

Financial Statement for the period between January 1, 2017 and December 31, 2017

Prepared in accordance with the International
Financial Reporting Standards



Ząbki, March 14, 2018





Financial Statement

for the period between January 1, 2017 and December 31, 2017

1. INTRODUCTION TO FINANCIAL STATEMENT

1. GENERAL INFORMATION

J.W. Construction Holding S.A. hereinafter referred to as ("JWCH") with its business seat in Ząbki at 326 Radzymińska street, REGON number 010621332 was initially registered as Towarzystwo Budowlano-Mieszkaniowe Batory sp. z o.o. on March 7, 1994 under the 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 (Poland Klasyfikacja Działalności) 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 construction, designing and supportive production, as well as trade in real estate and hotel services.

As of December 31, 2017, the lifetime of the Company is unlimited. The financial year for the company is a calendar year, i.e. the period between January 1 and December 31.

This financial report was approved by the Company Management Board on March 14, 2018. In case of significant changes occurring that had to be disclosed, this financial report can be changed after the preparation and approval thereof solely by the Management Board of the Company.

2. ADOPTED PRINCIPLES (POLICY) OF ACCOUNTING

Going concern basis and comparability of financial statement

J.W. Construction Holding S.A. assumes that it operates as a going concern and that financial statements are comparable. As at the balance sheet date the 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 principle and, for some items, in accordance with the true value principle. The financial information was not measured with any other method, which guarantees that the financial statements presented in the consolidated financial statements are comparable.

Declaration on unconditional compliance with IFRS

The financial report of J.W. Construction Holding S.A. was prepared in accordance with the International Financial Reporting Standards, as approved by the European Union.

J.W. Construction Holding S.A. has assumed that besides accounting estimates, also a professional judgement of the management was significant for the financial statements.

Significant estimations and assumptions

Estimations and assumptions are subject to periodic verification. When making estimations J.W. Construction Holding S.A. makes the following assumptions referring to the future:

- Estimation of impairment allowance regarding receivables. 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 provides a verdict or issues a decision other than expected by the company and the created provisions may prove insufficient.
- The entity receives revenue from the services performed by the Issuer based on the task contracts for a fixed period of time. The services performed by the Issuer are long-term services. The period of their performance exceeds 6 months.
- The true value of the investment real estate is estimated by independent, professional entities specialized in real estate valuation. The Management Board verifies the valuations of the real estate by comparing them against similar market transactions and other information regarding possible prices for the real estate being verified.

Merger of units

In 2016 the following mergers occurred.



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The results of applying new standards of accounting and changes to the accounting

The principles (policy) of accounting that were used for preparation of this consolidated financial statement for 2017 are consistent with those used for preparation of the financial statement for the financial year of 2016, with the exception of changes described below.

The same principles were applied for the current period and the period being compared.

▪ Changes resulting from the changes to IFRS

The following new or revised standards or interpretations issued by the International Accounting Standards Board or IFRS Interpretations Committee are in force since January 1, 2017.

- Changes to IAS 7: *Disclosure Initiative*

Changes to IAS 7 were published on Friday, January 29, 2016 and apply to annual periods beginning on or after January 1, 2018. The aim was to increase the scope of information provided to users of financial statements about entity's financing activities through additional disclosure of changes in the value of liabilities related to financing activities of an entity.

- Changes to IAS 12: *Disclosure of assets due to deferred income tax due to unrealized losses.*

Changes to IAS 12 were published on Tuesday, January 19, 2016 and apply to annual periods beginning on or after January 1, 2018. Their goal is to make requirements more precise regarding the disclosure of assets due to deferred tax regarding financial debt instruments assessed in fair value.

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (*Annual Improvements 2014-2016*)

On 8 December 2016, as a result of the review of IFRS, minor amendments were introduced to the 3 following

- IFRS 1 *Interim Financial Reporting*, regarding the removal of several exemptions provided for in this standard, which no longer apply
- IFRS 12 *Disclosure of interests in other entities*, to clarify disclosure requirements for shares whether they are treated as held for sale, dividend and discontinued operations, or not,
- IAS 28 *Investments in associates and joint ventures*, as far as the investment entity (eg venture capital) may choose to determine the method of valuation of shares in associates or joint ventures at fair value and not equity method

They apply to annual periods starting on January 1, 2018 (with the exceptions of amendments to IFRS 12 that apply to annual periods starting on January 1, 2017 or later) or later.

▪ Changes made independently by the Group

The Company has not adjusted the presentation of comparable data for 2016 and/or as at December 31, 2016.

Not effective standards (New standards and interpretations)

In this financial statement, the Company 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*

This new standard was published on July 24, 2014 and is applicable towards annual periods starting from January 1, 2018 or later. The purpose of this standard to arrange in order the classification of financial assets and introduction of a unified approach towards the assessment of the loss of value regarding all financial instruments. This standard also introduces a new hedge accounting model in order to unify the principles for presentation of risk management information in financial statements.

The company shall apply the modified standard from January 1, 2018.

The Company is in the process of verifying the influence on the standard on the financial report. The Company estimates the the application of the standard will not have a significant influence on the financial report, but is in the process of verifying and assessing the current depreciation model.

- IFRS 14 *Regulatory Deferral Accounts*

This new standard was published on January 30, 2014 and is applicable towards annual periods starting from January 01, 2016 or later. It has a transitory character due to conducted work on the part of IFRS regarding the regulation of how operations shall be settled in new conditions of price regulations. Standard. This standard introduces new principles of presentation of assets and liabilities due to transactions with regulated prices when an entity decides to adopt IFRS



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The Company will apply the new standard no earlier than the date set by the European Union as the date of entry into force of this standard. Due to the transitory nature of the standard, the European Commission has decided not to initiate a formal procedure of approving the standard and wait for the target standard.

- IFRS 15 *Revenue from contracts with customers*

This new unified standard was published on May 28, 2014 and is applicable towards annual reports starting on January 1, 2018 or later and its earlier application is permitted. This standard establishes new framework for presentation of revenue and involves principles that shall replace the majority of guidelines in the scope of presentation of existing revenue currently found in IFRS, in particular in IAS 18 *Revenues*, IAS 11 *Construction contracts* and interpretations related thereto.

The company shall apply the modified standard from January 1, 2018.

The Management Board has performed an analysis of the influence of the above standard on the financial situation, the financial results of the company, as well as the scope of information presented in the financial statement. The above analysis encompassed, first of all, the moment of recognizing income from product sales (especially living units, business units or parking spaces). Based on the analyses carried out, the Management Board does not expect significant changes.

- Clarifications to IFRS 15: *Revenue from Contracts with Customers*

Clarifications to IFRS 15 were published on 12 April 2016 and apply to annual periods beginning on or after 1 January 2018 (according to the date of application of the whole standard). The goal of the changes was to clarify the doubts emerging during the pre-implementation analysis with regard to: the use of standard guidelines on the identification of the client / agent, and revenue from licensing intellectual property, and finally transition periods at initial adoption of the new standard.

The Company shall apply those regulations as of the date of the IAS 15 entering into force, i.e. as of January 1, 2018.

- IFRS 16 *Leasing*

This new standard was published on January 13, 2016 and applies to annual period starting on January 1, 2019 or later. Its earlier application is allowed (on the condition of the simultaneous application of the IFRS 15). This standard replaces current regulations regarding leasing (e.g. IFRS 17) and drastically changes the approach towards lease agreements of various character. It makes leaseholders disclose assets and liabilities in balance sheets that relate to lease agreements no matter their type.

The company shall apply the modified standard from Tuesday, January 01, 2019.

On the day on which this financial statement was prepared it was not possible to convincingly assess the influence of the application of this standard. The Company has started the analysis of the introduction of this new standard

- IFRS 17 *Insurance Contracts*

This new standard was published on Thursday, May 18, 2017 and is applicable towards annual periods starting from Friday, January 01, 2021 or later. The earlier application of this standard is allowed (on the condition that IFRS 15 and IFRS 9 are applied simultaneously). This standard replaces the current regulations regarding insurance contracts (IFRS 4).

The standard does not concern the Company.

- Changes to IFRS 10 and IAS 28: *Sale or transfer of assets between investor and its affiliated unit or common enterprise*

Changes to IFRS 10 and IAS 28 were published on 11 September 2014 and apply to annual periods beginning on or after 1 January 2016 (the date of entry into force has now been deferred without indicating the start date). The changes clarify the accounting of transactions under which a dominant entity loses a control over an affiliated unit that is not a business in accordance with the definition in IFRS 3 "Merger of Units" by way of sale of all or part of units in an affiliated unit to another affiliated unit or a common enterprise presented by the ownership right method.

The Company will apply the new standard no earlier than the date set by the European Union as the date of entry into force of this standard. As of now, the European Commission has decided to defer the formal procedure of approving the changed standards.

- Changes to IFRS 2: *Classification and Measurement of Share-based Payment Transactions*

Changes to IFRS 2 were published on 20 June 2016 and apply to annual periods beginning on or after 1 January 2018. The aim was to clarify the method of accounting for certain types of payment transactions based on

The Company will apply the new interpretation starting from 1 January 2018.

- Changes to IFRS 4: Changes to IFRS 4: Application of IFRS 9 "Financial instruments" in IFRS 4 "Insurance contracts published on September 12, 2016.

The changes apply to annual periods beginning on or after 1 January 2018.

The Company will apply the new interpretation starting from 1 January 2018.

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The new interpretation was published on 8 December 2016 and applies to annual periods beginning on or after 1 January 2018. The purpose of the interpretation is to indicate how to determine the date of the transaction for the



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purpose of determining the appropriate exchange rate for the transaction in foreign currency when an entity pays or receives an advance in foreign currency.

The Company will apply the new interpretation starting from 1 January 2018.

- Changes to IAS 40 *Transfers of Investment Property*

The amendment to IAS 40 was published on Thursday, December 08, 2016 and applies to annual periods beginning on or

after Monday, January 01, 2018. Its purpose is to make it clear that the transfer of real estate from or to investment real estate can take place only if the conversion of the use of real estate takes place.

The company shall apply the modified standard from January 1, 2018.

- IFRIC 23 *Uncertainty over Income Tax Treatments*

The new interpretation was published on 7 June 2017 and applies to annual periods beginning on or after 1 January 2019. The purpose of the interpretation is to indicate how to incorporate income tax in the financial statements in cases where existing tax provisions may leave room for interpretation and disagreement between the tax payer and the tax authorities.

The Company will apply the new interpretation starting from 1 January 2019.

- Changes to IFRS 9: *Prepayments with negative compensations*

The amendment to IAS 9 was published on 8 October 2017 and applies to annual periods beginning on or after 1 January 2019. Its goal is to indicate the principles for the valuation of financial assets that can be paid earlier based on contractual provisions and, formally, could not meet the requirements of the "only capital and interest payment" test what would exclude their valuations in the amortized costs or in fair value by other comprehensive income.

The company shall apply the modified standard from Tuesday, January 01, 2019.

- Changes to IAS 28: *Investments in associates and joint-ventures*

The amendment to IAS 28 was published on October 12, 2017 and applies to annual periods beginning on or after January 1, 2019. Its goal is to indicate the principles of valuation of assets in associates and joint ventures in a situation when they are not valued based on equity method.

The company shall apply the modified standard from Tuesday, January 01, 2019.

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (*Annual Improvements 2015-2017*)

On 12 December 2017, as a result of the review of IFRS, minor amendments were introduced to the following standards:

- IFRS 3 *Business combinations*, in the scope of specifying that, on the moment of obtaining control, a unit valuates held assets in a joint venture,

- IFRS 11 *Business combinations*, in the scope of specifying that, on the moment of obtaining control, a unit valuates held assets in a joint venture,

IAS 12 *Income tax*, indication that any tax consequences with reference to dividend payments should be treated in the same way,

IAS 23 *Borrowing costs*, an indication that the general financing sources should also include those borrowings that served initially for financing the assets being created, i.e. from the moment when assets are ready to be used in accordance with a desired goal (use or sale).

They apply to annual periods beginning on or after 1 January 2019.

The company shall apply the modified standards from January 01, 2019.

- Changes to IAS 19: *Plan amendments, curtailments or settlements*

Changes to IAS 19 were published on February 07, 2018 and apply to annual periods beginning on or after January, 1, 2019. The changes concern the revaluation of defined plan when those are being changed. The changes in the standard mean that in case of a revaluation of an asset/net obligation due to a different plan updated assumptions need to be used with an eye to determining the current employment costs and interest costs for the periods after the program change. Until now, the IAS 19 had not explained that precisely.

The company shall apply the modified standard from Tuesday, January 01, 2019.

IFRS in the shape approved by EU do not significantly differ from the regulations adopted by the International Accounting Standards Council with the exception of those standards, interpretations and changes thereto that on the day of approval of the foregoing financial statement for publication were not yet approved for application by EU:

- IFRS 14 *Regulatory Deferral Accounts* published on January 30, 2014 (the adoption process was stopped by EU member states),
- IFRS 17 *Insurance contracts* published on May 18, 2017,



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- Changes to IFRS 10 and IAS 28: *Sale or transfer of assets between investor and its affiliated unit or common enterprise published on September 11, 2014, 2014* (the adoption process was stopped by EU member states),
- Changes to IFRS 2: *Classification and Measurement of Share-based Payment Transactions* published on 20 June, 2016
- IFRIC 2 22 *Foreign Currency Transactions and Advance Consideration*, published on 8 December 2016,
- Changes to IAS 40 *Transfers of Investment Property*, published on 8 December 2016,
- IFRIC 23 *Uncertainty over Income Tax Treatments*, published on June 7, 2017.
- Changes to IFRS 9: *Prepayments with a negative compensation*, published on October 12, 2017,
- Changes to IAS 28: *Investments in associates and joint-ventures*, published on October 12, 2017,
- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (*Annual Improvements 2015-2017*) published on December 12, 2017,
- Changes to IAS 19: *Plan amendments, curtailments, or settlements* published on February 7, 2018.

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 recognizable 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 which may occur 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 with a specified useful life are amortized in accordance with the straight-line method in a period corresponding to an estimated period of their economic life, which is as follows:

- Computer software from 10% to 50%

Intangible assets of an indefinite useful life (goodwill) are not amortized 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 recognizes 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 1,25% – 4,5%
- Machinery and equipment: 5% - 30%
- Motor vehicles 12.5% - 20%
- Other fixed assets 5% - 50%

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 re-measured 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 recognized 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



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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.

After initial recognition, an entity using a model of fair value measurement, measures at the fair value all investment properties and investment properties under construction, with the exception of cases where an entity can not reliably determine the fair value of investment properties. The gain or loss arising from changes in fair value of investment property affects net profit or net loss for the period in which the change occurred .

Leasing

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 a component of assets and a liability:

- 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 amortized and depreciated under the same principles as other purchased assets of a similar kind. 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:

- - 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. 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 realizable value, the company discloses an impairment loss adjusting costs of goods sold. The depletion of finished products is performed through detailed identification of particular items.

