



## **The Management Commentary on the Capital Group**

**for the period from 01 January 2014  
to 30 June 2014.**



Ząbki, 27 August 2014

## 1. Introduction

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

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

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

Share capital of the Company amounts to PLN 10,814,656 and is divided into 54,073,280 A-and-B-class ordinary bearer with a par value of PLN 0.20 each.

## 2. The Issuer's Capital Group

The composition of the Issuer's Capital Group along with information on entities subject to consolidation is enclosed in the Abbreviated Consolidated Financial Statements.

## 3. Principles of preparing the semi-annual consolidated financial statements

The principles of preparing the consolidated financial statements are described in the financial statements under "Accepted principles (policy) of accounting".

## 4. Selected financial figures presenting the key items of the summary financial statements for the period of six months.

Below there are presented selected financial data from the consolidated and separate financial statements (also translated into EUR).

| Consolidated balance sheet item     | 30-06-2014       |                | 31-12-2013       |                | 30-06-2013       |                |
|-------------------------------------|------------------|----------------|------------------|----------------|------------------|----------------|
|                                     | PLN              | EUR            | PLN              | EUR            | PLN              | EUR            |
| <b>Total Assets</b>                 | <b>1,404,126</b> | <b>337,457</b> | <b>1,407,507</b> | <b>339,387</b> | <b>1,447,378</b> | <b>334,329</b> |
| Non-current assets                  | 841,260          | 202,182        | 885,362          | 213,484        | 929,855          | 214,787        |
| Current assets                      | 562,866          | 135,275        | 522,145          | 125,903        | 517,522          | 119,542        |
| <b>Total Equity and Liabilities</b> | <b>1,404,126</b> | <b>337,457</b> | <b>1,407,507</b> | <b>339,387</b> | <b>1,447,378</b> | <b>334,329</b> |
| Equity                              | 519,133          | 124,765        | 513,374          | 123,788        | 508,476          | 117,453        |
| Non-current liabilities             | 556,198          | 133,672        | 589,186          | 142,068        | 655,007          | 151,300        |
| Current liabilities                 | 328,796          | 79,020         | 304,946          | 73,531         | 283,894          | 65,577         |

| Consolidated income statement item                       | from 01-01-2014 to 30-06-2014 |              | from 01-01-2013 to 30-06-2014 |              |
|--|-------------------------------|--------------|-------------------------------|--------------|
|  | PLN                           | EUR          | PLN                           | EUR          |
| Net revenues from sales of products, goods and materials | 116,942                       | 27,987       | 181,324                       | 43,029       |
| Costs of products, goods and materials sold              | 88,645                        | 21,215       | 142,657                       | 33,854       |
| <b>Gross profit (loss) on sales</b>                      | <b>28,297</b>                 | <b>6,772</b> | <b>38,666</b>                 | <b>9,176</b> |
| Selling expenses   | 8,284                         | 1,983        | 8,928                         | 2,119        |
| Overhead expenses  | 8,516                         | 2,038        | 10,596                        | 2,515        |
| Profit (loss) on sales                                   | 22,771                        | 5,450        | 22,594                        | 5,362        |
| Operating profit (loss)                                  | 23,241                        | 5,562        | 24,308                        | 5,769        |
| <b>Gross profit (loss)</b>                               | <b>9,105</b>                  | <b>2,179</b> | <b>6,254</b>                  | <b>1,484</b> |
| Income tax   | 3,154                         | 755          | 1,108                         | 263          |
| <b>Net profit (loss)</b>                                 | <b>5,951</b>                  | <b>1,424</b> | <b>5,146</b>                  | <b>1,221</b> |

| Issuer's balance sheet item         | 30-06-2014       |                | 31-12-2013       |                | 30-06-2013       |                |
|-------------------------------------|------------------|----------------|------------------|----------------|------------------|----------------|
|                                     | PLN              | EUR            | PLN              | EUR            | PLN              | EUR            |
| <b>Total Assets</b>                 | <b>1,227,748</b> | <b>295,068</b> | <b>1,288,027</b> | <b>310,578</b> | <b>1,345,128</b> | <b>310,711</b> |
| Non-current assets                  | 809,823          | 194,627        | 801,365          | 193,230        | 837,044          | 193,349        |
| Current assets                      | 417,925          | 100,441        | 486,662          | 117,347        | 508,084          | 117,362        |
| <b>Total Equity and Liabilities</b> | <b>1,227,748</b> | <b>295,068</b> | <b>1,288,027</b> | <b>310,578</b> | <b>1,345,128</b> | <b>310,711</b> |
| Equity                              | 533,439          | 128,203        | 533,665          | 128,681        | 526,316          | 121,574        |
| Non-current liabilities             | 425,963          | 102,373        | 459,263          | 110,741        | 546,856          | 126,318        |
| Current liabilities                 | 268,345          | 64,492         | 295,099          | 71,156         | 271,956          | 62,819         |

| Consolidated income statement item                       | from 01-01-2014 to 30-06-2014 |              | from 01-01-2013 to 30-06-2014 |              |
|--|-------------------------------|--------------|-------------------------------|--------------|
|  | PLN                           | EUR          | PLN                           | EUR          |
| Net revenues from sales of products, goods and materials | 115,325                       | 27,600       | 150,479                       | 35,710       |
| Costs of products, goods and materials sold              | 94,502                        | 22,617       | 119,158                       | 28,277       |
| <b>Gross profit (loss) on sales</b>                      | <b>20,822</b>                 | <b>4,983</b> | <b>31,321</b>                 | <b>7,433</b> |
| Selling expenses   | 8,424                         | 2,016        | 8,680                         | 2,060        |
| Overhead expenses  | 6,364                         | 1,523        | 7,710                         | 1,830        |
| Profit (loss) on sales                                   | 4,399                         | 1,053        | 18,839                        | 4,471        |
| Operating profit (loss)                                  | 9,779                         | 2,340        | 18,192                        | 4,317        |
| <b>Gross profit (loss)</b>                               | <b>12</b>                     | <b>3</b>     | <b>5,527</b>                  | <b>1,312</b> |
| Income tax   | 237                           | 57           | 1,000                         | 237          |
| <b>Net profit (loss)</b>                                 | <b>-226</b>                   | <b>-54</b>   | <b>4,528</b>                  | <b>1,074</b> |

## 5. Activity of the Group and major events in the first half of 2014.

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

### Corporate Affairs

#### The Extraordinary General Meeting

On 9 April 2014, the Extraordinary General Meeting of Shareholders of the Issuer adopted a resolution on increase of the share capital through a public offering of a new issue of series C shares and rights to shares of Series C. The share capital increase will be from PLN 0.60 to PLN 8,110,992.00 by issuing new ordinary bearer shares of series C in a number not less than 3 and not more than 40,554,960 units. The issue will take place through closed subscription in a public offering within the meaning of the Act of 29 July 2005 on Act on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies (ie of 28 June 2013, Journal of Laws of 2013, item 1382). The existing shareholders of the Company will be entitled to subscription right, while for each one share of the Company held at the end of the day of the subscription right, the Shareholder will be entitled to 1 (one) subscription right. Taking into account the number of issued shares of Series C each 4 (four) subscription rights will entitle to subscribe for three (3) shares of series C. Fractions of shares will not be allocated. In case the number of shares of series C, for any given shareholder under the subscription rights, is not an integer, it will be rounded down to the nearest integer. Shareholders, who are entitled to subscription right, may within its execution time, make an additional subscription for the shares of Series C in the number which is not bigger than the number of the issue, in case when subscription right is not executed by other shareholders. Shares which are subject to an additional entry, referred to above, the Management Board will allocate in proportion to the applications. Shares which are not under the above procedure (Article 436 § 2 and 3 of the Commercial Companies Code). The Management Board will allocate shares at their discretion, but at a price not lower than the issue price (Article 436 § 4 of the Commercial Companies Code).

Subscription right day of series C shares was set at 4 June 2014.

