

**The Management Commentary on
the Capital Group of J.W. Construction Holding S.A in 2010.**



Ząbki, 15 March 2011

1. Introduction

GENERAL INFORMATION ABOUT THE PARENT COMPANY

J.W. Construction Holding S.A., a joint-stock company domiciled in Żąbki (the “the Parent 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 Żąbki, 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. Key economic and financial figures on J.W. Construction Holding S.A.

Income Statement

Key items of the income statement for the years 2010 and 2009, translated into EUR

Consolidated income statement item	1 January 2010 - 31 December 2010		1 January 2009 - 31 December 2009	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	620,026.	154,838	713,284	164,327
Costs of products, goods and materials sold	442,404	110,481	527,978	121,636
Gross profit (loss) on sales	177,622	44,357	185,306	42,691
Selling expenses	28,535	7,126	20,753	4,781
Overhead expenses	28,884	7,213	25,684	5,917
Profit (loss) on sales	130,394	32,563	138,869	31,993
Operating profit (loss)	142,422	35,567	142,732	32,883
Gross profit (loss)	113,400	28,319	119,215	27,465
Income tax	21,388	5,341	18,818	4,335
Net profit (loss)	92,012	22,978	100,397	23,130

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

Consolidated income statement item	1 January 2010 - 31 December 2010		1 January 2009 - 31 December 2009	
	PLN	% of sales	PLN	Dynamics 2010/2009
Net revenues from sales of products, goods and materials	620,026.	100%	713,284	87%
Costs of products, goods and materials sold	442,404	71%	527,978	84%
Gross profit (loss) on sales	177,622	29%	185,306	96%
Operating profit (loss)	142,422	23%	142,732	100%
Gross profit (loss)	113,400	18%	119,215	95%
Net profit (loss)	92,012	15%	100,397	92%

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The Companz achieved revenue of PLN 620mil in the income statement, it is about 13% less than in 2009. Concurrently, the Company has retained a high net profit margin of 15%, with generated net profit of PLN 92 mil.

The Company's income structure in 2010

The main item of income for 2010 are definitely the revenues from sales of premises (91% of revenues), revenues from sales of services constitute 8% and revenues from sales of materials around 1%, which is presented in the following table.

	1 January 2010 - 31 December 2010	Percentage share	1 January 2009 - 31 December 2009	change %
Revenues from sales of products	564,994,233	91%	649,526,974	-13%
Revenues from sales of services	50,711,824	8%	57,915,979	-12%
Revenues from sales of goods	4,319,746	1%	5,840,727	-26%
Total income	620,025,804	100%	713,283,680	-13%

Statement of financial position

The balance of assets, equity and liabilities as at 31 December 2010 and 31 December 2009 in PLN '000 and EUR '000

Consolidated balance sheet item	31 -12 -2010		31 -12 -2009	
	PLN	EUR	PLN	EUR
Total Assets	1,382,179	349,009	1,522,963	370,713
Non-current assets	570,564	144,071	425,653	103,611
Current assets	811,616	204,938	1,097,310	267,102
Total Equity and Liabilities	1,382,179	349,009	1,522,963	370,713
Equity	462,891	116,883	371,515	90,433
Non-current liabilities,	414,416	104,643	203,707	49,585
Current liabilities	504,872	127,483	947,741	230,695

The structure and dynamics of changes in assets, equity and liabilities as at 31 December 2010 and 31 December 2009 are in PLN '000

Consolidated balance sheet item	31 -12 -2010		31 -12 -2009	
	PLN	% of assets	PLN	Change 2010/2009
Total Assets	1,382,179	100%	1,522,963	-9%
Non-current assets	570,564	41%	425,653	34%
Current assets	811,616	59%	1,097,310	-26%
		% of assets		Change 2010/2009
Total Equity and Liabilities	1,382,179	100%	1,522,963	-9%
Equity	462,891	33%	371,515	25%
Non-current liabilities,	414,416	30%	203,707	103%
Current liabilities	504,872	37%	947,741	-47%

Structure of the balance sheet as at 31.12.2010 is as follows: assets are approximately 41% of total assets and current assets are approximately 59% of assets.