Work in progress covers expenditures made on building housing estates and costs connected 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 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 recognized in the period in which they are incurred, regardless of the manner of using the borrowings.

Current and non-current receivables

Receivables of the company are disclosed in the financial statements at the amount due less impairment allowance. Receivables are measured 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



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earlier recognized 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 the claims of sub-contractors against the Company are disclosed in payables as 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, recognized 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 Company companies recognize 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,
- - 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
- - a provision for unused annual leaves of employees, recognized 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 company is the realization of development 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 12 months. Advances paid by buyers under concluded agreements are recorded as deferred income. Costs by nature incurred in a given period are disclosed as work in progress. From 1 January 2009, the Company 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 Company 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 company 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.

Long-term developer contracts

As a provider of construction services, the Company 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 transferred 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



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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 Company 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 recognized 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 recognition 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 recognized for temporary positive differences at the amount of income tax payable in future.

Deferred income tax assets are recognized 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 realize 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 realized 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 companys 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 company 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
- Financial liabilities
- Conditional 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 unfavorable conditions.

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

Financial liabilities are obligations of the company to deliver financial assets or to exchange a financial instrument with another company on unfavorable conditions. 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 recognized at the amount of probable obligations falling to the reporting period.

Revenues

The Company of Issuers recognize revenues at the amount of probable economic benefits flowing due to a transaction, which can be measured reliably. Revenues are recognized 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".



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Revenues from sales of construction services are recognized 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 render.

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 in the burden of financial expenses.

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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2. FINANCIAL STATEMENT

Report on the financial situation

ASSETS	Note	December 31, 2017	December 31, 2016
FIXED ASSETS		800,807,045.30	708,548,512.08
Intangible assets	1	12,439,850.18	12,505,771.91
Tangible assets	2	241,173,240.65	229,049,142.36
Investment real estate	3	281,039,497.36	197,649,050.83
Other financial assets	4	243,334,149.93	240,911,963.27
Deferred income tax assets	13	20,599,035.70	26,547,164.76
Trade and other receivables	5	2,221,271.48	1,885,418.96
CURRENT ASSETS		830,894,631.06	741,289,463.18
Inventories	6	29,512,779.26	28,966,002.80
Construction contracts	6	533,665,050.83	517,990,585.99
Trade and other receivables	7	40,382,788.04	54,003,191.47
Other financial assets	8	60,394,634.28	61,761,754.10
Cash and cash equivalents	9	154,593,605.44	69,622,774.77
Accruals	10	12,345,773.21	8,945,154.04
Total assets		1,631,701,676.36	1,449,837,975.26
EQUITY AND LIABILITIES			
EQUITY		711,230,400.38	684,285,638.24
Share capital	11	17,771,888.60	17,771,888.60
Revaluation capital		7,493,208.19	7,493,208.19
Other capital	11	659,020,541.45	655,109,117.27
Retained earnings		0.00	-5,679,509.98
Net profit / loss		26,944,762.14	9,590,934.16
LIABILITIES		920,471,275.98	765,552,337.01
Non-current liabilities		345,104,791.03	191,979,387.66
Borrowings	12	45,819,151.99	61,382,914.16
Deferred income tax liabilities	13	34,863,727.02	31,643,333.25
Retirement benefit obligations		200,416.45	200,416.45
Provision for other liabilities and charges		0.00	0.00
Other liabilities	15	264,221,495.57	98,752,723.80
Current liabilities		575,366,484.95	573,572,949.35
Trade and other payables	16	118,345,204.20	142,769,869.83
Construction contracts	6	356,575,590.20	309,521,338.23
Borrowings	12	54,246,609.41	16,796,962.71
Provision for other liabilities and charges	14	23,479,098.79	20,656,238.04
Other liabilities	16	22,719,982.35	83,828,540.54
Total equity and liabilities		1,631,701,676.36	1,449,837,975.26



Financial Statement

for the period between January 1, 2017 and December 31, 2017

Total income statement

	Note	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Net revenues from sales of products, goods and materials, of which:	17	348,440,273.18	185,437,923.60
Net revenue from the sales of products		346,283,553.48	182,532,439.13
Net revenues from sales of goods and materials		2,156,719.70	2,905,484.47
Costs of sold products, goods and materials, including:	18	260,307,207.02	181,323,122.82
Manufacturing cost of products sold		258,186,166.60	178,438,318.48
Value of sold goods and materials		2,121,040.42	2,884,804.34
Gross profit (loss) on sales		88,133,066.16	4,114,800.78
Sales costs	18	30,790,381.00	18,071,948.35
Overheads	18	16,497,585.87	12,373,504.79
Revaluation of investment properties		-2,141,911.54	-7,531,011.53
Profit (loss) on sales		38,703,187.75	-33,861,663.88
Other operating income	19	964,488.95	3,353,142.80
Other operating expenses	20	5,357,351.02	38,652,062.05
Profit (loss) on operations		34,310,325.68	-69,160,583.13
Financial Revenues	21	25,101,007.18	91,577,965.63
Financial costs	22	23,298,047.89	28,495,941.36
Profit (loss) on operations		36,113,284.97	-6,078,558.86
Gross profit (loss)		36,113,284.97	-6,078,558.86
Income tax	23	9,168,522.83	-15,669,493.02
Net profit (loss)		26,944,762.14	9,590,934.16

Other comprehensive income:		0.00	0.00
Foreign exchange gains and losses the calculation of foreign operations		0.00	0.00
Profit/loss from acquisitions		0.00	0.00
Profit from revaluation of tangible assets		0.00	0.00
Other comprehensive income:		0.00	0.00
Total revenue		26,944,762.14	9,590,934.16

		for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
BASIC AND DILUTED EARNINGS PER SHARE			
Profits			
(A) Profit resulting from the financial statements		26,944,762.14	9,590,934.16
Number of shares			
(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 *		88,859,443.00	88,859,443.00
(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		88,859,443.00	88,859,443.00
Basic earnings per share = (A)/(B)		0.30	0.11
Basic earnings per share = (A)/(B)		0.30	0.11

* 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). In the analyzed period C-series share were issued, which influenced share dilution.



Financial Statement

for the period between January 1, 2017 and December 31, 2017

Consolidated statement of changes in equity

	Share capital	Own shares (negative value)	Revaluation capital	Reserve capital	Other capital	Retained earnings	Net result	Equity
As at Saturday, December 31, 2016	17,771,888.60	0.00	7,493,208.19	649,377,530.08	5,731,587.19	-5,679,509.98	9,590,934.16	684,285,638.24
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Conversion to IFRS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at Sunday, January 01, 2017	17,771,888.60	0.00	7,493,208.19	649,377,530.08	5,731,587.19	-5,679,509.98	9,590,934.16	684,285,638.24
Share issuance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Own share redemption	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
Dividends paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit / (losses) from the revaluation of fixed assets and investment real estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profits (losses) on revaluation of available-for-sale assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profits (losses) on cash flow hedges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign exchange rate differences due to the calculation of financial statements of foreign subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax regarding the items transferred directly to equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit/loss from acquisitions (unitary JWCH)	0.00	0.00		0.00	0.00	0.00	0.00	0.00
Profit / loss from inclusion/exclusion to/from consolidation	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
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Conversion to IFRS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total profit / loss recognized directly in equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net profit (loss) for the accounting year	0.00	0.00	0.00	0.00	0.00	0.00	26,944,762.14	26,944,762.14
Total profit / (loss) recognized in equity and the net result	0.00	0.00	0.00	0.00	0.00	0.00	26,944,762.14	26,944,762.14
Increase / decrease from profit distribution	0.00	0.00	0.00	3,911,424.18	0.00	5,679,509.98	-9,590,934.16	0.00
As at December 31, 2017	17,771,888.60	0.00	7,493,208.19	653,288,954.26	5,731,587.19	0.00	26,944,762.14	711,230,400.38



Financial Statement

for the period between January 1, 2017 and December 31, 2017

	Share capital	Own shares (negative value)	Revaluation capital	Reserve capital	Other capital	Retained earnings	Net result	Equity
As at Thursday, December 31, 2015	17,771,888.60	0.00	7,493,208.19	634,337,945.82	5,731,587.19	-5,679,509.99	15,039,584.26	674,694,704.07
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Conversion to IFRS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at Friday, January 01, 2016	17,771,888.60	0.00	7,493,208.19	634,337,945.82	5,731,587.19	-5,679,509.99	15,039,584.26	674,694,704.07
Share issuance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Own share redemption	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
Dividends paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit / (losses) from the revaluation of fixed assets and investment real estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profits (losses) on revaluation of available-for-sale assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profits (losses) on cash flow hedges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign exchange rate differences due to the calculation of financial statements of foreign subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax regarding the items transferred directly to equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit/loss from acquisitions (unitary JWCH)	0.00	0.00		0.00	0.00	0.00	0.00	0.00
Profit / loss from inclusion/exclusion to/from consolidation	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
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Conversion to IFRS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total profit / loss recognized directly in equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net profit (loss) for the accounting year	0.00	0.00	0.00	0.00	0.00	0.00	9,590,934.16	9,590,934.16
Total profit / (loss) recognized in equity and the net result	0.00	0.00	0.00	0.00	0.00	0.00	9,590,934.16	9,590,934.16
Increase / decrease from profit distribution	0.00	0.00	0.00	15,039,584.26	0.00	0.00	-15,039,584.26	0.00
As at Saturday, December 31, 2016	17,771,888.60	0.00	7,493,208.19	649,377,530.08	5,731,587.19	-5,679,509.99	9,590,934.16	684,285,638.24

Cash flow statement (indirect method)

Operating cash flow - indirect method	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Net profit (loss)	26,944,762.14	9,590,934.16
Item adjustments	14,831,725.81	26,939,151.69
Depreciation and amortization	7,971,345.83	7,236,213.66
(Profit) loss on foreign exchange differences concerning financial and business activity	5,788,431.68	-2,796,441.75
Profit (loss) on investment activities	1,075,250.00	4,176,316.42
Interest and dividends	-6,453,503.66	18,886,386.72
Changes in provisions and accruals	8,590,764.41	-8,094,334.89
Changes in investment property	-2,141,911.54	7,531,011.53
Other item adjustments	1,349.09	0.00
- other adjustments	1,349.09	0.00
Changes in working capital	35,900,505.19	141,043,041.11
Change in inventories	-546,776.46	-1,143,121.67
Change in construction contracts	6,495,442.56	138,037,262.57
Changes in receivables	11,584,070.10	-1,003,171.63
Changes in current liabilities, except for borrowings	18,367,768.99	5,152,071.84
Operating cash flows	77,676,993.14	177,573,126.96
Investment activity cash flows		
Disposal of tangible and intangible assets and other non-current assets	561,750.00	76,360,688.18
Acquisition of tangible and intangible assets and other non-current assets	-75,760,065.28	-15,164,563.05
Loans granted	-4,415,010.32	-3,240,971.94
Loans repaid	0.00	4,043,800.00
Other financial assets acquisition	-900,000.00	0.00
Dividends received	21,309,167.00	0.00
Interest received	0.00	323,842.73
Disposal of subsidiaries	0.00	10,390.74
Acquisition of subsidiaries	-300,002.00	-79,360,624.20
Net investment activity cash flow	-59,504,160.60	-17,027,437.54
Investment activity cash flow		
Loans and borrowings granted	70,114,416.11	70,752,258.34
Loans and borrowings repaid	-47,743,684.15	-57,258,118.29
Issuance of security papers	164,000,000.00	0.00
Redemption of debt securities	-72,000,000.00	-185,180,000.00
Payments under financial lease agreements	-1,267,873.35	-1,181,474.61
Interest paid	-14,756,361.29	-16,076,566.38
Other financial proceeds (including promissory notes)	28,626,391.00	144,670,000.00
Other financial proceeds (including promissory notes)	-60,174,890.18	-120,249,275.30
Net financing cash flow	66,797,998.14	-164,523,176.24
NET DECREASE / (INCREASE) IN CASH	84,970,830.68	-3,977,486.82
Closing balance of cash and cash equivalents	69,622,774.77	73,600,261.65
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	154,593,605.44	69,622,774.77



Financial Statement

for the period between January 1, 2017 and December 31, 2017

Financial activity cash flow analysis:

	December 31, 2016	Cash flows	Non-cash changes			December 31, 2017
			Increases	Effect of changes in foreign currency exchange rates	Changes in fair value	
Credit loans	73,185,389.92	21,163,543.64	4,819,616.89	0.00	0.00	99,168,550.45
Loans received	29,657,496.05	-4,240,793.44	-859,453.41	0.00	0.00	24,557,249.20
Leasing obligations	2,942,018.48	-1,373,901.42	409,432.95	0.00	0.00	1,977,550.01
Debt securities	127,542,890.70	83,375,826.70	8,948,733.65	0.00	0.00	219,867,451.05
Other (including promissory notes)	100,801,390.24	-32,126,677.34	3,337,335.28	0.00	0.00	72,012,048.18
Securing assets (hedge) long-term loans	0.00	0.00	0.00	0.00	0.00	0.00
Financial activity liabilities	334,129,185.39	66,797,998.14	16,655,665.36	0.00	0.00	417,582,848.89

3. EXPLANATORY NOTES TO THE FINANCIAL STATEMENT

Note 1. Intangible assets

INTANGIBLE ASSETS	December 31, 2017	December 31, 2016
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	50,201.96	116,123.69
d) advances on intangible assets	0.00	0.00
Total intangible assets	12,439,850.18	12,505,771.91

The initial presentation of intangible values takes place in accordance with the cost of acquisition or the creation thereof.

After the initial presentation, intangible assets are valued according to the costs of acquisition or creation decreased by a write-down or a write-off due to permanent loss of value. Intangible assets are linearly amortized in the period corresponding to the period of their economic life. A period and amortization method are verified by the end of each business year.

A key position in other intangible assets is computer software, mostly the integrated SAP system.

As of December 31, 2017, there were no circumstances, as a result of which the Company should create write-downs for intangible assets.

In the years 2016-2017, as part of the Group, there were development works conducted and no costs were incurred as a result of this. The companies did not have advancements for intangible assets.

As at December 31, 2017 there is no impairment of goodwill. This value is bound to a real estate investment, from which future cash flow is expected. The management board analyzed the loss of assets in accordance with IAS 36, e.g. through the comparison of the real estate book value (including goodwill) against market valuation.