Series C shares will participate in the dividend on the profits that will be dedicated to the distribution for the year 2013 ie from 1 January 2013. In case of setting the dividend day for the year 2013 before the date of registration of the share capital increase through the issue of shares of series C by a competent registration court, series C shares will participate in the dividend on the profits that will be intended for distribution for the year 2014, ie from January 1, 2014.

#### The General Meeting of J.W.

On 15 May 2014 the Annual General Meeting was held, which approved unitary financial statements, consolidated financial statements for 2013, reports on activities of the Management Board of the Company and its

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Capital Group and gave discharge to the members of the Company, appropriated the profit by allocating it entirely for a supplementary capital of the Company. The Annual General Meeting adopted the following resolution on:

- the number of members of the Supervisory Board for the next term of office.
- the appointment of the Supervisory Board:

Mr. Jacek Murawski  
Mr. Andrzej Podsiadło  
Mr. Jarosław Król

On the same day, the Company received a statement of the entitled shareholder to appoint the Supervisory Board:

Mr. Józef Wojciechowski  
Mr. Józef Oleksy:  
Mr. Marek Samarcew

Supervisory Board

As at 30 June 2014, Due to above events, the Supervisory Board was composed of:

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

Management Board

On 30 May 2014., due to the termination of the current term of office with effect from 1 June 2014 and the establishment of the number of members of the Management Board in number of 4 persons, the Supervisory Board appointed the following persons as members of the Management Board of the joint third term of office:

Mr. Wojciech Rajchert - Member of the Management Board  
Mrs. Magdalena Starzyńska - Member of the Management Board

On the same day, the Company received a statement of the entitled shareholder to appoint the Management Board of the joint third term of office of the following persons:

Mrs. Irmina Łopuszyńska - Member of Management Board  
Mrs Małgorzata Ostrowska - Member of Management Board.

As at 30 June 2014, due to above events, the Management Board was composed of:

Ms. Irmina Łopuszyńska - Member of Management Board  
Ms. Magdalena Starzyńska - Member of Management Board  
Ms. Małgorzata Ostrowska - Member of Management Board  
Mr. Wojciech Rajchert - Member of Management Board

Submission of prospectus

On 30 April 2014, the Company submitted the Application for approval of a prospectus in connection with the public offering and the application for admission of securities to trading on a regulated market in the Financial Supervisory Commission.

The determination of the issue price of shares of series C

The Supervisory Board of the Company, acting pursuant to the authority enclosed in § 3. 1 point a) Resolution No. 3 of the Extraordinary General Meeting of the Company of 9 April 2014 regarding the increase of the share capital of the Company in a public offering of a new issue of C shares with subscription rights for existing shareholders and the amendment of the statutes of the Company, adopted, on May 30, 2014, the resolution on the issue price of the series C shares issued pursuant to the above in the amount of PLN 3.15 (three zlotys, 15/100) per share of Series C.

Registration of related companies

On 22 January 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Łódź Invest Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000495145. The share capital of that company at the time of registration amounted to PLN 5.000 and was divided into 100 shares at PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the investment in Łódź, Osiedle Centrum III.

On 22 January 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Zdziarska Invest Spółka z o.o with its seat in Ząbki in the Register of

Entrepreneurs under the number KRS 0000495351. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the investment in Warsaw, at Zdziarska Street.

On 23 January 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Bałtycka Invest Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000495612. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the investment in Katowice, at Bałtycka Street.

On 28 January 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Berensona Invest Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000496087. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the investment in Warsaw, at Berensona Street.

On 22 January 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Bliska Wola 1 Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000495392. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the B1 stage of the investment in Warsaw, at Kasprzaka Street.

On 29 January 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Bliska Wola 2 Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000495680. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the B2 stage of the investment in Warsaw, at Kasprzaka Street.

On 23 January 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Bliska Wola 3 Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000495616. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue one of the stages of the investment in Warsaw, at Kasprzaka Street.

On 24 January 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Bliska Wola 4 Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000495669. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue one of the stages of the investment in Warsaw, at Kasprzaka Street.

On 29 January 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Bliska Wola 5 Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000495118. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue one of the stages of the investment in Warsaw, at Kasprzaka Street.

#### Increase of share capital in subsidiaries

On 21 March 2014, the Extraordinary General Meeting of the company of Łódź Invest Spółka z o.o with its seat in Ząbki adopted the resolution recorded by Mrs. Anna Sota in the notary deed Rep. A 3317/2014 on increase of the share capital from the amount of PLN 5.000 to the amount of PLN 3,700,000, ie by the amount of PLN 3,695,000 by creating 73,900 new shares with par value of PLN 50 each. All shares were acquired by the current Issuer. On April 10, 2014 the Court registered the share capital increase.

On 26 June 2014, the Extraordinary General Meeting of the company of Łódź Invest Spółka z o.o with its seat in Ząbki adopted the resolution recorded by Mrs. Ewa Rokos in the notary deed Rep. A 1339/2014 on increase of the share capital from the amount of PLN 5.765 to the amount of PLN 6.265.000, ie by the amount of PLN 500.000 by creating 10,000 new shares with par value of PLN 50 each. All shares were acquired by the current Issuer.

#### The conclusion of a significant agreement on increase of the share capital of the subsidiary

On 3 June, 2014, the company entered into an agreement with a subsidiary company under the name of J.W Group limited liability company 1 limited joint-stock partnership with its seat in Ząbki ("JWG"). The agreement concerns the Company's acquisition of 732 shares of a new Series B issued by the JWG on the basis of a resolution of the General Meeting of 6 December 2013. The acquisition was performed in a way of a private placement. The nominal value of each acquired share is PLN 41,000 zł and the issue price is PLN 82,000 zł, the aggregate par value of the shares amounts to PLN 30,012,000 and the value of the issue is PLN 60,024,000. The Company is the sole shareholder in the JWG.

The court's registration of the capital increase in subsidiaries

On 18 June 2014, the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the share capital increase in the subsidiary under the name of J.W. Group limited liability company 1 limited joint-stock partnership with its seat in Ząbki. The increase was in with the amount of PLN 30,012,000, from PLN 2,050,000 zł to the amount of PLN 32,062,000 through the issue of ordinary 732 shares of Series B, all newly created shares were acquired by the Issuer. The basis for the increase was the resolution of 6 December 2013 recorded by Ewa Rokos in Warsaw in the Rep. A 3317/2014. On 18 May 2014, the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the share capital increase in the subsidiary of Dana Invest Spółka z o.o with its seat in Ząbki. The increase was from PLN 5,000 to PLN 5.765.000 ie by PLN 5.765.000 through the creation of new 115,200 shares, all newly created shares were acquired by the Issuer. The basis for the increase was the resolution of 23 December 2013 recorded by Anna Sota in Warsaw in the Rep. A 16.886/2013

Land sale

On 21 March 2014, the agreement to Rep. A 3310/2014 was concluded, the subject of the agreement was the sale, to the benefit of the subsidiary under the name of Łódź Invest Spółka z o.o with its seat in Ząbki, of the plot of land marked with No. 104/5 from the precinct S-9, located in Łódź, in Tymienieckiego 16 A Street with the area of 0.7014 hectares for which the District Court for Łódź-Śródmieście, XVI Land and Mortgage Registry keeps a Land and Mortgage Register No. LD1M/00111879/7. Additionally, the project documentation, which was the basis for issuing a building permit for the construction of multi-family residential buildings was sold along with the property. The agreement was a continuation of the activities of the Issuer in order to pursue new investments in separate SPVs.

On 03 April 2014, the agreement to Rep. A 3821/2014 was concluded, the subject of the agreement was the sale, to the benefit of the subsidiary under the name of Dana Spółka z o.o with its seat in Ząbki, of the plot of land marked with No. 22/4 from the precinct 1026, located in Szczecin, in Aleja Wyzwolenia 50 Street with the area of 0.1022 hectares for which the District Court for Szczecin-Prawobrzeże i Zachód in Szczecin, X Land and Mortgage Registry keeps a Land and Mortgage Register No. SZ1S/00082677/6. Additionally, the project documentation, which was the basis for issuing a reconstruction and adaptation permit of an existing commercial building for a hotel and conference center and a spa.