In relation to 2009, at the end of 2010 the value of the Company's total assets decreased by about 9%. The equity capitals and long-term liabilities increased (bonds), but short-term liabilities decreased.

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Financial Ratios

Liquidity ratios	2010	2009	2008
Liquidity ratios I			
<u>total current assets</u>	2.5	2.1	2.4
current liabilities			
Liquidity ratios II			
<u>total current assets- inventories</u>	2.4	2.0	2.3
current liabilities			
Activity ratios			
Reveivables turnover in days			
<u>average trade receivables *) x 365</u>	24	19	8
Revenues from sales			
Inventories turnover in days			
<u>average inventories *) x 365</u>	29	28	28
cost of products, goods and services sold			
Return ratios			
Net profit margin on sales			
<u>Net profit/loss</u>	14.8%	14.1%	9.6%
Revenues from sales			
Return on sales			
<u>operating income</u>	28.6%	26.0%	25.4%
Revenues from sales			
ROA			
<u>Net profit/loss</u>	6.7%	6.6%	4.1%
total assets			
ROE			
<u>Net profit/loss</u>	19.9%	27.0%	26.4%
Equity			
Debt ratios			
Payables turnover in days			
<u>average trade payables *) x 365 days</u>	51	67	75
cost of products, goods and services sold			

Debt ratio

<u>liabilities and provisions for liabilities</u>	61.3%	73.8%	83.1%
Total liabilities			

Efficiency of shares

BVPS in PLN

<u>Equity</u>	8.46	6.79	5.05
number of shares			

Net profit/loss per share in PLN

<u>Net profit/loss</u>	1.68	1.84	1.33
number of shares			

In the current accounting year net profit margin on sales went up in comparison to 2009 and it is still at high level of 28,6% .

The liquidity ratios for 2010 are similar to those from previous years. They prove safe financial flows and at the same time reflect good ability of the Company to serve current liabilities.

Average payables payment period and debt ratios show a downward tendency.

3. Significant risk factors and uncertainties

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

Interest rate risk

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

Credit Risk

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

Liquidity ratio

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 late obtainment of the same way 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 period, the competition in the market of construction services increased. This situation is caused, on the one hand, by the reduction in the turnover volume in the housing market. On the other hand, the inflow of EU funds has encouraged foreign companies to compete for a job in our country. In light of these conditions, it will be harder to attract external assembly works, as well as prefabricated materials. There is also a risk that increased competition will be reflected in the margins achieved in the external construction contracts.

Note. A sensitivity analysis to market risk

Financial statements item	Value in '000 PLN	Interest rate risk			
		Effect on earnings		Effect on equity	
		+ 50 pb in PLN + 25 pb in USD/EUR	+ 50 pb in PLN - 25 pb in USD/EUR	+ 50 pb in PLN + 25 pb in USD	+ 50 pb in PLN - 25 pb in PLN
Financial assets					
Cash in current accounts	19,922	100	-100		
Bank deposits	48,152	241	-241		
Bonds held		0	0		
Loans granted		0	0		
Effect on financial assets before tax		340	-340	0	0
Tax (19%)		-65	65	0	0
Effect on financial assets after tax		276	-276	0	0
Financial liabilities					
Bonds issues	130,000	-650	650		
Bank Loans	248,600	-1,243	1,243		
Effect on financial liabilities before tax		-1,893	1,893	0	0
Tax (19%)		360	-360	0	0
Effect on financial liabilities after tax		-1,533	1,533	0	0
Total increase / (decrease)		-1,258	1,258	0	0

Untypical circumstances having effect on earnings

In 2010 there were no untypical circumstances and events having effect on earnings for the accounting year.

4. Development perspectives of the Company

In 2010, the Company completed the construction of several investments that were commenced in previous years: Lewandów I, Lewandów II, Aleja Wiślana, Osiedle Bursztynowe. These investments obtained occupancy permit and the procedure of handing over them to the clients started. In November 2010, the Company obtained the building permit for the investment located in Lodz, in Tymienieckiego Street and commenced all construction works.