CHANGES IN INTANGIBLE ASSETS (BY TYPE GROUPS) December 31, 2017	Goodwill	Computer software	IN TOTAL
a) the gross value of tangible fixed assets at the opening period	12,389,648.22	15,002,445.38	27,392,093.60
b) increase (due to)	0.00	11,869.35	11,869.35
- acquisition	0.00	11,869.35	11,869.35
c) decrease (due to)	0.00	0.00	0.00
- sale	0.00	0.00	0.00
- liquidation	0.00	0.00	0.00
d) the gross value of tangible fixed assets at the closing period	12,389,648.22	15,014,314.73	27,403,962.95
e) accumulated depreciation at the opening period	0.00	14,886,321.69	14,886,321.69
f) amortization for the period (due to)	0.00	77,791.08	77,791.08
- annual depreciation allowance	0.00	77,791.08	77,791.08
- liquidation	0.00	0.00	0.00
- sale	0.00	0.00	0.00
g) accumulated amortization (depreciation) at the period end	0.00	14,964,112.77	14,964,112.77
h) impairment losses at the beginning of the reporting period	0.00	0.00	0.00
- increase	0.00	0.00	0.00
- impairment loss	0.00	0.00	0.00
- reclassification between company types	0.00	0.00	0.00
- decrease	0.00	0.00	0.00
- reverting impairment losses - transfer to a financial result	0.00	0.00	0.00
- reclassification between company types	0.00	0.00	0.00
- contribution in kind amortization	0.00	0.00	0.00
i) impairment losses at the end of a reporting period	0.00		0.00
j) net value of intangible and legal assets at the beginning of the reporting period	12,389,648.22	116,123.69	12,505,771.91
k) net value of intangible and legal assets at the end of a reporting period	12,389,648.22	50,201.96	12,439,850.18

CHANGES IN INTANGIBLE ASSETS (BY TYPE GROUPS) AS AT DECEMBER 31, 2016	Goodwill	Computer software	IN TOTAL
a) the gross value of tangible fixed assets at the opening period	12,389,648.22	14,986,156.88	27,375,805.10
b) increase (due to)	0.00	16,288.50	16,288.50
- acquisition	0.00	16,288.50	16,288.50
c) decrease (due to)	0.00	0.00	0.00
- sale	0.00	0.00	0.00
d) the gross value of tangible fixed assets at the closing period	12,389,648.22	15,002,445.38	27,392,093.60
e) accumulated depreciation at the opening period	0.00	14,632,101.07	14,632,101.07
f) amortization for the period (due to)	0.00	254,220.62	254,220.62
- annual depreciation allowance	0.00	254,220.62	254,220.62
- liquidation	0.00	0.00	0.00
- sale	0.00	0.00	0.00
g) accumulated amortization (depreciation) at the period end	0.00	14,886,321.69	14,886,321.69
h) impairment losses at the beginning of the reporting period	0.00	0.00	0.00
- increase	0.00	0.00	0.00
- impairment loss	0.00	0.00	0.00
- reclassification between company types	0.00	0.00	0.00
- decrease	0.00	0.00	0.00
- reverting impairment losses - transfer to a financial result	0.00	0.00	0.00
- reclassification between company types	0.00	0.00	0.00
- contribution in kind amortization	0.00	0.00	0.00
i) impairment losses at the end of a reporting period	0.00	0.00	0.00
j) net value of intangible and legal assets at the beginning of the reporting period	12,389,648.22	354,055.81	12,743,704.03
k) net value of intangible and legal assets at the end of a reporting period	12,389,648.22	116,123.69	12,505,771.91

Note 2. Tangible assets

TANGIBLE ASSETS	December 31, 2017	December 31, 2016
a) fixed assets including:	235,944,240.28	224,531,327.88
- land (including right of perpetual usufruct)	16,000,958.39	15,783,531.64
- buildings and structures	199,330,732.72	185,721,508.02
- plant and machinery	11,276,461.02	12,089,932.78
- motor vehicles	2,395,132.49	3,480,595.36
- other fixed assets	6,940,955.66	7,455,760.08
b) constructions in progress	5,229,000.37	4,517,814.48
c) advances on constructions in progress	0.00	0.00
Total tangible assets	241,173,240.65	229,049,142.36

The initial presentation of fixed assets takes place in accordance with the acquisition or creation cost thereof. After the initial presentation, fixed assets are valued as of a balance sheet date in accordance with the cost of their acquisition or creation decreased by a write-off and accumulated write-offs due to their loss of value. Fixed assets are linearly amortized in the period corresponding to the estimated period of their economic life.

Fixed assets under construction are valued in accordance with the direct total costs borne by their acquisition or creation decreased by write-offs as a result of their permanent loss of value. Fixed assets under construction are amortized until their construction is finished and taken over for occupancy.

The "other fixed assets" row comprises equipment, office equipment and other tools.

In 2016, the company did not activate financial costs in the fixed assets column.

The Management Board of the dominant entity, having reviewed amortization rates being applied to the Company, decided on January 1, 2013 to update balance sheet amortization rates being applied in the Czarny Potok hotel, the 500 hotel company in the scope regarding hotels, as well as other activity in other activity of the Company in the scope of the amortization of the company headquarters building and sewage treatment facility in Ożarów Mazowiecki near Warsaw.



Financial Statement

for the period between January 1, 2017 and December 31, 2017

between January 1, 2017 and December 31, 2017	Plots of land	- buildings and structures	Plant and machinery	Motor vehicles	Other fixed assets	Fixed assets in construction	IN TOTAL
a) the gross value of tangible fixed assets at the opening period	15,783,531.64	214,573,419.47	25,315,232.88	6,262,430.08	17,116,426.35	4,517,814.48	283,568,854.90
b) increase (due to)	217,426.75	16,707,139.86	552,032.64	437,106.88	1,392,761.02	1,382,185.89	20,688,653.04
- acquisition	217,426.75	16,036,139.86	552,032.64	133,702.00	1,392,761.02	1,382,185.89	19,714,248.16
- investment acquisition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- valuation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- investment in a third-party fixed asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- taken over based on a financial lease agreement	0.00	0.00	0.00	303,404.88	0.00	0.00	303,404.88
- transferred from fixed assets in construction	0.00	671,000.00	0.00	0.00	0.00	0.00	671,000.00
c) decrease (due to)	0.00	0.00	0.00	19,000.00	0.00	671,000.00	690,000.00
- sale	0.00	0.00	0.00	19,000.00	0.00	0.00	19,000.00
- adjustment of a leased asset	0.00	0.00	0.00	0.00	0.00	671,000.00	671,000.00
d) the gross value of tangible fixed assets at the closing period	16,000,958.39	231,280,559.33	25,867,265.52	6,680,536.96	18,509,187.37	5,229,000.37	303,567,507.94
e) accumulated depreciation at the opening period	0.00	28,856,924.78	13,225,300.00	2,644,090.39	9,793,397.37	0.00	54,519,712.54
f) amortization for the period (due to)	0.00	3,097,915.16	1,365,504.40	1,488,841.75	1,941,293.44	0.00	7,893,554.75
- annual depreciation allowance	0.00	3,097,915.16	1,365,504.40	1,488,841.75	1,941,293.44	0.00	7,893,554.75
decrease (due to)	0.00	0.00	0.00	19,000.00	0.00	0.00	19,000.00
- sale of a fixed asset	0.00	0.00	0.00	19,000.00	0.00	0.00	19,000.00
g) accumulated amortization (depreciation) at the period end	0.00	31,954,839.94	14,590,804.40	4,113,932.14	11,734,690.81	0.00	62,394,267.29
h) impairment losses at the beginning of the reporting period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
increase (due to)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
decrease (due to)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
i) impairment losses at the end of a reporting period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
j) the net value of tangible fixed assets at the opening period	15,783,531.64	185,716,494.69	12,089,932.88	3,618,339.69	7,323,028.98	4,517,814.48	229,049,142.36
k) the net value of tangible fixed assets at the closing period	16,000,958.39	199,325,719.39	11,276,461.12	2,566,604.82	6,774,496.56	5,229,000.37	241,173,240.65



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for the period between January 1, 2017 and December 31, 2017

between January 1, 2016 and December 31, 2016	Plots of land	- buildings and structures	Plant and machinery	Motor vehicles	Other fixed assets	Fixed assets in construction	IN TOTAL
a) the gross value of tangible fixed assets at the opening period	14,969,731.64	213,049,678.99	25,202,302.78	2,408,923.72	16,560,486.66	3,484,159.61	275,675,283.40
b) increase (due to)	813,800.00	1,661,895.18	599,317.31	4,364,841.08	561,439.69	1,034,154.87	9,035,448.13
- acquisition	813,800.00	1,533,902.08	599,317.31	328,335.13	561,439.69	1,034,154.87	4,870,949.08
- investment acquisition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- investment in a third-party fixed asset	0.00	127,993.10	0.00	0.00	0.00	0.00	127,993.10
- taken over based on a financial lease agreement	0.00	0.00	0.00	4,036,505.95	0.00	0.00	4,036,505.95
c) decrease (due to)	0.00	138,654.70	486,387.21	511,334.72	5,500.00	0.00	1,141,876.63
- sale	0.00	138,654.70	486,387.21	511,334.72	5,500.00	0.00	1,141,876.63
- transfer to fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d) the gross value of tangible fixed assets at the closing period	15,783,531.64	214,572,919.47	25,315,232.88	6,262,430.08	17,116,426.35	4,518,314.48	283,568,854.90
e) accumulated depreciation at the opening period	0.00	25,904,356.38	12,047,072.06	2,288,064.47	8,035,633.19	0.00	48,275,126.10
f) amortization for the period (due to)	0.00	3,091,223.10	1,664,615.15	867,360.64	1,763,264.18	0.00	7,386,463.07
- annual depreciation allowance	0.00	3,091,223.10	1,664,615.15	867,360.64	1,763,264.18	0.00	7,386,463.07
decrease (due to)	0.00	138,654.70	486,387.21	511,334.72	5,500.00	0.00	1,141,876.63
- sale of a fixed asset	0.00	138,654.70	486,387.21	511,334.72	5,500.00	0.00	1,141,876.63
g) accumulated amortization (depreciation) at the period end	0.00	28,856,924.78	13,225,300.00	2,644,090.39	9,793,397.37	0.00	54,519,712.54
h) impairment losses at the beginning of the reporting period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
increase (due to)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
decrease (due to)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
i) impairment losses at the end of a reporting period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
j) the net value of tangible fixed assets at the opening period	14,969,731.64	187,145,322.61	13,155,230.72	120,859.25	8,524,853.47	3,484,159.61	227,400,157.30
k) the net value of tangible fixed assets at the closing period	15,783,531.64	185,715,994.69	12,089,932.88	3,618,339.69	7,323,028.98	4,518,314.48	229,049,142.36



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Note 3. Investment real estate

The Company recognizes that the investment properties, as at the balance sheet date, are measured at their fair values.

Other long-term investments	December 31, 2017	December 31, 2016
a) investment properties	281,039,497.36	197,649,050.83
b) other	0.00	0.00
Total other long-term investments	281,039,497.36	197,649,050.83

CHANGES IN INVESTMENT PROPERTIES	In accordance with fair value	According to historical cost	Value of investment properties in total
a) opening balance	181,120,378.16	16,528,672.66	197,649,050.82
expenditure incurred	97,624,584.80	13,625,114.60	111,249,699.40
Financial expenses	14,891,508.16	2,903,558.06	17,795,066.22
revaluation value	68,604,285.20	0.00	68,604,285.20
b) increase (due to)	44,793,667.12	51,899,971.11	96,693,638.23
expenditure incurred	4,133,976.66	51,899,971.11	56,033,947.77
Financial expenses	0.00	0.00	0.00
revaluation value	2,141,911.54	0.00	2,141,911.54
Reclassification from construction contracts	38,517,778.92	0.00	38,517,778.92
c) decrease (due to)	13,303,191.69	0.00	13,303,191.69
incurred expenses - sale, corrections	287,399.63	0.00	287,399.63
Financial expenses	0.00	0.00	0.00
revaluation value	1,349,600.37	0.00	1,349,600.37
Reclassification to construction contracts / goods	11,666,191.69	0.00	11,666,191.69
d) closing balance	212,610,853.59	68,428,643.77	281,039,497.36
expenditures	128,322,749.06	65,525,085.71	193,847,834.77
Financial expenses	14,891,508.16	2,903,558.06	17,795,066.22
revaluation value	69,396,596.37	0.00	69,396,596.37

J.W. Construction Holding S.A. for the purpose of the investment property evaluation orders the preparation of appraisal report with determining the market value to independent Property Valuers, having the appropriate permissions. In order to determine the valuation, the property valuer use the principles in accordance with General National Principles of Valuation adopted by the Polish Federation of Valuers' Associations where the market value is the most probable price obtainable on the market at the measurement date.

In order to determine the market value, the property valuer determines the optimal or the most probable way of the property use by properly selected method of valuation. The property valuer especially takes into account the purpose of the valuation, the type and location of the property, destiny in the local plan, the level of equipment in the technical infrastructure and the available data on prices, income and similar real estate characteristics.

In the hierarchy of the fair value estimation of the investment properties are classified to Level 3, where:

- 1 - Quoted prices, which are not adjusted, in an active market for identical assets and liabilities that the entity can access at the measurement date.
- 2 - Inputs, other than quoted prices, that are observable, either directly or indirectly.
- 3 - Unobservable inputs.

The hierarchy is established based on the lowest level of the input data. In the reporting period there were no transfers between hierarchy levels.

The following methods to determine the market value of the property in presented reports by the property valuers from accounting records of J.W. Construction Holding S.A were used

- income-based valuation method
- comparison in pairs method
- residual method.