On May 16, 2014, the conditional sales contract was concluded between J.W. Group limited liability company 1 limited joint-stock partnership ("Seller") and Blisk Wola 1 limited liability company ("Purchaser"), Rep A 212/2014 as amended by notarial deed of 30 May 2014, Rep. A 591/2014. Under the agreement, the Seller sold the right of perpetual usufruct of plots of land located in Warsaw in Kasprzaka Street 29/31 with the area of 17.827m<sup>2</sup>, marked with numbers: 3/13 and 3/12 for the price of PLN 26,190,740.55 gross, provided that the City of Warsaw does not exercise its right of first refusal. The Seller committed itself in the contract transferring ownership of all decisions to sell agreements and arrangements relating to the above real estate and project documentation, as well as to transfer to the Purchaser all rights of the decision No 119/WOL/2014 issued on behalf of the Mayor of the capital city of Warsaw of 3 April 2014.

On May 16, 2014, the conditional sales contract was concluded between J.W. Group limited liability company 1 limited joint-stock partnership ("Seller") and Bliska Wola 2 limited liability company ("Purchaser"), Rep A 207/2014. Under the agreement, the Seller sold the right of perpetual usufruct of plots of land located in Warsaw in Kasprzaka Street 29/31 with the area of 7.120m<sup>2</sup>, marked with numbers: 3/17 and 3/18 for the price of PLN 13,912,233.57 gross, provided that the City of Warsaw does not exercise its right of first refusal. The Seller committed itself in the contract transferring ownership of all decisions to sell agreements and arrangements relating to the above real estate and project documentation, as well as to transfer to the Purchaser all rights of the decision No 151/WOL/2014 issued on behalf of the Mayor of the capital city of Warsaw of 05 May 2014.

Credit Agreements

On 29 January 2014, the Company entered into the investment credit agreement with BOS Bank SA for the financing of activities related to environmental protection - refinancing costs connected with the implementation of water- sewerage systems and wastewater treatment plants in Ożarów Mazowiecki in the amount of PLN 13.874 million zł. The repayment date was set on 31 December 2017.

Concluding annexes to loan agreements

On 19 February 2014, the Company signed the Annex to the overdraft facility agreement with Millenium Bank S.A . By virtue of the Annex, the repayment term of the credit was set on 21 August 2014.

On 12 May 2014, the Company concluded an Annexes to the working capital credit granted by Bank Polskiej Spółdzielczości S.A in the amount of PLN 10 million, dedicated to finance a current activity. By virtue of the Annexes, the credit use period and repayment date was postponed. The final repayment date is set on 24 April 2015.

On 24 April 2014, the Company concluded an overdraft facility agreement with Plus Bank (formerly Invest Bank S.A) in the amount of PLN 15 million. By virtue of the Annex, the credit use period and repayment date was postponed. The final repayment date is set on 25 April 2016.

On 24 April 2014, the Company concluded an Annex to the overdraft credit with PKO BP S.A in the amount of PLN 10 million. By virtue of the Annex, the credit use period and repayment date was postponed. The final repayment date is set on 27 April 2015.

#### Credit Repayment

On February 27, 2014, the Company repaid the investment credit in the amount of PLN 20 million dedicated to refinance the cost of production of 292 residential units in Villa Campina in Ożarów Mazowiecki which was granted by Getin Noble Bank S.A.

#### Occupancy permits

On 20 January 2014, the Company notified the Powiat Construction Supervision Inspectorate on the use of two single-family houses in Villa Campina estate in Ożarów Mazowiecki. The submissions were accepted without any reservations by the PCSI on February 5, 2014.

On 30 January 2014, the Company received the occupancy permit for the multi-family real estate "Oaza Piątkowo" at Jaroczyńskiego street in Poznań. The permit is final.

#### A building permit

On April 3, 2014, the Company J.W. Group Sp. z o.o. 1 SKA received a building permit for residential and commercial development - B1 building with an underground garage located in Warsaw at Ordonia Street. The permit is final.

On April 5, 2014, the Company J.W. Group Sp. z o.o. 1 SKA received a building permit for residential and commercial development - B 2 building with an underground garage located in Warsaw at Ordonia Street. The permit is final.

#### The conclusion of a significant agreement by subsidiaries

On 20 May 2014, J.W. Construction Sp. z o.o with its seat in Ząbki ("Contractor") concluded the agreement with J.W. Group Sp. z o.o 1 limited joint-stock partnership with its seat in Ząbki ("Client"), subsidiaries of the Company, on a comprehensive execution of the erection and construction works of multi-family building from the Contractor's materials along with land development and infrastructure in the scope of: road paving, parking lots, cobblestone sidewalks and fences in accordance with a building permit, detailed design, greenery and landscaping elements in the area of the estate at Kasprzaka Street (Stage B1) in Warsaw, as well as the execution of external works outside the road network, central park and the demolition of existing buildings with obtaining a final certificate of occupancy in accordance with the Building Plan according to the project documentation in accordance with the standards of completion (Contract).

The term of completion of works which are the subject of the Agreement was set on 15 February 2016, the date of obtaining the occupancy permit is set for 60 days after the practical completion inspection. The remuneration for the execution of the Agreement was set in the amount of PLN 103,001,918.00 (in words: one hundred and three million, one thousand, nine hundred and eighteen zlotys net) as a lump-sum fee based on the scope of work.

#### Conclusion of the annex to the relevant agreement

On June 30, 2014, the Company entered into an annex to the agreement concluded on 24 October 2011 with Wroński unlimited company with its seat in Leszno near Kartuzy in the amount of PLN 61,600,000 net. The subject of the Agreement is to erect the real estate of residential building with garages and parking lots with a necessary infrastructure, from the Contractor's own materials, in a system of a general contractor on the property located in Gdynia, at Leśna, Parkowa and Spacerowa Street. Through the Annex, the Parties changed the termination date of the Agreement in case of failure to obtain the final decision on a building permit of at least one stage of the investment. The termination date was changed from 30 June 2014 to 31 December, 2014. Upon termination of the Agreement, the parties waived any claims arising from the Agreement as well as the general provisions on compensation.

#### Payment of interest

On 24 January 2014, the Company paid interest on bonds:

- 1) issued pursuant to the Resolution of the Company's Board on 26 April 2012 in a number of 9,500 units with a par value of PLN 10,000 each and a total value of PLN 95 million identified in the KDPW PLJWC0000043
- 2) issued pursuant to the Resolution of the Company's Board on 12 December 2012 in a number of 9,500 units with a par value of PLN 100,000 each and a total value of PLN 105,700,000 million identified in the KDPW ISIN PLJWC0000050.

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On 25 April 2014, the Company paid interest on the bonds issued pursuant to the Resolution of the Company's Board on 26 April 2012 in a number of 9,500 units with a par value of PLN 10,000 each and a total value of PLN 95 million identified in the KDPW PLJWC0000043.

On 28 April 2014, the Company paid interest on the bonds issued pursuant to the Resolution of the Company's Board on 12 December 2012 in a number of 1,057 units with a par value of PLN 100,000 each and a total value of PLN 105,700,000 identified in the KDPW ISIN PLJWC0000050.

Partial redemption of the value of bonds

On 28 April 2014, the Company made a partial redemption of each of the bonds issued pursuant to the Resolution of the Company's Board on 12 December 2012 in a number of 1,057 units with a par value of PLN 100,000 each and a total value of PLN 105,700,000 identified in the KDPW ISIN PLJWC0000050. The redemption comprised 10% of the nominal value of each bond, ie PLN 10,000 with a total value of PLN 105,700,000. The redemption of 10% of each of the bonds resulted from conditions of the issuance of bonds. Currently, the nominal value of each bond out of 1057 bonds amounts to PLN 90,000 and the value of liabilities from issued bonds amounts to PLN 95,130,000.