In 2011, the Company plans to launch more new investments, both in Warsaw and other regions of Poland. There are some pending preparations to begin a construction of housing estate investments in Poznań and Gdynia. In turn, in Ożarów Mazowiecki, the Company plans to commence the construction of next 10 houses. The investments are planned to be launched in 2011 and include nearly 1,300 apartments. On 4 March 2011, the Company obtained the building permit for investments in Poznań. Soon the company will receive a building permit for the construction of the housing estate in Zdziarska Street in Warsaw, and subsequently the Company will commence the following projects: Lewandów Park I, houses in Ożarów, Światowida Housing Estate in Warsaw, and next projects in Gdynia.

The Company's broad investment plans are due to, among other things, better situation in the housing market in 2010. The company noted growth in sales of flats compared to the previous year. The growing interest in the Company's offer allows the Company to offer customers new investments in interesting locations.

The planned housing investments in 2011	City/ District	Number of units/houses:
Zielona Dolina I, Zdziarska / Ostródzka Street	Warsaw / Białoleka	596 premises
Lewandów Park I buildings 3-6, Lewandów Street	Warsaw / Białoleka	208 premises
Osiedle Światowida Światowida Street	Warsaw / Białoleka	184 premises
Słoneczny Park, Ożarów Mazowiecki	Ożarów Mazowiecki	10 houses
Poznań, Jaroczyńskiego Street	Poznań	182 premises
Gdynia Sochaczewska Street	Gdynia	51 premises
Gdynia Powstania Wielkopolskiego Street	Gdynia	52 premises

The analysis of the real estate market and the recognition of the preferences of the Company's customers prove the necessity of the current strategy, which consists mainly of meeting the needs of middle-income clients. According to a document which was recently adopted by the Polish Sejm "The main problems, objectives and directions of the supporting program of housing development to 2020" in Poland, there are still 1.5 million homes lacking. The average wage in Poland is sufficient for the purchase of 0.8 m² of living space, while in Western Europe for 2-3 m². Accordingly, the Company's activities in the field of housing will continue to be developed by starting new projects in a popular housing segment. It will be based on attractive prices and locations, as well as adjusting the size of apartments sold to a reported demand of the Buyers. The most popular are two-bedroom apartments with an area of 40-45m².

Taking into consideration the above assumptions and still difficult situation in the mortgage market, the Company offers its Clients a flexible solution for properties purchase. Within the offer of financing, there are some programs which are adjusted to different target groups. The most innovative solution, which is dedicated particularly to the Clients who do not have a creditworthiness, is the program "Rent and then buy". The program allows people to rent a flat and then to purchase it, after the time which is specified in the agreement, the price for this flat would

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include all expenses incurred. Moreover, the Company has a diverse credit offer which is prepared on the basis of preferential conditions which are dedicated only to the Company's Clients.

In addition, currently there are some preparations for the implementation of next office projects. The works are connected with designing and obtaining appropriate permits and decisions which allow to commence these investments.

In 2010, the Company continued the construction of the first commercial investment, "Jerozolimskie Point" in Warsaw, in Al. Jerozolimskie and Badyłarska Street. The building was designed in accordance with the highest standards (Class A) and attention to comfort. The building was located nearby the city center of Warsaw, and such districts as Mokotów and Ochota. This location enables easy access to the downtown, on the other hand, the location offers its potential tenants more attractive prices per square meter than in the strict city center. The completion of this construction is scheduled for the end of 2011.

Planned commercial investments	City/ District	Usable Floor Space
„Dana”	Szczecin/ Centrum	33.966
Powstańców Śląskich Street	Warsaw/Ursynów	10.022
Powstańców Śląskich Street	Wrocław/Centrum	29.800

The Company is continuing its plans for the extension of commercial investments. In February the Company received a building permit for the construction of "Dana" investment in Szczecin and is preparing to begin the construction. In 2011, the Company intends to launch two projects of a commercial nature. In Warsaw, in Pilcekiego Street, the Company will build a an office and hotel investment with the area of 10,022 m2 of usable floor space. In turn, in Wrocław, on a property located in the city center, the Company plans to build a residential-office- and hotel complex with the area of 29,800 m2 of usable floor space.