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The following key assumptions were adopted to use the income-based valuation method:

KEY ASSUMPTIONS	Values
long-term profitability of investments	2.00% - 2.10%
rn - the real estate risk premium	3.00% - 5.00%
rs - the real estate risk premium (initial phase)	2.05% - 2.50%
capitalization rate	7.40% - 9.50%

Note 4. Long-term financial assets

LONG-TERM FINANCIAL ASSETS	December 31, 2017	December 31, 2016
a) shares	236,233,020.01	235,933,018.01
b) loans granted	6,370,832.30	4,978,945.26
c) other long-term investments	730,297.62	0.00
Total long-term financial assets	243,334,149.93	240,911,963.27

LONG-TERM FINANCIAL ASSETS	December 31, 2017	December 31, 2016
a) in subsidiaries	242,601,400.31	240,702,413.27
- shares	236,023,470.01	235,723,468.01
- other security papers	207,098.00	0.00
- loans granted	6,370,832.30	4,978,945.26
- other long-term financial assets	0.00	0.00
b) in other units	732,749.62	209,550.00
- shares	209,550.00	209,550.00
- other security papers	523,199.62	0.00
- loans granted	0.00	0.00
- other long-term financial assets	0.00	0.00
Total long-term financial assets	243,334,149.93	240,911,963.27



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	Name of a unit (and its legal form)	Registered office	Company business	Type of affiliation	Method of consolidation	Date of assuming control	Value of shares/interest at acquisition price	Revaluation adjustment value	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	11/14/2003	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	full consolidation	6/16/2003	4,347,000.00	0.00	0.00	4,347,000.00	100,00%
3	J.W. Construction Bulgaria Sp. z o.o.	Warna (Bulgaria)	-real estate development activity	subsidiary	not consolidated	10/8/2007	9,854.98	0.00	0.00	9,854.98	100,00%
4	Yakor House Sp. z o.o.	Sochi (Russia)	-real estate development activity	subsidiary	full consolidation	12/7/2007	9,810,000.00	0.00	0.00	9,810,000.00	70,00%
5	J.W. Construction Sp. z o.o.	Ząbki	production of prefabricated goods for construction	subsidiary	full consolidation	2/19/2008	70,197,456.00	0.00	36,125,456.00	34,072,000.00	100,00%
6	JW. Marka Sp. z o.o.	Ząbki	lease of intellectual property	subsidiary	full consolidation	8/23/2011	186,661,450.00	0.00	172,044,225.58	14,617,224.42	100,00%
7	Seahouse Sp.z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	10/18/2012	10,950,000.00	0.00	0.00	10,950,000.00	100,00%
8	Nowe Tysiąclecie Sp.z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	6/11/2013	15,240,000.00	0	0	15,240,000.00	100,00%
9	Dana Invest Sp z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	11/22/2013	14,308,350.00	0.00	0.00	14,308,350.00	99,99%
10	Varsovia Apartamenty Sp. z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	1/23/2014	305,000.00	0.00	0.00	305,000.00	100,00%
11	Berenzona Invest Sp. z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	1/28/2014	5,000.00	0.00	0.00	5,000.00	100,00%
12	Bliska Wola 4 Sp. z o.o. 1 SK	Ząbki	-real estate development activity	subsidiary	full consolidation	1/22/2014	13,979,850.00	0.00	0.00	13,979,850.00	48,00%
13	Bliska Wola 4 Sp. z o.o. 2 SK	Ząbki	-real estate development activity	subsidiary	full consolidation	1/29/2014	6,769,550.00	0.00	0.00	6,769,550.00	48,00%
14	Wola Invest Sp z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	1/23/2014	5,000.00	0.00	0.00	5,000.00	100,00%
15	Bliska Wola 4 Sp. z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	1/24/2014	5,000.00	0.00	0.00	5,000.00	100,00%
16	Zdziarska Invest Sp. z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	1/22/2014	5,000.00	0.00	0.00	5,000.00	100,00%



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17	Łódź Invest Sp. z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	1/22/2014	3,800,000.00	0.00	0.00	3,800,000.00	100,00%
18	Porta Transport	Szczecin	-real estate development activity	subsidiary	full consolidation	4/24/2014	19,309,914.41	0.00	0.00	19,309,914.41	100,00%
19	Lewandów Invest Sp zoo	Ząbki	-real estate development activity	subsidiary	full consolidation	7/24/2014	5,000.00	0.00	0.00	5,000.00	100,00%
20	J.W. Ergo Energy	Ząbki	-real estate development activity	subsidiary	not consolidated	10/6/2014	2,501.00	0.00	0.00	2,501.00	100,00%
21	Hanza Invest S.A.	Ząbki	-real estate development activity	subsidiary	full consolidation	10/26/2016	75,117,223.20	0.00	0.00	75,117,223.20	100,00%



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22	TBS Nowy Dom Sp. z o.o.	Ząbki	-real estate development activity	subsidiary	not consolidated	11/28/2017	1,002.00	0.00	0.00	1,002.00	100,00%
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Partial affiliation											
1	Bliska Wola 4 Sp z o.o.1 SK	Ząbki	-real estate development activity	subsidiary	full consolidation	2/26/2016	30,820,450.00	0.00	0.00	30,820,450.00	51,00%
2	Bliska Wola 4 Sp z o.o.2SK	Ząbki	-real estate development activity	subsidiary	full consolidation	2/26/2016	12,745,500.00	0.00	0.00	12,745,500.00	51,00%
3	Bliska Wola 4 Sp z o.o.1SK	Ząbki	-real estate development activity	subsidiary	full consolidation	2/26/2016	211.74	0.00	0.00	211.74	1,00%
4	Bliska Wola 4 Sp z o.o.2SK	Ząbki	-real estate development activity	subsidiary	full consolidation	2/26/2016	178.00	0.00	0.00	178.00	1,00%
5	Dana Invest Sp. z o.o.	Ząbki	-real estate development activity	subsidiary	full consolidation	11/27/2014	50.00	0.00	0.00	50.00	0,01%
6	Karczma Regionalna Sp.z o.o.	Krynica Górská	hotel services	subsidiary	not consolidated	12/16/2004	208,550.00	0.00	0.00	208,550.00	8,06%



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Note 5. Non-current receivables

NON-CURRENT RECEIVABLES	December 31, 2017	December 31, 2016
a) guarantee receivables	0.00	0.00
b) deposit receivables(lease)	0.00	0.00
b) other receivables	2,221,271.48	1,885,418.96
Total receivables	2,221,271.48	1,885,418.96

In other long-term receivables, the sums of settlements with a special purpose vehicle from guaranteed used funds are presented.

Note 6. Inventories and construction contracts

The costs associated with impairment allowances are recognized in statement of comprehensive income of operating activities.

INVENTORIES	December 31, 2017	December 31, 2016
a) materials	1,953,696.87	1,481,341.65
b) semi-finished products and work in progress	0.00	0.00
c) finished products	0.00	0.00
d) goods	27,482,711.03	27,425,754.76
e) trade advances	76,371.36	58,906.39
Total inventories	29,512,779.26	28,966,002.80

Every month, the Company carries out the inventorying and compares the amount of inventories against budgets and realized sales transactions through detailed analysis of every item.

Construction contracts - assets constitute expenditure in relation to realized projects, the value of ready units that have not been taken over by customers.

CONSTRUCTION CONTRACTS	December 31, 2017	December 31, 2016
a) semi-finished products and work in progress	488,115,616.49	462,795,786.01
b) finished products	28,891,800.21	51,230,350.50
c) advances for supplies	16,657,634.08	3,845,831.41
d) short-term prepayments	0.05	118,618.07
Total construction contracts	533,665,050.83	517,990,585.99

Construction contracts - liabilities comprise paid advances by counterparties as part of the works being carried out.

CONSTRUCTION CONTRACTS	December 31, 2017	December 31, 2016
a) Accruals	356,575,590.20	309,521,338.23
Total construction contracts	356,575,590.20	309,521,338.23

Accruals	December 31, 2017	December 31, 2016
- advances on premises	352,738,038.51	308,499,908.02
- works reserves	2,696,824.13	583,872.23
- other	1,140,727.56	437,557.98
The total value of accruals	356,575,590.20	309,521,338.23

The company, in connection with the business activities, incurs loans that are secured against the mortgage on the property. As at December 31, 2017, the company established securities in the form of mortgages presented in inventories and construction contracts with the value of PLN 463.8 million. 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 company. As at December 31, 2017, the liabilities from bonds issued amounted to PLN 99,2 m

Note 7. Trade and other receivables

Impairment allowance was made in accordance with the best knowledge and experience of the Company, in a way of detailed analysis of the risk of debt repayment. Income and expenses connected with making and dissolving the allowance were recognised in the income statement under other operating activity.



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CURRENT RECEIVABLES	December 31, 2017	December 31, 2016
a) trade receivables - related parties	5,764,859.35	28,769,900.92
b) trade receivables - other parties	20,653,614.32	20,884,595.48
c) taxes, subsidies, customs duties, social and health insurance and other payments	10,459,499.74	436,486.05
d) other	3,504,814.63	3,912,209.02
Total receivables	40,382,788.04	54,003,191.47

AGE STRUCTURE OF TRADE RECEIVABLES	December 31, 2017	December 31, 2016
Not overdue	24,454,528.67	45,018,729.94
Overdue for 3 months	1,031,899.74	2,193,457.86
Overdue between 3 and 6 months	196,995.72	901,473.20
Overdue between 6 months and 1 year	144,715.64	694,863.62
Overdue for longer than 1 year	590,333.91	845,971.78
Gross delivery and service receivables	26,418,473.68	49,654,496.40
Write-downs updating receivables	0.00	0
Net delivery and service receivables	26,418,473.68	49,654,496.40

Tax liabilities are VAT liabilities constituting PLN 10,5 million as of December 31, 2017 (PLN 0,4 m as of December 31, 2016).

CHANGE OF THE STATE OF WRITE-DOWNS UPDATING TRADE RECEIVABLES AND OTHER RECEIVABLES	December 31, 2017	December 31, 2016
As of the beginning of the period	7,104,410.10	7,276,123.98
a) increase	19,682.53	0.00
b) decrease	0.00	171,713.88
As of the end of the period	7,124,092.63	7,104,410.10

Write-downs related to the entirety of overdue sums.

Costs and revenues related to the creation and annulment of write-downs updating the values of receivables are properly disclosed in other operating income.

As of the balance sheet days, there were no delivery and service receivables or other receivables in foreign currencies.

Note 8. Short-term financial assets

SHORT-TERM INVESTMENTS	December 31, 2017	December 31, 2016
a) shares	0.00	0.00
b) loans granted	59,843,976.06	61,400,184.46
c) other security papers	550,658.22	361,569.64
d) other short-term investments	0.00	0.00
Total long-term financial assets	60,394,634.28	61,761,754.10

SHORT-TERM INVESTMENTS	December 31, 2017	December 31, 2016
a) in subsidiaries	59,843,976.06	60,342,697.09
- shares	0.00	0.00
- other security papers	0.00	0.00
- loans granted	59,843,976.06	60,342,697.09
- other short-term financial assets	0.00	0.00
b) in other units	550,658.22	1,419,057.01
- shares	0.00	0.00
- other security papers	550,658.22	361,569.64
- loans granted	0.00	1,057,487.37
- other short-term financial assets	0.00	0.00
Total value of short-term investments	60,394,634.28	61,761,754.10



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Note 9. Cash and cash equivalents

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

CASH AND CASH EQUIVALENTS	December 31, 2017	December 31, 2016
a) cash on hand and with bank	153,571,373.70	69,578,318.52
b) other cash	1,015,460.11	747.80
c) other cash assets	6,771.63	43,708.45
Total cash	154,593,605.44	69,622,774.77

Other cash means constitute deposits with a maturity date under 3 months.

CASH IN ESCROW ACCOUNTS	December 31, 2017	December 31, 2016
Cash in escrow accounts	37,174,715.67	58,218,235.50
JW. Construction Holding SA	37,174,715.67	58,218,235.50

Note 10. Short-term accruals

ACCRUALS	December 31, 2017	December 31, 2016
a) short-term accruals	12,345,773.21	8,945,154.04
The total value of accruals	12,345,773.21	8,945,154.04

In the position "other prepaid expenses", the Company recognizes, e.g. costs incurred in connection with deferred income. The main item are expenses incurred on commissions received by salesmen for sale of apartments. The said commissions are allocated to concrete apartments/premises sold by the Company and are deferred until premises are delivered to the buyer.

Accruals	December 31, 2017	December 31, 2016
- property insurance	104,063.28	104,331.55
- interest	1,373,946.86	1,675,923.29
- commission expenses	9,636,039.13	6,545,148.71
- property tax, perpetual usufruct, road tax	0.00	0.00
- other	1,231,723.94	619,750.49
The total value of accruals	12,345,773.21	8,945,154.04

Note 11. Share capital

Share capital and other capitals

Series/issue	Share type	Type of share preference.	Types of restrictions on rights to shares	Number of shares	Value of series/issuance per nominal value	Coverage of capital	Registration Date	Dividend right (from a date)
A and B	bearer		-	54 073 280	10.814/656	Assets of a transformed company - TBM Batory Sp. z o.o. / cash	July 1, 2010*	
C				34,786/163	6,957/232.60	Cash	9/30/2014	
Total number of shares				88,859/443				
Total share capital					17,771,888.60			
Par value of one share = 0,20 PLN								

* court registration of merging A and B series shares due to the redemption of 625,000 shares acquired via a company repurchasing period with an eye to the redemption thereof

Information of the company shareholders as of December 31, 2017.

Shareholder	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	32.094.963	36,12 %	32.094.963	36,12 %
EHT S.A.	47.846.225	53,84 %	47.846.225	53,84 %
Others	8.918.255	10,04 %	8.918.255	10,04 %

Mr. Józef Wojciechowski controls the Company EHT SA based in Luxembourg.



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for the period between January 1, 2017 and December 31, 2017

Information of the company shareholders as of the day of preparation of the financial statement:

Shareholder	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	32.094.963	36,12 %	32.094.963	36,12 %
EHT S.A.	47.846.225	53,84 %	47.846.225	53,84 %
Others	8.918.255	10,04 %	8.918.255	10,04 %

OTHER CAPITAL	December 31, 2017	December 31, 2016
a) supplementary capital	653,288,954.26	649,377,530.08
b) other reserve capitals	5,731,587.19	5,731,587.19
Total other capital	659,020,541.45	655,109,117.27

Supplementary capital in the capital company comes from the earned profit from previous years and from the surplus of the issuance value over the nominal value of issued shares.

Other reserve capitals constitute reserves earmarked for dividend.

Note 12. Borrowings

In the financial year of 2017 and from the balance sheet date until the day on which the consolidated financial statement was prepared, none of the signed credit agreements was terminated by the bank.

BORROWINGS	December 31, 2017	December 31, 2016
a) credits	99,168,550.45	73,185,389.92
<i>of which: long-term</i>	<i>45,819,151.99</i>	<i>58,192,685.94</i>
<i>short-term</i>	<i>53,349,398.46</i>	<i>14,992,703.98</i>
b) loans	897,210.95	4,994,486.95
<i>of which: long-term</i>	<i>0.00</i>	<i>3,190,228.22</i>
<i>short-term</i>	<i>897,210.95</i>	<i>1,804,258.73</i>
Total borrowings	100,065,761.40	78,179,876.87
Borrowings - long-term	45,819,151.99	61,382,914.16
Borrowings - short-term	54,246,609.41	16,796,962.71

CREDITS PER MATURITY	December 31, 2017	December 31, 2016
Up to 1 year:	53,349,398.46	14,992,703.98
Over 1 year up to 2 years	41,516,003.99	44,587,177.32
Over 2 years up to 5 years	4,303,148.00	13,605,508.62
Over 5 years	0.00	0.00
Total loans, including:	99,168,550.45	73,185,389.92
- long-term	45,819,151.99	58,192,685.94
- short-term	53,349,398.46	14,992,703.98

LOANS PER MATURITY	December 31, 2017	December 31, 2016
Up to 1 year:	897,210.95	1,804,258.73
Over 1 year up to 2 years	0.00	3,190,228.22
Over 2 years up to 5 years	0.00	0.00
Over 5 years	0.00	0.00
Total loans, including:	897,210.95	4,994,486.95
- long-term	0.00	3,190,228.22
- short-term	897,210.95	1,804,258.73

Note 13. Deferred income tax assets

The applicable rate of income tax for 2016 and 2017 was 19%.