Implemented investments

The following investments were being implemented in H1 2014:

| No. | Housing investments  | Number of units |
|-----|--|-----------------|
| 1   | Bliska Wola - Stage B, Warsaw - Bliska Wola 1 Sp. z o.o.       | 673             |
| 2   | Bliska Wola - Stage A, Warsaw - J.W. Group Sp. z o.o. 1 SKA    | 156             |
| 3   | Nowe Tysiąclecie, Katowice – Nowe Tysiąclecie Sp. z o.o.       | 149             |
| 4   | Centrum III – Łódź ul. Tymienieckiego – Łódź Invest Sp. z o.o. | 96              |
| 5   | Rezydencja Redłowo – Gdynia – Seahouse Sp. z o.o.              | 52              |
| 6   | "Villa Campina" - houses,                                      | 8               |

| No. | Hotel investment   | Total area |
|-----|--|------------|
| 1   | Stara Dana – Szczecin – revitalization of the existing venue | 5,077      |

In H1 2014, the Group implemented **5 residential investments** with the total number of **1.126 units** covering 53,278 and single family houses. The main works were conducted within the following investments all over the country: Bliska Wola – stage A i B1 in Warsaw, Osiedle Nowe Tysiąclecia in Katowice, Osiedle Łódź Centrum in Łódź, Rezydencja Redłowo in Gdynia, and single family houses – Villa Campina near Ożarów Mazowiecki.

In parallel with ongoing housing investments, the Group carried out construction work on hotel investment - Stara Dana in Szczecin with a total area covering of 5.077 thousand m<sup>2</sup>.

Planned investments

Over the years 2014-2016, the Group intends, basing on the current land bank, to implement 27 new developer projects and enter into sale 5,863 units with a total usable area of 283.4 thousand m<sup>2</sup>. In particular, 2014 will be a period of increased throughputs in which it is planned to launch the construction of over 2,300 units (114 thousand m<sup>2</sup> of usable space). It means that along with already implemented investments, this year's offer should consist more than 2,800 units. In 2015 and 2016, the Capital Group has the potential to launch another building constructions which contain about 3,500 units (173.000 m<sup>2</sup> and 71.000 m<sup>2</sup> of commercial space).

For all planned for the years 2014-2016 developer projects, the Capital Group is the owner or perpetual lessee of land. In major part of the planned projects, the Capital Group also carried out design and preparatory works. Planned residential projects which are to be implemented in 2014-2016, were presented below.

**Characteristics of planned developer projectsm which are to be implemented in 2014-2016:**

| No. | Project's name       | Market Segment             | Location | UFS (m <sup>2</sup> ) | Office and commercial space (m <sup>2</sup> ) | Number of units | The beginning of sales (quarter / year) |
|-----|----------------------|----------------------------|----------|-----------------------|---|-----------------|---|
| 1   | Bliska Wola Stage B1 | Flats with higher standard | Warsaw   | 29,679                | 689   | 673             | commenced sales                         |



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| No. | Project's name   | Market Segment                          | Location          | UFS (m2) | Office and commercial space (m <sup>2</sup> ) | Number of units | The beginning of sales (quarter / year) |
|-----|--|---|-------------------|----------|---|-----------------|---|
| 2   | Bliska Wola Stage B2                                   | Flats with higher standard              | Warsaw            | 12,960   |   | 291             | III 2014                                |
| 3   | Zielona Dolina II, Stage II                            | Popular flats:                          | Warsaw            | 23,888   | 1,598   | 549             | IV 2014                                 |
| 4   | Zielona Dolina II, Stage I                             | Popular flats:                          | Warsaw            | 12,772   |   | 315             | 2015                                    |
| 5   | Berensona Street                                       | Popular flats:                          | Warsaw            | 11,277   | 440   | 263             | IV 2014                                 |
| 6   | Osada Wiślana plot 67/1                                | Popular flats:                          | Warsaw            | 1,088    |   | 21              | III 2014                                |
| 7   | Katowice BAŁTYCKA stage I                              | Popular flats:                          | Katowice          | 4,182    |   | 71              | IV 2014                                 |
| 8   | Gdynia, at Sochaczewska Street                         | Popular flats:                          | Gdynia            | 3,478    |   | 51              | III 2014                                |
| 9   | Łódź Centrum III                                       | Popular flats:                          | Łódź              | 4,886    |   | 96              | III 2014                                |
| 10  | Gdynia Bernardowo Park stage I                         | Popular flats:                          | Gdynia            | 11,471   |   | 196             | IV 2014                                 |
| 11  | Lewandów 4 (plot 53/6)                                 | Popular flats:                          | Warsaw            | 3,230    |   | 90              | IV 2014                                 |
| 12  | Houses - Ożarów, Anita i Margarita                     | Single family houses including eco ones | Ożarów Mazowiecki | 4,983    |   | 31              | commenced sales                         |
| 13  | Bliska Wola III - stage C                              | Flats with higher standard              | Warsaw            | 20,941   | 19,244  | 479             | III 2015                                |
| 14  | Bliska Wola III - stage D                              | Flats with higher standard              | Warsaw            | 23,600   | 35,100  | 527             | H1 2016                                 |
| 15  | Bliska Wola IV - stage E                               | Flats with higher standard              | Warsaw            | 33,000   | 17,300  | 733             | H2 2016                                 |
| 16  | Zielona Dolina III                                     | Popular flats:                          | Warsaw            | 2,248    |   | 54              | I 2015                                  |
| 17  | Katowice Nowe Tysiąclecie, stage II etap build. B1     | Popular flats:                          | Katowice          | 7,085    |   | 149             | 2015                                    |
| 18  | Katowice Nowe Tysiąclecie, stage III build. A2, B2, B3 | Popular flats:                          | Katowice          | 16,175   |   | 329             | 2016                                    |
| 19  | Katowice Bałtycka stage II                             | Popular flats:                          | Katowice          | 5,309    |   | 79              | 2016                                    |
| 20  | Katowice Bałtycka stage III                            | Popular flats:                          | Katowice          | 4,996    |   | 86              | 2016                                    |
| 21  | Odkryta II   | Popular flats:                          | Warsaw            | 4,158    |   | 82              | 2015                                    |

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| No. | Project's name                               | Market Segment  | Location | UFS (m2)       | Office and commercial space (m <sup>2</sup> ) | Number of units | The beginning of sales (quarter / year) |
|-----|--|-----------------|----------|----------------|---|-----------------|---|
| 22  | Aluzyjna I                                   | Popular flats:  | Warsaw   | 1,850          |   | 32              | 2015                                    |
| 23  | Aluzyjna II                                  | Popular flats:  | Warsaw   | 3,670          |   | 68              | 2015                                    |
| 24  | Lewandów III                                 | Popular flats:  | Warsaw   | 7,501          |   | 129             | II 2015                                 |
| 25  | Antoniewska Street                           | Popular flats:  | Warsaw   | 13,763         |   | 221             | 2016                                    |
| 26  | Nowodworska 12 Street                        | Terraced houses | Warsaw   | 1,903          |   | 12              | 2016                                    |
| 27  | Gdynia, at Spokojna / Leśna Street, stage II | Popular flats:  | Gdynia   | 13,500         |   | 236             | 2016                                    |
|     | <b>Total</b>                                 |                 |          | <b>283,593</b> | <b>74,371</b>                                 | <b>5,863</b>    |   |

Objectives and development prospects

The priority for the Company are still development projects that bring a quick return on investment. The Company dedicates its residential offer to all Clients, including middle-income group, hence the planning and implementation of cost-effective investments, in attractive locations - tailored to the financial capacity of potential buyers, such as the investment in the City Centre - "Bliska Wola", and number of investments in Białołęka district - e.g "Zielona Dolina". The Company offers its help in acquisition of mortgage credits Within the financing offer, some programs adjusted to the financial capacities of the buyers can be offered. The Company, thanks to its successful cooperation with major banks, have diversified the offer of credits based on preferential terms and dedicated only to the clients of the Company.

The company plans to increase sales in the coming year and subsequent ones at the level of 1500 - 2000 annually. This is mainly thanks to the introduction of new projects, mainly this one, which bring great interest of clients - "Bliska Wola" in Warsaw. A good predictor of the rate of sales is the fact that from the beginning of the year, the governmental program "The flat for the Young", which through subsidies helps young people to buy their first apartment in the primary market.

