for an interim review of the financial statement. The given amounts are net amounts.

In addition, the Company concluded also additional agreements with BDO Sp. z o.o on the audit of financial statements of subsidiaries of the Capital Group of J.W Construction Holding S.A: TBS Marki Sp. z o.o based in Warsaw -the agreement on auditing the statements for the year 2012 was concluded in 2012, the remuneration is PLN 15.5 thousand, J.W. Construction Spółka z o.o based in Zabki concluded agreement on auditing the statements for the year 2012, was concluded in 2012, the remuneration is PLN 50 thousand.



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Signature of the preparer of the Financial Statements

Irmína Łopuszyńska Member of Management Board Chief Accountant	Signature
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Signatures of Board Members

Wojciech Rajchert Member of Management Board	Signature
Magdalena Starzyńska Member of Management Board	Signature

Ząbki, 20 March 2013