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES	12/31/2017		
	Deferred income tax assets	Deferred income tax liabilities reserve	Net value
Tangible assets	0.00	7,493,510.94	-7,493,510.94
Investment real estate	0.00	13,185,353.31	-13,185,353.31
Other financial assets	0.00	7,140,011.38	-7,140,011.38
Non-current receivables	0.00	0.00	0.00
Inventories and construction contracts	0.00	6,968,899.90	-6,968,899.90
Trade and other receivables	0.00	75,951.49	-75,951.49
Deferred income tax liabilities	0.00	0.00	0.00
Accruals	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Reserves	5,733,581.47	0.00	5,733,581.47
Trade and other receivables	290,853.95	0.00	290,853.95
Other financial liabilities	5,172,154.73	0.00	5,172,154.73
Others, including tax losses	9,402,445.55	0.00	9,402,445.55
Deferred income tax assets/reserved show in the balance sheet	20,599,035.70	34,863,727.02	-14,264,691.32

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES	12/31/2016		
	Deferred income tax assets	Deferred income tax liabilities reserve	Net value
Tangible assets	0.00	6,688,269.49	-6,688,269.49
Investment real estate	0.00	12,625,890.59	-12,625,890.59
Other financial assets	0.00	5,970,814.38	-5,970,814.38
Inventories and construction contracts	0.00	5,012,241.09	-5,012,241.09
Trade and other receivables	0.00	1,346,118.34	-1,346,118.34
Reserves	5,430,998.96	0.00	5,430,998.96
Trade and other receivables	34,093.85	0.00	34,093.85
Other financial liabilities	4,418,541.46	0.00	4,418,541.46
Other (including asset for loss)	16,663,530.49	0.00	16,663,530.49
Deferred income tax assets/reserved show in the balance sheet	26,547,164.76	31,643,333.25	-5,096,168.49

INCOME TAX	between January 1, 2017 and December 31, 2017	between January 1, 2016 and December 31, 2016
a) income tax	0.00	0.00
b) deferred income tax	9,168,522.83	-15,669,492.39
Income tax value, in total	9,168,522.83	-15,669,492.39

CHANGE OF THE STATE OF DEFERRED INCOME TAX	12/31/2017	12/31/2016
Change of the assets towards the deferred tax	- 5 948 129,06	9,069,077.04
Change of the reserves towards the deferred tax	- 3 220 393,77	6,600,415.35
Change of the deferred tax in total	- 9 168 522,83	15,669,492.39
Deferred tax disclosed in the profit and loss account	9,168,522.83	-15,669,492.39
Deferred income tax included in total revenue	0.00	0.00

Note 14. Provision for other liabilities and charges



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for the period between January 1, 2017 and December 31, 2017

PROVISIONS FOR OTHER LIABILITIES AND CHARGES	December 31, 2017	December 31, 2016
a) short-term, of which:	23,479,098.79	20,656,238.04
- accrued expenses, including:	10,507,188.96	10,621,961.19
- <i>interest charged</i>	1,122,004.60	1,586,617.79
- <i>rent deposit</i>	480,433.64	480,433.64
- <i>hotel down payments</i>	3,843,839.55	3,425,189.38
- <i>other</i>	5,060,911.17	5,129,720.38
- other provisions, including:	12,971,909.83	10,034,276.85
- <i>provision for future liabilities,</i>	0.00	0.00
- <i>provisions for guaranteed repairs</i>	0.00	0.00
- <i>other provisions</i>	12,971,909.83	10,034,276.85
a) long-term, of which:	0.00	0.00
- accrued expenses, including:	0.00	0.00
Provisions for other liabilities and charges in total	23,479,098.79	20,656,238.04

Note 15. Other long-term liabilities

OTHER LONG-TERM LIABILITIES	December 31, 2017	December 31, 2016
a) lease obligations	598,298.02	1,546,189.64
b) deposit liabilities	34,523,416.84	28,747,371.63
c) liabilities from securities	199,100,000.00	51,500,000.00
d) other long-term liabilities	0.00	0.00
e) promissory note liabilities - affiliates	29,999,780.71	16,340,300.01
f) promissory note liabilities -third parties	0.00	618,862.52
g) loans received - affiliates	0.00	0.00
Total other long-term liabilities	264,221,495.57	98,752,723.80

All financial lease liabilities are in PLN. The fair value of the financial lease liabilities corresponds to the book value and as at Sunday, December 31, 2017 constitutes PLN 1.977.550,01 with PLN 598.298,02 of which constitutes short-term liabilities.

Prospect leasing payments are payable, including:

	Minimum leasing payments	Interest	Current value of liability
	December 31, 2017	December 31, 2017	December 31, 2017
under 1 year	1,434,668.84	55,416.85	1,379,251.99
between 1 year and 5 years	621,704.87	23,406.85	598,298.02
Over 5 years	0.00	0.00	0.00
	2,056,373.71	78,823.70	1,977,550.01

	Minimum leasing payments	Interest	Current value of liability
	December 31, 2016	December 31, 2016	December 31, 2016
under 1 year	1,468,331.33	72,502.49	1,395,828.84
between 1 year and 5 years	1,626,502.20	80,312.56	1,546,189.64
Over 5 years	0.00	0.00	0.00
In total	3,094,833.53	152,815.05	2,942,018.48

Current value of leasing liabilities is presented in the report as follows:

LEASING LIABILITIES	December 31, 2017	December 31, 2016
a) short-term liabilities	1,379,251.99	1,395,828.84
b) long-term liabilities	598,298.02	1,546,189.64
In total	1,977,550.01	2,942,018.48

Note 16. Trade and other payables

TRADE AND OTHER PAYABLES	December 31, 2017	December 31, 2016
a) trade payables - other entities	34,421,338.35	17,827,277.06



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for the period between January 1, 2017 and December 31, 2017

b) trade payables - related entities	6,558,188.88	10,571,830.01
c) taxes, customs duties, insurance and other payments	2,238,049.93	3,692,946.87
d) salaries	1,711,974.00	2,096,913.42
e) trade advances received	0.00	0.00
f) loans received - affiliates	23,660,038.25	24,663,009.10
g) promissory notes – related parties	41,438,988.16	77,452,406.71
h) other	8,316,626.63	6,465,486.66
Trade and other payables, in total	118,345,204.20	142,769,869.83

OTHER LIABILITIES	December 31, 2017	December 31, 2016
a) debt securities issue liabilities	20,767,451.05	76,042,890.70
b) promissory note liabilities - other	573,279.31	6,389,821.00
c) financial lease liabilities	1,379,251.99	1,395,828.84
d) other financial liabilities	0.00	0.00
Total other long-term liabilities	22,719,982.35	83,828,540.54

4. EXPLANATORY NOTES TO PROFIT AND LOSS ACCOUNT

Note 17. Operating income

OPERATING INCOME	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Revenues from sales of products	282,798,166.98	101,899,197.01
Revenues from sales of services	63,485,386.50	80,633,242.12
Revenues from sales of goods	2,156,719.70	2,905,484.47
Total Income	348,440,273.18	185,437,923.60

	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Proceeds from sales, including:	348,440,273.18	185,437,923.60
-sales of products – properties, plots, buildings	282,798,166.98	101,899,197.01
- from sales of services	63,485,386.50	80,633,242.12
-sales of goods	2,156,719.70	2,905,484.47

	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Revenues from sales of products and services by segment	346,283,553.48	182,532,439.13
-real estate development activity	296,368,294.82	137,969,405.67
-business activity related to hotels	43,682,425.00	39,493,482.57
-real estate management	6,232,833.66	5,069,550.89

	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Revenues from sales of products – premises, plots, buildings by geographical segment	282,798,166.98	101,899,197.01
-Warsaw and the surrounding area	223,107,660.77	9,003,568.43
-Gdynia	58,717,344.76	10,953,269.62
- Łódź	0.00	190,760.82
- Szczecin	0.00	76,582,980.88
- Katowice	0	0.00
- Poznań	-3,428.55	5,168,617.26
- plots	976,590.00	0.00

	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Revenues from sales of hotel services per geographic segments	43,682,425.00	39,493,482.57
-Warsaw and the surrounding area	5,631,592.24	5,852,232.86
- Tarnowo	5,799,874.56	5,790,282.88
- Stryków	3,899,475.08	3,835,926.57
- Krynica Górská	28,351,483.12	24,015,040.26

Note 18. Operating expenses

OPERATING EXPENSES	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Costs on sale of products	209,470,728.27	113,045,743.48
Costs on sale of services	48,715,438.33	65,392,575.00
Costs on sale of goods	2,121,040.42	2,884,804.34
Total costs of products, services and goods sold	260,307,207.02	181,323,122.82



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for the period between January 1, 2017 and December 31, 2017

Sales and overhead expenses	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Sales costs	30,790,381.00	18,071,948.35
Overheads	16,497,585.87	12,373,504.79
Sales and overhead expenses in total	47,287,966.87	30,445,453.13

Expenses per type	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
Depreciation and amortization	7,971,345.83	7,236,213.66
Materials and energy costs	20,213,305.30	16,975,742.71
Third party services	253,215,832.19	198,844,203.35
Taxes and charges/fees	9,470,459.02	8,353,350.68
Remunerations	30,540,115.44	27,861,741.37
Social security and other payments	4,799,558.65	4,406,423.88
Other expenses per type	16,245,623.25	7,570,765.00
Expenses per type in total	342,456,239.68	271,248,440.65

Note 19. Other operating income

OPERATING REVENUE	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
a) profit on sale of non-financial fixed assets	345.00	174,118.15
b) other operating revenues	964,143.95	3,179,024.65
Total value of operating revenue	964,488.95	3,353,142.80

OPERATING REVENUE	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
a) profit on sale of non-financial fixed assets	345.00	174,118.15
b) transaction handling fees	235,629.70	804,777.93
c) reserves, write downs	583,723.17	1,463,337.59
d) asset disclosure	0.00	0.00
e) others (including damages)	144,791.08	910,909.13
Total amount of operating costs	964,488.95	3,353,142.80

Note 20. Other operating expenses

OPERATING EXPENSES	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
a) loss on sale of non-financial fixed assets	0.00	0.00
b) revaluation of non-financial assets	1,098,274.52	0.00
c) other operating costs	4,259,076.50	38,652,062.05
Total amount of operating costs	5,357,351.02	38,652,062.05

OPERATING EXPENSES	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
a) loss on sale of non-financial fixed assets	0.00	0.00
b) revaluation of non-financial assets	1,098,274.52	0.00
c) reserves	2,883,910.17	15,397,838.16
d) compensations, penalties, damages	553,166.87	2,432,347.52
e) compensations for breach of contracts	983.00	0.00
f) costs of court proceedings	354,441.29	473,855.30
g) costs of cancelled investments	0.00	0.00
h) other	466,575.17	20,348,021.07
Total amount of operating costs	5,357,351.02	38,652,062.05



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for the period between January 1, 2017 and December 31, 2017

Note 21. Financial Revenues

FINANCIAL REVENUES	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
a) dividends	21,309,167.00	86,062,065.94
b) interest	3,787,303.65	2,649,560.17
c) investment revaluation	0.00	0.00
d) profit on disposal of investments	0.00	13,390.74
e) other	4,536.53	2,852,948.78
Total financial revenues	25,101,007.18	91,577,965.63

Financial Revenues	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
a) dividends	21,309,167.00	86,062,065.94
b) interest from customers	192,245.88	-397,693.82
c) loan interest	1,209,100.00	1,272,750.02
d) deposit interest,	1,230,402.70	366,312.15
e) interest on promissary notes	39,318.73	15,222.82
f) other interest	1,116,236.34	1,392,969.00
g) foreign exchange rate differences	0.00	2,796,441.75
h) investment revaluation	0.00	0.00
i) profit on disposal of investments	0.00	13,390.74
j) other	4,536.53	56,507.03
In total	25,101,007.18	91,577,965.63

Note 22. Financial costs

FINANCIAL EXPENSES	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
a) interest	17,393,782.89	28,492,700.73
b) investment revaluation	0.00	0.00
c) loss on disposal of investments	0.00	0.00
d) other	5,904,265.00	3,240.63
Total financial expenses	23,298,047.89	28,495,941.36

FINANCIAL EXPENSES	for the period by 01-01-2017 and 31-12-2017	for the period by 01-01-2016 and 31-12-2016
a) interest, commissions, loans	2,550,397.80	3,578,878.21
b) interest-leasing	106,032.19	73,634.48
c) interest- loans	841,027.40	869,127.81
d) interest- promissory notes	3,337,335.28	5,924,035.23
e) interest- bond issuance	9,250,710.08	9,728,683.83
f) other interest	1,308,280.14	8,318,341.17
g) foreign exchange rate differences	5,802,671.18	0.00
h) loss on disposal of investments	0.00	0.00
i) other	101,593.82	3,240.63
Total financial expenses	23,298,047.89	28,495,941.36



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for the period between January 1, 2017 and December 31, 2017

Note 23. Income tax

	between January 1, 2017 and December 31, 2017	between January 1, 2016 and December 31, 2016
INCOME TAX		
a) income tax	0.00	0.00
b) deferred income tax	9,168,522.83	-15,669,492.39
Income tax value, in total	9,168,522.83	-15,669,492.39

	between January 1, 2017 and December 31, 2017	between January 1, 2016 and December 31, 2016
Reconciliation of effective tax rate		
Gross Profit / (loss) before tax from continuing operations	36,113,284.97	-6,078,558.86
Gross Profit / (loss) before tax from discontinued operations	0.00	0.00
Gross profit (loss) before tax	36,113,284.97	-6,078,558.86
Income tax (charge) shown in the profit and loss account	9,168,522.83	-15,669,492.39
<i>including</i>		
current	0.00	0.00
deferred	9,168,522.83	-15,669,492.39
Tax in accordance with a 19% tax rate	6,861,524.14	-1,154,926.18
Adjustments regarding a current income tax from past years	0.00	0.00
Deferred taxes not created in previous years	711,721.32	1,627,588.33
Expenditure not constituting tax deductible expenses - permanent differences	5,088/354.86	4,845,847.70
Divided	21,309,167.00	-86,062,065.94
Cost of convertible bond conversion to Hanza Invest shares	0.00	33,800,000.00
Participation in the profits of partnerships	-14,967,144.84	-30,603,823.83
Adjusted income tax	48,255,383.31	-82,471,012.59
Tax at effective tax rate	9,168,522.83	-15,669,492.39

5. EXPLANATORY NOTES EXPLAINING OTHER NOTES

Note 24. Headcount

Company	2017	2016
Management Board	2	2
Directors	12	18
Administration	214	206
Other employees	126	127
In total	354	353

Agreement	2017	2016
Employment contract	354	353
Fee-for-task contract	238	298
Contracts of specific work	31	20

Note 25. Remuneration of the Management Board and Supervisory Board of the Company

The presented figures refer to remuneration for holding an office of the Management Board and Supervisory Board Member. They do not include remuneration due to other forms of employment (also in other Companies of the Company). The remuneration due to other titles is presented in the consolidated financial statements.