The residential offer of the Capital Group will focus on popular apartments, including popular apartments with a higher standard, with small and medium usable space, which in the opinion of the Company and according to market reports will continue to be the most saleable type of flats in Poland. It results mainly due to their versatility and affordability. Small and medium flats in big agglomerations are mainly and most often bought as the "first flat" or as the "flat for rent". The experience of the Company also proves that this type of flats in each newly commenced investment are the most popular and most saleable. Therefore, the intention of the Group is to build not only small and medium, but also affordable and with high quality flats addressed to a broad group of customers. The average usable space in planned residential project will be 47.7 m2. The concentration of the Group on the segment of small and medium flats also allows the Company to adjust the offer to the current program "Mieszkanie dla Młodych". Taking into account the current conversion indicators of the cost of 1 m2 to determine the maximum purchase price of the flat to participate in the program, we estimate that in the planned investments, about one-third of flats will meet the criteria of this program.

Flats with a higher standard and apartments will be the complement of the Group's product offer. These projects will be characterized by a higher standard of premises and the presence of the commercial and service space in multifamily buildings.

The segment of single-family houses, although it is available in the offer of the Capital Group, won't be a significant element of the product strategy in the coming years. This project is characterized by a different customer's profile and sales technique and not always allows to achieve margins comparable to those achieved on the sale of apartments.

Thanks to such a sales policy, the Company maintained an attractive offer from the Customer's point of view in H1 2014. The buyers, in addition to ready flats from previously finished investments, could also choose flats from new, attractive in terms of price and location projects introduced to sales. Stable level of sales and achieved good result is the proof that the Company has adopted the right development strategy, in which the Company primarily dedicates its offer to the customer who is interested in a flat form a popular sector. Good relationships with banks enabled the Company to offer customers a special, pre-negotiated, and the best conditions of granted

credits on the market. Additionally, thanks to the introduction of the program under the name "Mieszkanie dla Młodych" and maintaining a low level of interest rates, the Company does not show any signs of worries regarding their sales plans. This year, the Company plans to introduce the next stage of the investment in the city center - Bliska Wola, stage B2. In addition to this investment, there are also other investment which are planned to run not only in Warsaw but also in other Polish cities, what should translate into sale result achievement.

Accordingly, the Company's activities within housing construction will be continuously developed by launching new investments from the segment of popular flats. The activity of the Company will be based on attractively priced locations, as well as on adjusting the size of apartments sold to demand reported by the Buyers.

From the beginning of 2014, the Company has implemented capital investments in SPVs, which will be responsible for particular housing investments, both in Warsaw and other big agglomerations of Poland, among others in Katowice, Gdynia and Łódź. The Company of J.W.Construction Holding S.A held 100% of shares in SPVs. The company supplies, for remuneration, administrative services, and on the part of some investments, development services to the SPVs. The company is also responsible for marketing and premises sale.

The Company's intention is to appoint a specific SPV to implement each developer project. Such strategy enables greater clarity and transparency of the project cash flows, as well as facilitate obtaining financing from banks, which prefer such a system of developer project's implementation. Some companies have already been established and J.W. Construction Holding S.A is at the stage of rewriting of building permits and transferring plots of land. The realization of the investments is financed from the Company's own funds, inflows from customers in case of the escrow accounts and granted bank loan. The Company at the initial stage of the investment project makes land sale transactions and other related expenses incurred, inter alia, project documentation and preparation of investment.

Within SVPs, the Company plans to launch new residential projects in Warsaw, among others in Białołęka District, at Zdziarska Street, Lewandów Street and Berensona Street and will continue next stages of constructions at Kasprzaka Street - "Bliska Wola." Moreover, the Company is working on the commencement in the nearest periods of next residential projects in Katowice at Bałtycka Street and at Tysiąclecia Street - further stages and in Gdynia, at Spokojna and Sochaczewska Street.

Threats to the real estate market, and thus to the nearest environment, the Group sees more and more difficult access to finance the purchase of houses by individual buyers, which could have a significant impact on demand. Since January 2014, in accordance with the requirements of the FSA, banks has implemented a new S recommendation which contain guidelines for the assessment of creditworthiness, e.g:

- the introduction of the requirement to hold at least 5% of own contribution;
- shortened term of the loan - now cannot exceed 35 years (previously it was even 50 years);
- no restrictions stating that the sum of the loan installments may not exceed 50% of income (when it is below average) or 65% of income. Banks themselves have set their maximum level of this indicator. However, it does not mean easier access to credit. First, banks haven't exploited so far this limit. In addition, the recommendation abolishes the restriction, but also requires that banks approached with caution to individuals with debt-to-income ratio exceeding 40%;
- calculating creditworthiness for 25 years has been increased to 30 years. The result is that a borrower with PLN 300,000 taken for 30 years will be able to get about PLN 30,000 more;
- banks have stopped granting credits in foreign currencies.

In addition, from 1 July 2014 some amendments were entered into force in terms of granting residential mortgage credits and residential construction and mortgage credit under which it is not possible to grant a credit in PLN to a person reaching one's income in foreign currency - as the Recommendation S says.

General assumption of the strategy of the Capital Group in the hospitality and commercial segment is the reduction and postponement of planned projects. The Company, although it does not perceive the hotel activity as the leading one within the Capital Group, intends to maintain the current potential in this area as part of business diversification. The Group's strategy in the hospitality business expects to maintain a chain of tourist hotels "Hotel 500". Due to the location of hotels in the vicinity of big cities and in close proximity to transit routes, it is planned to maintain the profile hotels which aimed at corporate clients looking for properties with conference features and individual clients who travel by road.

The strategy of "Czarny Potok Resort & Spa" in Krynica Zdroj is based on the potential of the object to handle large conference events, as well as attracting tourists who expect comfortable conditions of stay and additional services offered by the spa center.

The only project which currently is under way in the hospitality segment is the construction of a hotel called "Stara Dana" in Szczecin. The construction was commenced at the turn of 2013 and 2014. The project involves the revitalization of the existing five-storey building located in the center of Szczecin. The investment is co-financed by funds from the European funds ie loans within JESSICA initiative.

In terms of the commercial segment, the Capital Group does not intend to carry out in next few years, any

significant new investments.

An important element in the development strategy of the Capital Group's activity is its executive arm - J.W. Construction S.A In the executive process, the Group intends to continue the practice of reliance on external contractors selected in a way of negotiations over which J.W Construction Sp. z o.o will perform the supervision. The Group's strategy assumes to use, in the process of building, a park construction machinery, manufactured materials and prefabricated construction materials owned by J.W. Construction Sp. z o.o

The Group Companies are also able to acquire third party contacts on the general building market.

The most significant factors which may influence the Company's results:

- economic recovery from 2013 - evidence to reverse the negative trends in the housing market
- low level of interest rates - reduced cost of servicing the loan for buyers
- stable prices of construction materials and services - possibility of more effective management of the margin level
- changes in government projects support the housing market
- increasing scale of development projects based on land holdings
- limitation and postponement of the commercial and hotel projects
- planned acquisition of funds through the capital increase by the issuance of Series C Shares

### **Increase scale of development projects based on land holdings**

In the perspective of the year 2016, timely completion of strategies to increase the number of running developer projects by the Capital Group will have the impact on the achievement of expected cash surpluses and financial results. The Group of J. W. Construction Holding intends to use accumulated potential during the last few years, such as a land bank, which consists of dozens of plots for developer projects and significantly intensify the implementation of new housing projects. Simultaneously, the Group does not exclude any selective and implemented, in the limited scope, acquisition of new plots in attractive locations.

In 2014, the Capital Group intends to commence 10 developer projects, of which the biggest are the following ones: Bliska Wola - stage B1, Bliska Wola II - stage B2, Zielona Dolina stage II, Berensona, Gdynia at Spokojna / Leśna Street stage I. The Group expects that at the turn 2014/ 2015, the planned developer investments will allow to develop the offer by more than 2,300 units. The Group intends to maintain such volume in 2015 - 2016. It should allow to increase the number of concluded preliminary agreements to 1500 - 2000 per year.