J.W. Construction Holding S.A.	between January 1,
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Financial Statement

for the period between January 1, 2017 and December 31, 2017

	2017 and December 31, 2017
Management Board	
Rajchert Wojciech	200,904.17
Starzyńska Magdalena	184,302.67
Ostrowska Małgorzata	142,721.57
Suprynowicz Piotr	49,440.00

	between January 1, 2017 and December 31, 2017
J.W. Construction Holding S.A.	
Supervisory Board	
Józef Wojciechowski	0.00
Szwarc-Sroka Małgorzata	19,972.80
Łopuszyńska Irmina	16,788.80
Czyż Barbara	96,035.04
Michnowicz Laura	9,168.56
Radziwiłski Jacek	19,531.45
Maruszyński Marek	15,280.66

Note 26. Off-balance-sheet-items

In conducting economic activity, conditional instruments securing transactions are applied. Especially, based on the current loan agreements, banks in case of the company failure to fulfill the company's obligations resulting from the signed agreements may seek compensation based on the created securities. Securities are created from the sum of granted credit multiplied by a certain factor. The multiplier depending on the type of credit agreement, security type, financing bank and other factors varies between 100% and 200%. Regardless of the number and the sum of created securities, the bank may seek compensation from the sum of real debt with due interest. As at December 31, 2017, the amount of debt was equal to PLN 99 million and there were no reasons that could indicate that any credit loan could not be paid on time.

In case of J.W. Construction Holding S.A. credits, mortgage securities are mainly used.

Below is the list of mortgage securities:

OFF-BALANCE SECURITIES	12/31/2017
The sum for securities on owned real estate - loans	463,778,936

For one credit agreement, typically several securities are applied that exceed the credit amount. However, it is impossible to sum up the sums of securities as the value of a possible claim would be strictly related to the security sum, and a entitled entity could choose a type of security.

In addition to mortgage security, there are other forms of securities, such as writs of execution, promissory notes, powers of attorney to accounts or liens on accounts. In addition, in case of investment credits, the security instruments are transfers from contracts related to concrete constructions (for instance, general contractorship agreements, insurance agreements, good quality guarantees). Also, if a borrower is a subsidiary of J.W. Construction Holding S.A., banks typically require also a guarantee from the Company, and in some other cases - lien on the shares of a subsidiary.

Below is the value of granted guarantees.

OFF-BALANCE SHEET COLLATERALS - other	12/31/2017
Guarantee of J.W. Construction Holding S.A. to the benefit of Hanza Invest SA for a credit loan incurred at Alior Bank S.A.	141,789,712
Guarantee of J.W. Construction Holding S.A. to the benefit of Dana Invest Sp. z o.o. for a credit loan incurred at BZ WBK SA.	29,694,876
Guarantees to the benefit of J.W. Construction Sp. z o.o. by PKO BP for the loan and surety.	14,500,000
Sureties to the benefit of TBS "Marki" Sp z o.o.	22,400,000

As at December 31, 2017, there were bank and insurance securities regarding the removal of defects granted by banks and insurance companies that the company was a beneficiary of. In addition, blank promissory notes were issued to the benefit of the Capital Group companies as a security for the customer guarantees that the Companies may use at any time to the sum corresponding to the costs corresponding to removal of defects. The total value of guarantees of J.W. Construction Holding SA was PLN 19,7m as at December 31, 2017.

Note 27. Transactions with affiliates - balances

The Company within its business activity enters into transactions with related companies especially in the scope of the management of sales, administrative services, rental property, execution of works, the provision



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of guarantees, financing. Below, there are transactions with subsidiaries and other affiliated companies, the value of which in 2017 was significant from the point of view of the presented data. Materiality threshold was adopted for commercial transactions over PLN 100 thousand with the remaining 10% of equity. All transactions concluded in 2017 by the Company or a subsidiary with the related parties were concluded on market terms.

COMPANY NAME	Receivables from related parties	
	December 31, 2017	December 31, 2016
Marka Sp. z o.o.	127,222.70	1,060,203.17
J.W. Marka Sp. z o.o.	365,478.50	0.00
Business Financial Construction Sp. z o.o.	392,873.90	235,741.90
J.W.Construction Sp. z o.o.	3,599,498.60	12,327,627.03
Nowe Tysiąclecie Sp. z o.o.	30,088.23	0.00
Dana Invest Sp. z o.o.	127,429.95	169,881.03
Porta Transport Sp. z o.o. in liquidation	14,760.00	14,760.00
Varsovia Apartamenty Sp.z o.o.(formerly known as Bałtycka Invest sp. z o.o.)	208,158.13	19,288.86
Bliska Wola 4 Sp.z o.o.1 SK	210,414.04	4,068,047.53
Bliska Wola 4 Sp. z o.o. 2 SK	517,261.58	910,619.15
Wola Invest Sp z o.o.	23,692.26	18,969.06
Bliska Wola 4 Sp. z o.o.	20,834.80	20,834.80
Łódź Invest Sp. z o.o.	7,675.20	415,965.10
Berenzona Invest Sp. z o.o.	26,644.26	20,445.06

COMPANY NAME	Liabilities towards subsidiaries	
	December 31, 2017	December 31, 2016
Marka Sp. z o.o.	29,779,250.20	30,563,179.29
J.W. Marka Sp. z o.o.	709,047.00	366,499.58
Business Financial Construction Sp. z o.o.	1,705,811.10	1,228,600.63
Seahouse Sp. z o.o.	0.00	6,275.99
J.W.Construction Sp. z o.o.	3,845,230.61	27,637,127.12
Nowe Tysiąclecie Sp. z o.o.	24,888.83	0.00
Łódź Invest Sp.z o.o.	0.00	0.00
Bliska Wola 4 Sp.z o.o.1 SK	4,212.00	0.00
Varsovia Apartamenty Sp.z o.o.	13.035,47	0.00

J.W. Construction Holding S.A. as an entity buying products or services (transactions for more than PLN 100 thousand)

THE OTHER PARTY OF TRANSACTION	TRANSACTION/AGREEMENT SUBJECT	for the period between January 1, 2017 and December 31, 2017	for the period between January 1, 2016 and December 31, 2016
J.W. Marka Sp. z o.o.	marketing services	707,340.00	565,826.00
J.W. Marka Sp. z o.o.	licensing fee for a trademark	8,638,865.86	348,517.22
Business Financial Construction Sp. z o.o.	marketing services	3,337,134.01	3,001,939.16
J.W.Construction Sp. z o.o.	construction works at Zdziarska, the 17KL road	0.00	246,084.80
J.W.Construction Sp. z o.o.	construction works at Zdziarska II	4,613,669.57	26,309,183.11
J.W.Construction Sp. z o.o.	construction works at Ożarów homes	5,465,649.74	2,825,696.64
J.W.Construction Sp. z o.o.	construction works at Ożarów living blocks	1,069,664.02	0.00
J.W.Construction Sp. z o.o.	construction works at Kręczi Kaputy		16,991,798.38
J.W.Construction Sp. z o.o.	construction works in Katowice	8,762,189.74	0.00
J.W.Construction Sp. z o.o.	construction works in Osada Wiślana	0.00	243,493.00
J.W.Construction Sp. z o.o.	construction works at Kasprzaka Ck	0.00	692,000.00
J.W.Construction Sp. z o.o.	construction works at Kasprzaka Cm	0.00	986,400.00



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J.W.Construction Sp. z o.o.	construction works - crane rent at Kasprzaka CK	157,500.00	0.00
J.W.Construction Sp. z o.o.	construction works - crane rent at Kasprzaka CM	105,400.00	0.00
J.W.Construction Sp. z o.o.	staffing services at Kasprzaka CK	847,517.10	0.00
J.W.Construction Sp. z o.o.	staffing services at Kasprzaka CM	698,286.50	0.00
J.W.Construction Sp. z o.o.	staffing services at Badylarska	159,791.80	0.00
Nowe Tysiąclecie sp zo.o.	re invoicing (electrical energy)	163,040.38	0.00

J.W. Construction Holding S.A. as an entity rendering or services (seller) (transactions for more than PLN 100 thousand)

	TRANSACTION/AGREEMENT SUBJECT	for the period between January 1, 2017 and December 31, 2017	for the period between January 1, 2016 and December 31, 2016
Marka Sp. z o.o.	administrative services	255,091.17	232,921.50
Marka Sp. z o.o.	installation and construction services	564,148.89	489,790.11
Marka Sp. z o.o.	loan surety	784,000.00	784,000.00
J.W. Marka Sp. z o.o.	renting real estate	600,000.00	0.00
Business Financial Construction Sp. z o.o.	car rental	319,050.48	0.00
Business Financial Construction Sp. z o.o.	car rental	0.00	310,062.38
Seahouse Sp. z o.o.	sales services	600.00	241,179.00
J.W.Construction Sp. z o.o.	re invoicing	247,662.88	42,337.32
J.W.Construction Sp. z o.o.	re invoicing - electrical energy	0.00	342,599.93
J.W.Construction Sp. z o.o.	administrative services	600,000.00	600,000.00
J.W.Construction Sp. z o.o.	guaranteed repair work services	629,402.95	806,981.50
J.W.Construction Sp. z o.o.	renting rooms in the company headquarters	146,028.00	589,986.30
Nowe Tysiąclecie Sp. z o.o.	construction services	4,237,215.00	17,060,633.00
Nowe Tysiąclecie Sp. z o.o.	administrative services	279,180.00	366,240.00
Nowe Tysiąclecie Sp. z o.o.	sales services	184,062.00	254,242.00
Dana Invest Sp. z o.o.	marketing services	-37,500.00	236,000.00
Porta Transport Sp. z o.o. in liquidation	renting real estate	144,000.00	144,000.00
Bliska Wola 4 Sp.z o.o.1 SK	administrative services	2,400.00	1,776,600.00
Bliska Wola 4 Sp.z o.o.1 SK	sales services	0.00	330,378.00
Bliska Wola 4 Sp.z o.o.1 SK	construction service	161,875.90	2,092,251.08
Bliska Wola 4 Sp.z o.o.1 SK	permission for tree felling	0.00	1,022,572.04
Bliska Wola 4 Sp.z o.o.1 SK	other	4,091.25	146,610.00
Bliska Wola 4 Sp. z o.o. 2 SK	administrative services	2,400.00	1,293,012.00
Bliska Wola 4 Sp. z o.o. 2 SK	sales services	0.00	267,912.00
Bliska Wola 4 Sp. z o.o. 2 SK	construction service	129,267.36	1,670,790.45
Łódź Invest Sp. z o.o.	construction services	0.00	2,018,728.00
Łódź Invest Sp. z o.o.	sales services	600.00	177,472.00
Hanza Invest S.A.	administrative services	2,054,790.00	2,400.00
Hanza Invest S.A.	sales services	208,000.00	0.00
Varsovia Apartamenty Sp.z o.o.	re invoicing (other)	149,409.60	0.00

Transactions related to capital investments, financial assets were described in significant events prior to balance sheet date and after. Other transactions entered into associates do not exceed a significance threshold.

All concluded transactions by the Company or its subsidiary with the related parties are concluded on market terms.



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6. SUPPLEMENTARY INFORMATION

Note 28. Events that took place in the business year

Information on received permits

In 2017, the Company received the decisions with regard to the following permits:

a) Construction permit

On February 9, 2017, Nowe Tysiąclecie sp. z o.o., a subsidiary, received a substitute permit for the construction of the 3rd phase of the Nowe Tysiąclecie investment. The permit is final and binding and has been transfer to the Company that will serve the role of an investor.

On April 10, 2017, the Company received a building permit for multifamily homes comprising a part of Lewandów III (Wrzosowa Aleja) and 3 multifamily homes, including landscaping. The permit is final and binding.

On April 18, 2017, the Company received a building permit for multifamily homes comprising a part of Lewandów III (Wrzosowa Aleja) and 5 multifamily homes, including landscaping - the decision was repealed by the voivode of the Masovian Voivodeship. The Company continues actions aimed at receiving a permit once again in accordance with the voivode's guidelines.

On October 23, 2017, the Company received a building permit for the construction of a complex of terraced single-family houses located in the gmina of Kręczki Kaputy near Ożarów Mazowiecki. The permit is final and binding.

b) Certificate of occupancy

On April 7, the Company received a certificate of occupancy for a multifamily building with an underground garage in Warsaw at Marcina z Wrocimowic/Sprawna streets – the Willa One community. The permit is final and binding.

On July 18 and August 9, 2017 the Company received an occupancy permit for terraced single-family homes located in the gmina of Kręczki Kaputy near Ożarów Mazowiecki. The permit is final and binding.

On September 29, 2017, the Company received an occupancy permit for the residential part of phase C of a multi-family house community Bliska Wola located in the region of Ordonia/Kasprzaka street in Warsaw. The permit is final and binding.

On October 03, 2017 the Company received an occupancy permit for terraced single-family homes located in the gmina of Kręczki Kaputy near Ożarów Mazowiecki. The permit is final and binding.

located in Kręczki Kaputy near Ożarów Mazowiecki. The permit is final and binding. On October 19, 2017, the Company received a certificate of occupancy for a complex of multi-family houses Zielona Dolina II phase I with services, a kindergarten, garages located in Warsaw in the region of the Zdziarska and Ostródzka streets. The permit is final and binding.

Significant agreements

General Contractor's agreements

On July 14, 2017, the Company entered into an agreement with J.W. Construction Sp. z o.o. (a subsidiary) with its business seat in Ząbki regarding the construction works in relation to the comprehensive construction of the Nowe Tysiąclecie phase 3 community in Katowice as part of the general contract system at Tysiąclecia street. In the community, there will be 3 buildings with residential and business units (multiposition garages). The finishing date of the works was set at the end of Q2 of 2019. The net value of the works was set at the net sum of PLN 71.778.027.

Credit Agreements

Entered into:



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On March 23, 2017, the Company signed a credit agreement for co-financing the realization costs of phase III of the Nowe Tysiąclecie Community in Katowice to the sum of PLN 42,000,000. The new payment date was set at Friday, December 20, 2019.

Paid:

On June 13, 2017, the Company paid in full a credit for co-financing the costs of the realization of the Osiedle Kamerata investment in Gdynia to the sum of PLN 9,700,000 granted by Plus Bank S.A.

On June 23, 2017, the Company paid in full a credit for financing the construction of commercial buildings related to the "Jerozolimskie Point" investment venture in Warsaw to the sum of PLN 23,000,000 granted by Millennium Bank S.A.

On October 31, 2017, the Company paid in full a credit for co-financing the costs of the realization of the Zielona Dolina III investment in Gdynia to the sum of PLN 35.000.000 granted by BOŚ Bank S.A.

Annexed:

On January 30, 2017, the Company signed an annex to a revolving credit agreement granted by Bank Polskiej Spółdzielczości S.A. to the final sum of PLN 4,944,327 earmarked for the financing of current activity. Based on the Annex, the payment deadline was extended and a new payment schedule was adopted. The new repayment date was set at Sunday, December 31, 2017.

On Thursday, December 28, 2017, the Company signed an annex to a revolving credit agreement granted by Bank Polskiej Spółdzielczości S.A. to the final sum of PLN 4.500.000 earmarked for the financing of current activity. Based on the annex, a payment deadline was extended and the loan some was increased. The new repayment date was set at Monday, December 31, 2018.

On April 26, 2017, the Company signed an annex to a credit in a current account granted by PKO BP S.A. to the sum of PLN 10,000,000. Under the Annex, the deadline for the use and repayment of the loan has been postponed. The new payment date falls on April 26, 2018.