Over the years 2014-2016, the Capital Group intends, basing on the current land bank, to implement 27 new developer projects and enter into sale 5,863 units with a total usable area of 283.4 thousand m<sup>2</sup>. In particular, 2014 will be a period of increased throughputs in which it is planned to launch the construction of over 2,300 units (114 thousand m<sup>2</sup> of usable space). It means that along with already implemented investments, this year's offer should consist more than 2,800 units. In 2015 and 2016, the Capital Group has the potential to launch another building constructions which contain about 3,500 units (173.000 m<sup>2</sup> of usable area).

The Group intends to locate new developer projects especially in big Polish cities. Traditionally, the biggest number of developer investments is planned to launch in Warsaw area, where the Group has been the biggest developer for many years. In the period 2014 - 2016, it is planned to implement 18 projects including 4,570 units and single family houses with a total usable area of 216,000m<sup>2</sup> in Warsaw and the vicinity. The Group estimates that approximately 70% of all planned housing investments to 2016 will be located in Warsaw agglomeration. Moreover, 9 other residential projects comprising of 1,293 units with a total area of 71,000 m<sup>2</sup> will be implemented in Łódź, Katowice and Gdynia.

For all planned for the years 2014-2016 developer projects, the Capital Group is the owner or perpetual lessee of land. In major part of the planned projects, the Capital Group also carried out design and preparatory works.

The funding model for each new developer project will be based on the trust account, including in particular the so-called. "escrow account". Depending on the volume of the project and the terms of the agreement with the bank, determined structure of the funding requires a commitment from 20% to 30% of the equity of the Group ( so-called own contribution). In case of planned developer projects, the Capital Group has the required own contribution in the form of contributed land and capital expenditures incurred for an architectural design and preparation of an investment. For the part of other projects, although the Group owns the land and the project, according to the estimation, the own-contribution still requires the completion to the level of 20% 0 30%. For this purpose, the Company intends to dedicate at least 68.6% of the financial sources, which will be obtained from the issuance of the series C shares.

Moreover , the Company plans to undertake intensive activities to sell non-performing assets, which will allow to release extra cash. The funds raised through such operations will be dedicated for another developer projects, including those planned to be commenced in 2015 and 2016.

### **limitation and postponement of the commercial and hotel projects**

Due to the high capital intensity and long period of repayment of commercial projects, the general assumption of the strategy of the Capital Group in the hospitality and commercial segment is the reduction and postponement of planned projects. The Company, although it does not perceive the hotel activity as the leading one within the Capital Group, intends to maintain the current potential in this area as part of business diversification. The Group's strategy in the hospitality business expects to maintain a chain of tourist hotels "Hotel 500". Due to the location of hotels in the vicinity of big cities and in close proximity to transit routes, it is planned to maintain the profile hotels which aimed at corporate clients looking for properties with conference features and individual clients who travel by road.

The strategy of "Czarny Potok Resort & Spa" in Krynica Zdroj is based on the potential of the object to handle large conference events, as well as attracting tourists who expect comfortable conditions of stay and additional services offered by the spa center.

The only project which currently is under way in the hospitality segment is the construction of a hotel called "Stara Dana" in Szczecin. The construction was commenced at the turn of 2013 and 2014. The project involves the revitalization of the existing five-storey building located in the center of Szczecin. "Stara Dana" according to the project will meet the functions of the hotel venue, which will include 107 rooms, a restaurant, multifunctional room and mini spa. The planned net total area is 5,077 m<sup>2</sup>. The planned term of the investment completion is the end of the second quarter of 2015.

In terms of the commercial segment, the Capital Group does not intend to carry out in next few years, any significant new investments. Currently, the Capital Group owns one commercial property in Warsaw "Jerozolimskie Point", with an area of 4.1 thousand m<sup>2</sup> dedicated for office spaces. The Company intends to rent a property only to one tenant. Currently, the Capital Group is in the process of commercialization of this object. Possible implementation of next commercial venues, the Group will begin not earlier than in 2015. According to the development plan of the next stages of the project located at Kasprzaka Street in Warsaw, office buildings (in total approximately 71,000 of usable floor) are going to create an acoustic screen for the housing development which is being developed in this location. The Company does not preclude the implementation of this project in cooperation with an external partner or the total resale of land.

In connection with the coming to effect the issue of series C shares issued pursuant to the Extraordinary General Meeting of Shareholders No. 3 of 9 April 2014, with a total value of PLN 109.6 million, the Issuer expects that the planned inflows from the issue will enable the realization of a large extent of the main objectives of the issue presented in the Prospectus published on 17 July 2014, covering the financing or refinancing of own resources in part or planned development projects and the conversion of part of the financial debt from bonds JWX0116. In the opinion of the Issuer, the issuance of series C shares will contribute to improve the balance sheet structure and increase the possibility of incurring bank debt for new projects. As a result, the issue of series C shares will enable more effective implementation of the development strategy of the Issuer and Capital Group connected with concentration on developer projects.

### **6. Events which occurred after the date of drawing up the abbreviated quarterly financial statement, which were not included in this statement but which could possibly have remarkable influence on the Issuer's future financial results.**

#### Concluding annexes to loan agreements

On 01 July 2014, the Company concluded an Annex to the overdraft credit with PKO BP S.A in the amount of PLN 7 million. By virtue of the Annex, the credit use period and repayment date was postponed. The new final repayment date is set on 04 July 2015.

On 20 August 2014, the Company signed the Annex to the overdraft facility agreement with Millenium Bank S.A. By virtue of the Annex, the repayment term of the credit was set on 21 February 2015.

#### Approval of the prospectus

On 14 July 2014, the Financial Supervision Commission approved the prospectus of J.W Construction Holding S.A with its seat in Warsaw ("Company") which was prepared in the form of a one part document in connection with the public offering of series C shares in the territory of Poland and the intention to apply for marketing authorization to trading on the regulated market of series C shares, rights to shares of series C and pre-emptive rights series C ("Prospectus"). The prospectus was released on July 17, 2014.

#### Determination of the date of the first listing of rights to shares of Series C

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On 17 July 2014, the Company received a statement of the Management Board of the Stock Exchange in Warsaw S.A containing information on the listing of subscription rights of series C shares of the Issuer on the Stock Exchange:

Offer course:

According to the prospectus, the Company carried out a public sale of shares of Series C on the following dates:

June 4, 2014 - Day Pre-emptive Rights

July 17, 2014 - Publication of Prospectus

From 18 July 2014 until 31 July 2014. - Acceptance of underlying orders and additional subscription orders within the exercise of subscription rights.

On August 21, 2014, the Management Board adopted the resolution on the allocation of series C shares on which were submitted records. The allocation of shares covered 34,786,163 shares of series C with a total nominal value of PLN 6,957,232.60.

Therefore, it should be noted that the issue of bearer shares series C issued pursuant to the resolution No. 3 of the Extraordinary General Meeting of the Company of 9 April 2014 on the increase of the share capital by an amount not less than PLN 0,60 and not more than PLN 8,110,992.00 through the issuance of not less than 3 and not more than 40,554,960 shares of ordinary series C bearer shares with a nominal value of PLN 0.20 each, with pre-emptive rights, was executed. Within the issue, 34,786,163 shares were subscribed and paid at an issue price of PLN 3.15 per share. The total value of all paid shares amounted to PLN 109,576 thousand, of which shares with the value of PLN 80,661 were paid by offsetting receivables.

Acquisition of own bonds by the Company.

On 25 July 2014, the Company acquired from the company under the name of EHT S.A with its seat in Luxembourg (a shareholder of the Company and a subsidiary of Mr. Józef Wojciechowski) 3970 series bonds JWX0116 with a nominal value of PLN 10,000 each and the total nominal value of PLN 39.7 million, issued on 24 April 2013. (Bonds). The bonds were purchased under a contract of sale, unit purchase price of the bonds amounted to PLN 10,175.56 and covers the value of the issue and the interest for the period from the beginning of the second interest period up to the date of purchase. The bonds were purchased in order to redeem them. The purchase of Bonds took place in connection with the Company's issuance of shares of series C and the realization of one of the issue targets set out in the prospectus.

Payment of interest

On 25 July 2014, the Company paid interest on the bonds issued pursuant to the Resolution of the Company's Board on 26 April 2012 in a number of 9,500 units with a par value of PLN 10,000 each and a total value of PLN 95 million identified in the KDPW PLJWC0000043.

On 25 July 2014, the Company paid interest on the bonds issued pursuant to the Resolution of the Company's Board on 12 December 2012 in a number of 1,057 units with a par value of PLN 90,000 each and a total value of PLN 95,130,000 identified in the KDPW ISIN PLJWC0000050.

On 18 July 2014, the Company paid interest on the bonds issued pursuant to the Resolution of the Company's Board on 24 April 2013 in a number of 9,120 units with a par value of PLN 10,000 each and a total value of PLN 91,200,000.

Contracts on sale of land

On 3 July 2014, the agreement on the transfer of the right of perpetual usufruct between J.W. Group Spółka z o.o 1 SKA ("Seller") and Bliska Wola 1 Spółka z o.o ("Purchaser") was concluded, Rep. A No. 1555/2014. Under the agreement, the Seller in the execution of an obligation arising from a contract of conditional sale of 16 May 2014, Rep.A No. 212/2014, as amended on May 30, 2014 Rep. A No. 591/2014, transferred to the Buyer, the right of perpetual usufruct of plots of land located in the City of Warsaw, in Kasprzaka Street 29/31, with an area of 17,827 m<sup>2</sup>, identified in the records: No. 3/13 and 3/12 precinct No. 6-05-05, within a mortgage register KW No. WA4M / 00440538/1, for the price in the amount of PLN 26,190,740.55 gross. The seller sold the Buyer all decisions, agreements and arrangements relating to the above mentioned property along with the project documentation, and any rights of the decision No. 119 / WOL/ 2014 issued on behalf of the Mayor of Warsaw on 3 April 2014. Moreover, the Seller established, on a plot of land No. 03/06, with an area of 0.4389 hectares, located in Warsaw at Kasprzaka Street, within KW No. WA4M / 00440028/3 in favor of each and every subsequent perpetual lessee of the property situated in Warsaw at Kasprzaka Street 29/31, with an area of 17,827 m<sup>2</sup>, which is a plot of land marked with No. 3/13 and No.12.3 kept by the Land and Mortgage Register No. KW WA4M / 00440538/1, free of charge and an indefinite period easement of the law passage on crossing passing, and the law providing technical infrastructure, and the law of accessing this infrastructure.

On 3 July 2014, the agreement on the transfer of the right of perpetual usufruct between J.W. Group Spółka z o.o 1 SKA ("Seller") and Bliska Wola 2 Spółka z o.o ("Purchaser") was concluded, Rep. A No. 1562/2014. Under the agreement, the Seller in the execution of an obligation arising from a contract of conditional sale of 16 May 2014,

Rep. A No. 207/2014, transferred to the Buyer, the right of perpetual usufruct of plots of land located in the City of Warsaw, in Kasprzaka Street 29/31, with an area of 7,120 m<sup>2</sup>, identified in the records: No. 3/17 and 3/18 precinct No. 6-05-05, within a mortgage register KW No. WA4M / 00440539/8, for the price in the amount of PLN 13.912.233,57 gross. The seller sold the Buyer all decisions, agreements and arrangements relating to the above mentioned property along with the project documentation, and any rights of the decision No. 151 / WOL/ 2014 issued on behalf of the Mayor of Warsaw on 05 May 2014. Moreover, the Seller established, on a plot of land No. 03/06, with an area of 0.4389 hectares, located in Warsaw at Kasprzaka Street, within KW No. WA4M / 00440028/3 in favor of each and every subsequent perpetual lessee of the property situated in Warsaw at Kasprzaka Street 29/31, with an area of 7,120 m<sup>2</sup>, which is a plot of land marked with No. 3/13 and No.3/18 kept by the Land and Mortgage Register No. KW WA4M / 00440539/8, free of charge and an indefinite period easement of the law passage on crossing passing, and the law providing technical infrastructure, and the law of accessing this infrastructure.

On 3 July 2014, the agreement on sale of the right of perpetual usufruct between J.W. Group Spółka z o.o 1 SKA ("Seller") and Bliska Wola 1 Spółka z o.o ("Purchaser") was concluded, Rep. A No. 1569/2014. Under the agreement, Seller sold to the Buyer, from the property kept in KW No. WA4M / 00440028/3, the right of perpetual usufruct of a developed property situated in the City of Warsaw, Wola, Mazowieckie region, in Kasprzaka Street 29/31 representing a plot of land No. 3/5 with an area of 4m<sup>2</sup> and No. 3/6 with an area of 4.389 m<sup>2</sup> for the price in the amount of PLN 6,448,149.54 gross.

#### Increase of capital in subsidiaries

On 31 July 2014, the Extraordinary General Meeting of the company of Dana Invest Spółka z o.o with its seat in Ząbki adopted the resolution recorded by Mr Krzysztof Kruszewski in the notary deed Rep. A 1761/2014 on increase of the share capital from the amount of PLN 6,265,000 to the amount of PLN 7.465.000, ie by the amount of PLN 1.200.000 by creating 24,000 new shares with par value of PLN 50 each. All shares were acquired by the current Issuer.

On 07 July 2014, the Extraordinary General Meeting of the company of Łódź Invest Spółka z o.o with its seat in Ząbki adopted the resolution recorded by Mrs. Ewa Rokos in the notary deed Rep. A 1633/2014 on increase of the share capital from the amount of PLN 3,275,000 to the amount of PLN 8.675.000, ie by the amount of PLN 5,400,000 by creating 108,000 new shares with par value of PLN 50 each. All shares were acquired by the current Issuer.

On 04 August 2014, the Extraordinary General Meeting of the company of Bliska Wola 1 Spółka z o.o with its seat in Ząbki adopted the resolution recorded by Mrs. Ewa Rokos in the notary deed Rep. A 2660/2014 on increase of the share capital from the amount of PLN 5.000 to the amount of PLN 14.270.350, ie by the amount of PLN 14.265.350 by creating 285,307 new shares with par value of PLN 50 each. All shares were acquired by the current Issuer.

On 21 August 2014, the Extraordinary General Meeting of the company of Bliska Wola 2 Spółka z o.o with its seat in Ząbki adopted the resolution recorded by Mrs. Ewa Rokos in the notary deed Rep. A 3072/2014 on increase of the share capital from the amount of PLN 5.000 to the amount of PLN 6.805.000, ie by the amount of PLN 6.800.000 by creating 136,100 new shares with par value of PLN 50 each. All shares were acquired by the current Issuer.

#### Registration of related companies

On 24 July 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Lewandów Invest Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000517637. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the investment in Warsaw, at Lewandów Street.

On 25 July 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Sochaczewska Invest Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000517232. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the investment in Gdynia, at Sochaczewska Street.

On 28 July 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of MT Invest Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000517718. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the investment in Warsaw, at Mikołaja Trąby Street.

On 16 July 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Parkowa Invest Spółka z o.o with its seat in Ząbki in the Register of Entrepreneurs under the number KRS 0000517057. Share capital of the Company amounts to PLN 5.000 and is

divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the investment in Gdynia, at Parkowa Street.

On 16 July 2014 the District Court for the Capital City Of Warsaw, XIV Economic Department of National Court Register registered the company of Osada Wiślana Spółka z o.o with its seat in Żąbki in the Register of Entrepreneurs under the number KRS 0000517060. Share capital of the Company amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. All shares were acquired by the Issuer. Through this company, the Issuer intends to pursue the investment in Warsaw, in the area of Marcina z Wrocimowic.

## **7. Significant risk factors and uncertainties**

The risks recognised by the Group include interest rate risk, credit risk, liquidity risk, administrative risk, and competition risk.