Security Papers

Bond redemption:

On December 8, 2017, the company redeemed the bonds from JWC1217 series, issued in the number of 120,000 units in the nominal value 1,000 each and the total value of PLN 120,000,000 marked in the system of the National Depository of Securities kodem ISIN PLJWC0000100; a redemption installment sum was PLN 72.000.000.

Interest payment:

On April 24, 2017, the Company paid interest on the JWX0116 bonds.

On June 9, and December 8, 2017, the Company paid interest on the bonds marked with the code ISIN PLJWC00000100.

November 30, 2017, the Company paid interest on the PLJWC00000118 bonds.

Change of the bond issuance conditions

On May 8, 2017 the Company received a permission from the administrator to write off a mortgage to the sum of PLN 125,000,000 from a land register number WA4M/00440028/3 maintained for the the plot 3/15 earmarked for the pahse D of the Bliska Wola investment realized at Kasprzaka and Prymasa Tysiąclecia streets. The mortgage was written off on July 10, 2017. The writing off of the mortgage was caused by changing the character of the JWX0116 to unsecured.

On June 30, 2017, the Company received a permission to change conditions for the JWX0116 bonds in the scope of establishing a new date for their redeeming which was extended to the date of June 1, 2020. Due to the issuance of the ISIN PLJWC0000126 bonds, the purchase date is to be extended to some date not earlier than November 17, 2020.

Bond issuance:

On Wednesday, May 31, 2017, the Company issued 70000 unsecured bonds with a nominal value of PLN 1,000 each and a total value of PLN 70.000.000. The bonds were marked as ISIN PLJWC0000118. The bonds bear an interest based on 6M WIBOR + a 3% margin. The final date for redeeming the bonds is May 29, 2020. On May 30, 2018, the Company shall carry out a partial redeeming of the 10% of the nominal value of every bond. On May 30, 2019, the 40% value of the bonds is to be redeemed.

The goal of issuing the bonds is to finance the current activity of the company, including land acquisitions and expenses related to the preparations of the real estate development projects.

On November 17, 2017, the Company issued 94.000 unsecured bonds with a nominal value of PLN 1,000 each and a total value of PLN 94.000.000. The bonds were marked as ISIN PLJWC0000126. The bonds bear an interest based on 6M WIBOR + a 3% margin. The final date for redeeming the bonds is 11/16/2020. On 11/15/2018, the Company shall carry out a partial redeeming of the 10% of the nominal value of every bond. On 11/15/2019, the 45% value of the bonds is to be redeemed.

The goal of issuing the bonds is to finance the current activity of the company, including land acquisitions and expenses related to the preparations of the real estate development projects.

Surety

The only surety granted in 2017 that extends 10% of the Company equity is a surety granted to the benefit of Alior Bank S.A. with reference to a credit granted to Hanza Invest S.A. with its business seat in Ząbki, a subsidiary. The surety was granted on February 10, 2017 to the sum of PLN 141.789.712 for the following credits: an investment credit to the sum of PLN 138.789.712 and a VAT credit to the sum of PLN 3.000.000. Hanza Invest S.A. took the loans due to the realization of the Hanza Tower investment in Szczecin at Wyzwolenia 46 street. The surety was granted until the credits are paid for which a payment date was set at September 30, 2020. The company is an only shareholder in Hanza Invest S.A., which is a special purpose vehicle for the realization of the Hanza Tower investment in Szczecin.

Acquisition of real estate

On October 11, 2017, the Company obtained the units that so far had not been separated being located in Krakow at Wielopole 19-21 street, Dietla 86, 88 and 90 street: one business unit with an area of 8.206,50 sq.m. and 10 living units with a total area of 520,70 sq.m.m with cellars belonging thereto with an area of 96,65 sq. m. The total purchase price for all the units was the net sum of PLN 44.100.000 and was subsequently increased by the VAT tax at an applicable rate.

On November 3, 2017, the company entered into an agreement regarding the purchase of 12 plots with no buildings thereon with a total area of 6,9034 ha located in Nowogard at Radosława street for the net sum of PLN 5.744.886 that was subsequently increased by an applicable rate of VAT tax. The real estate is earmarked for the construction of multifamily buildings.

Real estate acquisition preliminary agreements

On Thursday, May 11, 2017, the Company signed an agreement for the purchase of real estate located in Gdańsk. at Jesionowa street consisting of 2 plots of land with a total area of 0,3136 ha for the net sum of 6.500.000 + VAT tax. On the moment of signing a preliminary agreement, the Company paid PLN 1.000.000 as a deposit. The final and binding agreement is to be entered into on May 11, 2018. The seller granted to the Company a right to use the plot for construction works. As of now, the are ongoing design works aimed at obtaining a permit for the construction multifamily residential buildings.

On June 13, 2017, the Company signed an agreement for the purchase of real estate located in Gdańsk. at Starowiejska street with a total area of 0,9693 ha for the net sum of 20.500.000 + VAT tax. On the moment of signing a preliminary agreement, the Company paid PLN 2.460.000 as a deposit. The final and binding agreement is to be entered into on Wednesday, June 13, 2018. The seller granted to the Company a right to use the plot for construction works. As of now, the are ongoing design works aimed at obtaining a permit for the construction multifamily residential buildings.

On August 22, 2017 the Company entered into a preliminary agreement regarding the acquisition of ownership of a plot with an area of 1,7628 ha located in Małopole, gmina Dąbrówka with no buildings thereon. The date for signing the final agreement was fixed to be some date not later than August 22, 2020. The price of the real estate was decided to be PLN 1,322,100. During the preliminary agreement, a sum of PLN 132,210



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was paid with the remained sum to be paid during the signing of the final agreement. Currently, there is a procedure in action for changing the local zoning plan so that this area is meant for industrial premises.

On November 10, 2017 the Company entered into a preliminary agreement regarding the acquisition of ownership of 6 plots with an area of 11,0568 ha located in Małopole, gmina Dąbrówka. The date for signing the final agreement was fixed to be some date not later than Saturday, August 22, 2020. The price of the real estate was decided to be PLN 5.970.672 + VAT at an applicable rate. During the preliminary agreement, a sum of PLN 5.970.672 was paid with the remaining sum to be paid during the signing of the final agreement. Currently, there is a procedure in action for changing the local zoning plan so that this area is meant for industrial premises.

Real estate sale

Sale of premises to affiliates:

On June 20, 2017, an agreement was signed the subject of which was to sell to Hanza Invest S.A. with its business seat in Ząbki, a subsidiary, the ownership title to real estate no. 22/2 with an area of 5.261 sq.m. and the real estate no. 22/3 with an area of 455 sq. m. including a residential building the base stage for the net sum of PLN 61.797.028. The transaction also included the transfer of design documentation which was the basis for obtaining a building permit for the construction of a multifamily building, including a right to prepare an investment for the total sum of net PLN 74.000.000.

Preliminary sales contracts to third parties

On April 2017, the Company signed a preliminary agreement for the sale of a total area of 5,3772 ha located in Leba (including a share in two road lots) for the net sum of PLN 9,000,000 increased by a tax at an applicable rate with a date for signing an agreement set at April 31, 2018.

On October 04, 2017 the Company entered into a preliminary agreement regarding the sale of a perpetual usufruct right for 2 plots with an area of 0,2098 ha located in Katowice at Tysiąclecia street for the net sum of PLN net 730,000 increased by tax at an applicable rate with a date for signing a final agreement not later than March 31, 2018 r. The plots being part of the sale are located outside the territory of the Nowe Tysiąclecie community being constructed by the Company and are not needed for the construction.

Increase of the share capital in subsidiaries

Hanza Invest S.A.

On February 22, 2017, the court registered the increase of the company share capital as a result of a declaration provided on December 21, 2017 by the Company to Hanza Invest S.A. on the conversion of the held 34,000 bearer's bonds to the C-series 200,000 registered shares with a nominal value PLN 1 each and the total value of PLN 200,000.

Varsovia Apartamenty Sp. z o.o. (formerly known as Bałtycka Invest Sp. z o.o.)

On April 6, 2017, based on a notarial deed no. A 5989/2017 prepared by Ewa Rokos Rokos Notariusza, a notary in Warsaw, a share capital was increased in a subsidiary by the name of Varsovia Apartamenty sp. z o.o with its business seat in Ząbki. The share capital was increased from the sum of PLN 5,000 to the sum of PLN 35,000, i.e. the sum of PLN 30,000 as a result of creation of another 600 new shares with a nominal value of PLN 50 each. The shares were taken up by the Company in accordance with the issuance price of PLN 500 each.

Corporate events:

General Meetings of Shareholders

On June 26, 2017, a General Meeting of Shareholders took place that, in addition to the decisions approving the financial statements and the Management Boards' statements as well as its Capital Group for the year 2016 on the profit distribution in 2016 and granting a discharge of the duties performed in 2016, also set the numbers of the Supervisory Board members at 5 and appointed to the Supervisory Board Ms. Barbara Czyż and Ms. Małgorzata Szwarc-Sroka



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On August 16, 2017, a General Meeting of Shareholders took place that made the following resolutions: the change of the Supervisory Board members, the appointment of Mr. Marek Maruszyński to the Supervisory Board, granting additional remuneration to the independent members of the Supervisory Board Audit Committee. Also a permission to redeem own shares was granted.

Offer to buy shares

On January 20, 2017, Mr. Józef Wojciechowski published an offer to buy 30,247,179 shares of the Company constituting 34,04% of the total number of shares and votes. As a result of the offer, Mr. Wojciechowski on March 17 obtained 17,416,894 shares constituting 19,60% of the company equity and entitling to the same number of votes at the General Meeting of Shareholders.

Note 29. The events that took place after the balance sheet date

Credit agreement payment

On February 5, 2018, the Company paid in full a credit for co-financing the costs of the realization of the Bernadowo Park phase 2 investment in Gdynia to the sum of PLN 33.700.000 granted by Millennium Bank S.A.

On February 28, 2018, the Company paid in full a credit for co-financing the costs of the realization of the Zielona Dolina III investment in Gdynia to the sum of PLN 5.000.000 granted by BOŚ Bank S.A.

Construction permit

On January 10,12,15 and February 13, 2018, the Company received a building permit for the construction of a complex of terraced single-family houses located in the gmina of Kręczi Kaputy near Ożarów Mazowiecki. The permit is final and binding.

On February 2, 2018, the Company received a permit for the construction of a hotel with services and an underground garage located at Pileckiego street in Warsaw.

Acquisition of real estate

On February 2, 2018, the Company obtained an ownership title to a plot of land with an area of 2,3544 ha located at Poznańska street in Skórzewo, gmina Doplewo. The purchase price was set at the net sum of PLN 9,800,000 + VAT at an applicable rate and was paid on the purchase day. the construction of multi-family buildings. The company estimates that on the plot it is possible to build approx. 14,000 sq.m. of the useable living space.

Real estate acquisition preliminary agreement

On February 6, 2018 the Company entered into a preliminary agreement regarding the sale of a perpetual usufruct right for 2 plots with a total area of 0,2287 ha located in Gdańsk at Starowiejska street. The date for signing the final agreement was fixed to be some date not later than June 13, 2018. The price of the real estate was decided to be PLN 4.250.000 + VAT at an applicable rate. During the preliminary agreement, a sum of PLN 522.750 was paid with the remaining sum to be paid during the signing of the final agreement. The seller granted to the Company a right to use the real estate for construction purposes. The real estate is adjacent to the plots for which a preliminary sales agreement was signed in 2017 and will allow for the construction on one multi-family living complex.

Corporate affairs

On January 16, 2018, an Extraordinary General Meeting of Shareholders took place during which the following resolutions were made: the increase of the number of the Supervisory Board members and the appointment of Mr. Ryszard Matkowski to the Supervisory Board of the Company.

On January 16, 2018, Ms. Barbara Czyż resigned her post in the Supervisory Board.

On January 16, 2018, Ms. Barbara Czyż resigned her post in the Supervisory Board.

On January 30, 2018, Mr. Jacek Radziwiński resigned his post in the Audit Committee.

On February 1, 2018, Mr. Ryszard Matkowski was appointed to the Audit Committee as its President.



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Merger procedure

On February 16, 2018, a plan of a merger between the Company and the following subsidiaries was adopted and signed: Seahouse sp. z o.o. with its business seat in Ząbki, Lodź Invest sp. z o.o. with its business seat in Ząbki, Nowe Tysiąclecie sp. z o.o., with its business seat in Ząbki, Zdziarska Invest sp. z o.o. with its business seat in Ząbki, Lewandów Invest sp. z o.o. with its business seat in Ząbki, with its business seat in Ząbki, Porta Transport sp. z o.o. in liquidation with its business seat in Szczecin, J.W. Ergo Energy Spółka z o.o. with its business seat in Ząbki, Towarzystwo Budownictwa Społecznego Nowy Dom Spółka z o.o. with its business seat in Ząbki, J.W. Marka Spółka z o.o. with its business seat in Ząbki, and Business Financial Construction Spółka z o.o. with its business seat in Warsaw (hereinafter known as "**Companies being merged**").

The merger shall take place within the Capital Group. The Company holds a 100% stake in the share capital of the companies being merged. A planned merger shall take place in accordance with the Art. 492 §1.1 of the Polish Code of Commercial Companies through the transfer of the entire equity to the Company as a sole shareholder. The aim of the merger is the decrease of the cost of the functioning of the Capital Group and the concentration of the conducted activity of the Company. The merger shall take place in accordance with the Art. 515 §1 of the Polish Code of Commercial Companies without increasing the company share capital.

Court verdicts

On March 9, 2018 the Supreme Court repealed a verdict of the court of appeals issued on September 27, 2016 issued in the 2nd instance resulting from a legal action filed by the capital city of Warsaw against the Company regarding the payment for the perpetual usufruct of the plot of land no. 2/6 located in Warsaw at 181 Górczewska street for the years 2009 -2013. The plot of land in question in accordance with the local zoning plan is meant for communication purposes, i.e. the construction of the NS road. The repealed verdict ordered the Company to pay to the Capital City of Warsaw a sum of PLN 14.123.786,25 with interest and court proceeding costs. The case was referred back to a court of appeals as a 2nd instance case.

Note 30. Selected financial data including basic items of the financial statement in thousands PLN (also denominated to euro).

In order to convert the balance sheet data on the last day of the period between January 1 and December 31, 2016, the exchange rate of euro was adopted, which was determined by the National Bank of Poland to be PLN 4,1709 per 1 euro.

In order to convert the balance sheet data on the last day of the period between January 1 and December 31, 2016, the exchange rate of euro was adopted, which was determined by the National Bank of Poland to be PLN 4,4240 per 1 euro.

In order to convert the balance sheet data for the period between January 1 and December 31 2017, the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,2247 per 1 euro.

In order to convert the balance sheet data for the period between January 1 and December 31 2017, the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,3757 per 1 euro.