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

### **Interest rate risk**

The Companies from the Group raise funds for implementation of its projects based on floating interest rate loans. Those are mainly loans incurred for the period of the construction of a given investment project – approximately from 2 to 3 years. The Company also has bonds with floating market rate interest. Significant reductions in base rates in the last year will positively influence the level of financial costs.

### **Credit Risk**

A great part of the Group's clients purchase with bank loans. Risks connected with the offered loans are secured with insurance of particular debts on behalf of clients. There is no significant credit risk concentration in any group of Clients. Moreover, the Group systematically evaluates payments made by the clients, as well as their financial standing.

### **Liquidity risk**

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

### **Administrative risk**

The developer activity is based on administrative decisions required in connection with the present or future projects. The lack of licenses, permits or concession or failure to obtain them in time may have adverse effect on the ability to commence, conduct or complete present and new developer projects by the Group. All those factors may have impact on financial flows and overall operations.

### **Competition risk**

In recent years, competition in the market of construction services has become bigger. This situation is caused, on the one hand, by a reduction in the volume of turnover in the housing market. On the other hand, the inflow of EU funds has encouraged foreign companies to fight for the job in our country. In light of such conditions, it will be harder and harder to get external assembly jobs, and building prefabricates as well. There is also a risk that increased competition will be reflected in the margins achieved with the external construction contracts.

## **8. Indicating the consequences of changes in an economic entity's structure, including the consequences of entities' joint activity, the takeover or the sale of entities belonging to the Issuer's capital group, long-term investments, distribution, restructuring and abandonment of activity.**

In the first half of the year, the Company continued its trend which is intended to be implemented upon new investments. In the reporting period within the SPVs, the following construction works have been started within the following projects:

- Osiedle Centrum III in Łódź within the SPV of Łódź Invest Sp. z o.o. (construction of multi-family real estate with flats intended for sale);
- Stara Dana in Szczecin within the SPV of Dana Invest Sp. z o.o. (reconstruction and adaptation of the existing building for a hotel with a conference space).

Moreover, the following projects were continued:

- Rezydencja Orłowó in Gdynia within the SPV of Seanhouse Sp. z o.o. (construction of multi-family real estate with flats intended for sale);
- Osiedle Tysiąclecie in Katowice (stage A) within the SPV of Nowe Tysiąclecie Sp. z o.o (construction of multi-family real estate with flats intended for sale);



The following projects were in a process of the preparation:

- Osiedle Kasprzaka (stage B1) in Warsaw within the SPV of Bliska Wola 1 Sp. z o.o. (construction of multi-family real estate with flats intended for sale);
- Osiedle Kasprzaka (stage B2) in Warsaw within the SPV of Bliska Wola 2 Sp. z o.o. (construction of multi-family real estate with flats intended for sale);

All above actions cause that within the Company, there is a property in the form of shares in SPVs along with implemented building production.

**9. Management Board's position on the ability to realise earlier published projections for the given year in the light of the results presented in the semi-annual report compared to the projected ones.**

The Management Board of J.W. Construction Holding S.A does not publish any financial forecasts both for the Company and the Capital Group.

**10. Shareholders holding directly or indirectly through subsidiaries, at least 5% of the total number of votes at the general meeting of the Issuer on the date of the report for the first half along with the number of shares held by these entities, their percentage share in the share capital, the number of votes resulting from them and their percentage of the total number of votes at the general meeting.**

As at 27.08.2014

| <i>Shareholder</i>  | <i>Number of shares held</i> | <i>% of share capital</i> | <i>Number of votes</i> | <i>% of total number of votes in the General Meeting</i> |
|---------------------|------------------------------|---------------------------|------------------------|--|
| Józef Wojciechowski | 16.181.566                   | 29.93 %                   | 16.181.566             | 29.93 %  |
| EHT S.A.            | 18.568.300                   | 34.34 %                   | 18.568.300             | 34.34 %  |

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

In the reporting period, there were following changes:

On June 16, 2014, Pioneer Pekao TFI SA notified the Company on the reduction, on 9 June 2014, below the threshold of 5%, of the share capital of the Company.

On 5 June 2014, Mr. Józef Wojciechowski informed the Company on increase its share in the share capital in the number of 1.42% corresponding to 767,853 shares.

**11. Issuer's shares or rights to shares (options) held by members of the management board and supervisory board of the issuer as at specifics date, separately for each member.**

Shares of the Issuer held by members of authorities of the Company:

As at 27.08.2014

| <i>Person</i>       | <i>Office</i>                     | <i>Number of shares held</i> |
|---------------------|-----------------------------------|------------------------------|
| Józef Wojciechowski | Chairman of the Supervisory Board | 16.181.566                   |

On 5 June 2014, Mr. Józef Wojciechowski informed the Company on increase the Company's shares by 767,853 shares.

**12. Law actions of the value over 10% of equity of the Issuer.**

As at 30 June 2014, the Company was a party to proceedings filed by the Company in the total amount of PLN 118.121.732,42. The proceeding filed by the Company with the highest value, which exceeds 10% of share capital of the Company was initiated on 26 April 2012, by filing a claim against the Capital City of Warsaw ("Respondent") for injunction to make a declaration of intent to acquisition from the Company right of perpetual use of the plot no 2/6 with the area of 3,2605 ha for which the District Court for Warsaw- Mokotów, X Division of Land Registry maintains a land and mortgage registry no WA4M/00413015/1 KW ("Property") for a net price of PLN 91,130,975 together with interest from the date of 8 January 2010. The company filed a petition according to the Article 36.1 point. 2) of the Act of 27 March 2003 on spatial planning and development (Journal of Laws 2003.80.717) in connection with the adoption by the Respondent of the area development plan area of Olbrachta Street (approved by the resolution of the City of Warsaw No. LVI/1669/2009, which entered into force on 3 August 2009) ("Plan"). The property has been earmarked for the N-S Route. In the period when the Company acquired the Property, the zoning plan of the property was not obligatory. With the adoption of the Plan and as a result of this adoption, there has been a significant restriction on the use of the Property by the Company, therefore the Company has the right to request to redeem to purchase/buy out the Property by the Defendant. The Company applied to the Defendant with a request to take steps to voluntary purchase of the Property by the Respondent but the request was refused.

The Company believes the claim is fully justified and deserves the judgement in accordance with the petition of the Company.

As at 30 June 2014, the Company was a party to proceedings brought against it in the total amount of PLN 57.250.807,65. The proceeding brought against the Company with the highest value was initiated by a petition delivered to the Company on December 19, 2012, filed by Oriens Capital Management AG with its seat in Switzerland. The value of the claim amounts to PLN 14,360,615.21. The plaintiff seeks the compensation from the Company for non-performance and improper performance of the contract and reimbursement of expenses incurred on account of execution of the contract and costs incurred in connection with the execution of the order of acquisition of the property. The plaintiff acquired a claim with a way of transfer of debt from the company under the name Develo Spółka z o.o with its seat in Katowice.

**13. Information about concluding, by the Issuer or by its subsidiary entity, one or many transactions with the related subjects separately or in total if they are significant and concluded on different than on an arm's length basis.**

Information on transactions with related parties are included in the financial statements in Note 30 "Related Party Transactions".

**14. Information about standing by the Issuer or a subsidiary company a credit or loan surety or about granting a guarantee jointly to one subject or its subsidiary entity if the aggregate value of the existing sureties or guarantees constitutes the equivalent of at least 10% of Issuer's equity capital.**

Not applicable.

**15. Other information which in the opinion of the Issuer is significant for evaluation of its personnel, assets, financial standing, profit (loss) and changes in the same, and information significant for assessment of the ability of the Issuer to fulfil its obligations.**

None besides the aforesaid ones.

Signatures of Board Members

|  |           |
|--|-----------|
| Irmína Łopuszyńska<br>Member of Management Board   | Signature |
| Wojciech Rajchert<br>Member of Management Board    | Signature |
| Magdalena Starzyńska<br>Member of Management Board | Signature |
| Małgorzata Ostrowska<br>Member of Management Board | Signature |

Ząbki, 27 August 2014