Issuer's balance sheet item	12/31/2017		12/31/2016	
	PLN	EUR	PLN	EUR
Total assets	1,631,702	391,211	1,449,838	327,721
Fixed assets	800,807	191,999	708,549	160,160
Current assets	830,895	199,212	741,289	167,561
Total equity and liabilities	1,631,702	391,211	1,449,838	327,721
Equity	711,230	170,522	684,286	154,676
Non-current liabilities	345,105	82,741	191,979	43,395
Current liabilities	575,366	137,948	573,573	129,650

Consolidated profit and loss account item	between 01-01-2017 and 31-12-2017		between 01-01-2016 and 31-12-2016	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	348,440	82,477	185,438	42,379
Costs of sold products, goods	260,307	61,616	181,323	41,439



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and materials,				
Gross profit (loss) on sales	88,133	20,861	4,115	940
Sales costs	30,790	7,288	18,072	4,130
Overheads	16,498	3,905	12,374	2,828
Profit (loss) on sales	38,703	9,161	-33,862	-7,739
Profit (loss) on operations	34,310	8,121	-69,161	-15,806
Gross profit (loss)	36,113	8,548	-6,079	-1,389
Income tax	9,169	2,170	-15,669	-3,581
Net profit (loss)	26,945	6,378	9,591	2,192

Note 31. Significant issues in litigation

As at 31 December 2017, the value of lawsuits filed by the Company heard in common courts (i.e. first and second instance courts) did not exceed 10% of the Company equity. At the same time, it needs to be mentioned that on December 28, 2016, the Supreme Court refused to hear a cassation appeal filed on June 27, 2016 (case file Akt ICSK 361/16) against a ruling dismissing an action against the Capital City of Warsaw (hereinafter known as the Defendant) to oblige the Defendant to make a declaration of will with regard to obtain a perpetual usufruct from the Company to a plot of land no. 2/6 with an area of 3.2605 ha, for which the District Court for the Capital City of Warsaw Mokotów, X Land Register Division, maintains a land register no. WA4M/00413015/1 (hereinafter known as the Real Estate) for the net sum of PLN 91.130.975 with interest from the day of January 8, 2010. The company filed a action in accordance with Article 36 section 1 subsection 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 of the area development plan area of at Olbrachta street (approved by the resolution of the Council of the City of Warsaw No. LVI/1669/2009, which entered into force on 3 August 2009), hereinafter known as the Plan. The real estate had been earmarked for the N-S Route. In the period when the Company acquired the Property, there was no adopted zoning plan for the property. With the adoption of the Plan and as a result thereof, there has been a significant restriction with regard to the use of the Property by the Company, and therefore the Company has a right to demand that the property is bought by the Defendant. The Company applied to the Defendant with a request to take steps to purchase the real estate on a voluntary basis by the Respondent, but the application was refused. Dismissing an appeal to the Supreme Court in Poland closes a path to legally enforce the claim in a direct manner, but the Company, while not sharing the argumentation of the courts found in the issued verdicts, considers a possibility of using other legal measures, such as a *recurso de amparo* or lodging an appeal to the European Court of Human Rights.

As at 31 December 2017, the value of lawsuits filed against the Company in common courts did not exceed 10% of the company.

Note 32. Financial instruments and hedge accounting

The company does not use any derivatives. The company uses banks loans, issues bonds and enters into financial lease contracts.

The main financial assets of the company constitute loans to subsidiaries, bank deposits, and shares in subsidiaries.

The fair values of particular classes of financial instruments

The following table shows a comparison of the balance sheet values and fair values of all financial instruments of the group, divided into different classes and categories of assets and liabilities.

	Category in accordance with IAS 39.	Balance sheet value		Fair value	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Financial assets					
Long term financial assets in affiliated entities	DDS	236,023,470.01	235,723,468.01	0.00	0.00
Long term financial assets in other entities	DDS	209,550.00	209,550.00	0.00	0.00
Short-term loans	PiN	59,843,976.06	61,400,184.46	59,843,976.06	61,400,184.46
Trade and other receivables		29,923,288.30	53,566,705.42	29,923,288.30	53,566,705.42



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Cash and cash equivalents	WwWGpWF	154,593,605.44	69,622,774.77	154,593,605.44	69,622,774.77
<i>Financial liabilities</i>					
Loans with a floating interest rate	PZFwgZK	99,168,550.45	73,185,389.92	99,168,550.45	73,185,389.92



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Loans from subsidiaries	PZFwgZK	23,660,038.25	24,663,009.10	23,660,038.25	24,663,009.10
Long-term financial lease obligations	PZFwgZK	1,379,251.99	1,546,189.64	1,379,251.99	1,546,189.64
Long-term financial lease obligations	PZFwgZK	598,298.02	1,395,828.84	598,298.02	1,395,828.84
Delivery and service liabilities and other	PZFwgZK	49,296,153.86	34,864,593.73	49,296,153.86	34,864,593.73
Bonds	PZFwgZK	219,867,451.05	127,542,890.70	219,867,451.05	127,542,890.70
Long-term guarantee receivables	PZFwgZK	34,523,416.85	28,747,371.63	34,523,416.85	28,747,371.63
Promissory notes liabilities - other	PZFwgZK	573,279.31	7,008,683.52	573,279.31	7,008,683.52
Promissory notes liabilities - related companies	PZFwgZK	71,438,768.87	93,792,706.72	71,438,768.87	93,792,706.72

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.

	Up to 1 year	1 to 2 years	2 - 5 years, above 5 years	In total
<i>December 31, 2017 - floating interest rate</i>				
Cash Assets	154,593,605.44	0.00	0.00	154,593,605.44
Loans to subsidiaries	59,843,976.06	0.00	0.00	59,843,976.06
Loans from subsidiaries	0.00	23,660,038.25	0.00	23,660,038.25
Credit loans	53,349,398.46	41,516,003.99	4,303,148.00	99,168,550.45
Financial lease obligations	20,767,451.05	199,100,000.00	0.00	219,867,451.05

Collaterals

The Company does not use hedge accounting.

Note 33. Proposal regarding the distribution of profit

The management board of the Company shall make a proposal regarding the distribution of profit for 2017 to increase the reserve capital.

Note 34. Changes in the Management and Supervisory Board

Company governing bodies

Management Board

Composition of the Management Board

As of December 31, 2017, the Company Management Board was composed of:

Wojciech Rajchert – Board Member
Magdalena Starzyńska – Board Member
Małgorzata Ostrowska – Board Member
Piotr Suprynowicz – Board Member

In 2017, the term of service for the Management Board Members expired. The Management Board was appointed to the next term of service:

Ms. Magdalena Starzyńska appointed by the Supervisory Board
Mr. Wojciech Rajchert appointed by the Supervisory Board
Ms. Małgorzata Ostrowska based on the exercise of a personal right belonging to a shareholder
Mr. Piotr Suprynowicz based on the exercise of a personal right belonging to a shareholder



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for the period between January 1, 2017 and December 31, 2017

As of the day of publishing this financial report, the Management Board is comprised of:

Ms. Magdalena Starzyńska – Board Member
Mr. Wojciech Rajchert – Board Member
Ms. Małgorzata Ostrowska - Board Member
Mr. Piotr Suprynowicz - Board Member

Supervisory Board

Composition of the Supervisory Board

As of December 31, 2017, the Supervisory Board of the Company was composed of:

Mr. Józef Wojciechowski, the President of the Supervisory Board.
Małgorzata Szwarc - Sroka – supervisory board member
Irina Łopuszyńska - supervisory board member
Mr. Ryszard Matkowski – supervisory board member
Ms. Barbara Czyż – supervisory board member
Pan Marek Maruszyński – supervisory board member

In 2017, the term of service for the Supervisory Board Members expired. The Supervisory Board was appointed to the next term of service:

Mr. Piotr Suprynowicz based on the exercise of a personal right belonging to a shareholder
Ms. Małgorzata Ostrowska based on the exercise of a personal right belonging to a shareholder
Mr. Piotr Suprynowicz based on the exercise of a personal right belonging to a shareholder
Ms. Barbara Czyż by the General Meeting of Shareholders
Ms. Małgorzata Szwarc – Sroka by the General Meeting of Shareholders.

Within the reporting period, on August 16, 2017, Mr. Marek Maruszyński was appointed to the Supervisory Board by the General Meeting of Shareholders.

As of the day of publishing this financial report, the Supervisory Board is comprised of:

Mr. Józef Wojciechowski – supervisory board member
Ms. Małgorzata Szwarc – supervisory board member
Mr. Ryszard Matkowski – supervisory board member
Ms. Barbara Czyż – supervisory board member
Pani Małgorzata Szwarc – supervisory board member
Pan Marek Maruszyński – supervisory board member
Pan Ryszard Matkowski – supervisory board member

Financial Audit Committee

As of December 31, 2017, the Financial Audit Committee was composed of:

Jacek Radziwiński – president (an independent member of the Supervisory Board)
Irina Lopuszynska - member
Marek Maruszyński – member (an independent member of the Supervisory Board)

As of the day of publishing this financial report, the Audit Committee is comprised of:

Ryszard Matkowski – president (an independent member of the Supervisory Board)
Irina Lopuszynska - member
Marek Maruszyński – member (an independent member of the Supervisory Board)

Note 35. Targets and principles of financial risk management

The main financial instruments used by the company include bank loans, bonds and financial leasing. The main purpose of these financial instruments is to raise funds for the activities of the company. The company also has other financial instruments such as receivables, trade payables, which are formed directly in the course of the company's activities

The main risks arising from the company'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. The company also monitors market price risk relating to its possession of all financial instruments.

Interest rate risk

The company 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 company had, during the reporting period, both assets and liabilities with variable rate,



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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 company did not apply any interest rate securities as at 31 December 2017, considering that the interest rate risk is not significant. Regardless of the current situation, the company 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 company allocates financial costs resulting from investment loans into relevant real estate development projects, which causes the effect of fluctuations of interest rates to have a deferred character.

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).

	Increase/decrease in the percentage points	The influence on gross profit in thousands of PLN
PLN	1%	-2,902
PLN	-1%	2,902

Currency risk

The company is susceptible to the changes in currency rates owing to loans granted to a subsidiary that was not consolidated. Those loans are granted in EUR and USD.

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).

Change of EUR/PLN currency rate	Fair value as of December 31, 2017 (in thousands of Polish zlotys)	Asset's value in relation to initial value	Financial asset value	Change (in thousands of PLN)
a 20% decrease	31,899	80%	25,519	6,380
a 10% decrease	31,899	90%	28,709	3,190
lack of change	31,899	100%	31,899	0
a 10% increase	31,899	110%	35,089	-3,190
a 20% increase	31,899	120%	38,279	-6,380

Change of EUR/PLN currency rate	Fair value as of December 31, 2017 (in thousands of Polish zlotys)	Asset's value in relation to initial value	Financial asset value	Change (in thousands of PLN)
a 20% decrease	16,630	80%	13,304	3,326
a 10% decrease	16,630	90%	14,967	1,663
lack of change	16,630	100%	16,630	0
a 10% increase	16,630	110%	18,293	-1,663
a 20% increase	16,630	120%	19,956	-3,326

Credit risk

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

In case of liabilities of and loans for related companies, the risk is considered irrelevant due to ongoing monitoring of financial standing.

The maximum exposure to credit risk is PLN 24,409 thousand 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 company, the credit risk is included in the financial statements through the creation of write-downs.

The credit risk associated with bank deposits is considered insignificant, because the company concludes transactions with institutions that have well-established financial position.

Liquidity Risk

The company 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 36. Capital management

Company manages its capital in order to maintain the capacity to continue operations including the implementation of the planned investments, in order to generate returns for shareholders and benefits to other stakeholders.

In accordance with market practice, the Company 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 Company intends to maintain the equity ratio at the level no lower than 0.3.

	Sunday, December 31, 2017	Saturday, December 31, 2016
Interest-bearing loans and borrowings	122,828,588.70	97,848,399.02
Trade and other receivables	797,642,687.29	667,703,937.99
Less cash and cash equivalents	-154,593,605.44	-69,622,774.77
Net debt	765,877,670.55	695,929,562.24
Equity	711,230,400.37	684,285,638.24
Net unrealized gains reserves	0.00	0.00
Total capital	711,230,400.37	684,285,638.24
Capital and net debt	1,477,108,070.92	1,380,215,200.49
Equity ratio	48,15%	49,58%
Credits ratio	51,85%	50,42%

Note 37. Information on the agreement with the entity authorized to audit the financial statement and conduct reviews thereof

On October 24, the Company signed an annex to an agreement of June 15, 2016, on the preparation of an interim and annual financial report for the year 2017 entered into with BDO sp. z o.o., an entity eligible to audit financial statements

Auditor's remuneration for auditing the financial statement prepared for the past financial year ended on 12/31/2017 was PLN 185,000, with PLN 125,000 of which pertained to the review and audit of the unitary financial statement, whereas PLN 60,000 referred to an interim review and annual audit of the consolidated financial statement. Auditor's remuneration for the services related to the preparation of financial statements for the business year ended on December 31, 2017 for the entities being part of Company amounted to PLN 60,000, PLN 35,000 of which pertaining to the review of the annual consolidated financial statement, whereas PLN 25,000 referred to the review of interim consolidated financial statement. Auditor's remuneration for the services related to the preparation of financial statements for the business year ended on December 31, 2017 for the entities being part of Company amounted to PLN 125,000, PLN 85,000 of which pertaining to the review of the annual unitary financial statement, whereas 25,000 referred to the review of the interim financial report. These sums are net sums.

Auditor's remuneration for auditing the financial statement prepared for the past financial year ended on December 31, 2016 was PLN 175,000, with PLN 125,000 of which pertained to the review and audit of the unitary financial statement, whereas PLN 50,000 referred to an interim review and annual audit of the consolidated financial statement. Auditor's remuneration for the services related to the preparation of financial statements for the business year ended on 12/31/2016 for the entities being part of Company amounted to PLN 50,000 with PLN 25,000 referring to the review of the annual consolidated financial report. Auditor's remuneration for the services related to the preparation of financial statements for the business year ended on December 31, 2017 for the entities being part of Company amounted to PLN 120,000, PLN 85,000 of which pertaining to the review of the annual unitary financial statement, whereas 25,000 referred to the review of the interim financial report. These sums are net sums.

Note 38. Information on the approval of the financial statement for the past year


The financial statement for the year 2016 was approved by the General Meeting of Shareholders on June 26, 2017.




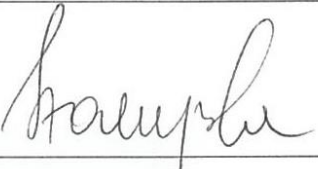


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for the period between January 1, 2017 and December 31, 2017

Podpis osoby sporządzającej Sprawozdanie Finansowe

Małgorzata Pisarek Główny Księgowy	Podpis 
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Podpisy Członków Zarządu

Wojciech Rajchert Członek Zarządu	Podpis 
Magdalena Starzyńska Członek Zarządu	Podpis 
Małgorzata Ostrowska Członek Zarządu	Podpis 
Piotr Suprynowicz Członek Zarządu	Podpis 

Ząbki, 14 marca 2018 roku