Additionally, the Company is developing a hotel segment through developing and modernization of "Czarny Potok" hotel in Krynica Górska to a four-star hotel in "Resort & Spa" category. The works were commenced in the previous years and will be finished in the second half of 2011.

The company regardless of the situation on the market diversifies risk through:

- introducing the sale of office and commercial space to the offer
- carrying on the housing investment projects in progress and preparing to launch new ones
- a broad commercial offer – including apartments ready for immediate move-in.

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

- strengthening of the leading position among developers both in Warsaw and in the whole country owing to intended sales plans possible to realise due to extended offer;
- reducing the dependence on third party sub-contractors by development and strengthening of own labour forces under a separated building company – J.W. Construction S.A.

- cutting costs among other things by shortening the period of investment project implementation while using a new prefabricated unit production technology under a separated company – JWCH Produkcja Budowlana Sp. z o.o.;
- carrying on the works connected with preparing new investment projects by drawing up the documents, including project documentation, and applying for building permits, which will allow to smoothly commence further investment projects in the future.
- bigger presence in the commercial segment

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

5.1. Developer activity

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

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

- Standard apartments (including above-average-standard apartments) – apartments in housing buildings and housing estates located beyond town centres (mainly in the Białołęka district), for the average price of PLN 6,000/m². The said housing estates are composed of a dozen or so repeatable buildings, where one building consists of up to 50 apartments.
- Above-average-standard suites – suites in housing buildings or small groups of buildings located in such districts as Mokotów and Wola, for the average price of PLN 8,000/m².

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

In 2010, J.W. Construction Holding S.A was still strengthening its leading position among developers both in Warsaw and across the country. The Company continued to implement ongoing investments, large housing estates in and around Warsaw. In 2010, the Company was implementing simultaneously 7 housing investments with a total number of 2 857 flats and 12 single-family houses, including more than 130 800 m² of usable floor space.

In November 2010, the Company received a building permit for the construction of the investment in Łódź, in Tymienieckiego Street and commenced the construction works.

At the same time, the Company was carrying the construction works on a commercial investment, in Warsaw, in Badyłarska Street, the usable floor space of this investment is 4,157 m² and on " Czarny Potok" - a hotel investment with a total usable floor space of 13,410 m². The completion of these investments is planned for the second half of 2011.

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The following investment projects were being implemented in 2010:

No.	Housing investments	Number of units
1	„Lewandów Park I "	423
2	„Lewandów Park II "	1275
3	Osiedle Światowida Korkowa Street	328
4	"Wiślana Aleja" Odkryta Street	200
5	„Osiedle Centrum II", Łódź	255
6	„Lazurowe Ustronie" 1st Stage	376
7	„Lazurowe Ustronie" - houses	12

No.	Commercial and hotel investments	Usable Floor Space
1	„Jerozolimskie Point" Badylarska Street	4.157
2	„Czarny Potok" – Krynica Zdrój	18.709

Out of the aforesaid projects, in 2010 the Company completed the construction and obtained a occupancy permit for the following investments:

- „Lewandów Park I " in Warsaw
- „Lewandów Park II " in Warsaw
- "Wiślana Aleja" in Warsaw
- " Bursztynowe Osiedle" in Warsaw

5.2. Building and assembly activity

The Group has well-developed building and assembly activities. Presently it is conducted mainly for own needs. Due to combination of the function of a developer and general contractor, the Group fully controls preparation and implementation of building investments. Presently the Group works on several building sites (in the country and abroad), employing over three thousand employees of the Group and hired subcontractors. JW Construction SA is also involved in various types of auctions in both the outer housing and infrastructure.

5.3. Designing activity of the Group

Activities in the field of architecture and design is conducted through a separate company in 2008, JW. Projekt Sp. Ltd. The company has highly qualified personnel in the following workshop: architectural, construction, sanitation and electricity. JW. Projekt Sp. Z. Ltd. now provides services to entities of the Group, but has the ability to prepare projects well beyond the Group.

5.4. Prefabricated materials production activity

JWCH Producka Budowlana Sp. z o.o is involved in the activity on prefabricated building materials production in its own facility with a modern production line. Through this activity of the Group is able to shorten the period of the investment implementation, and ultimately can reduce its investment cost incurred.

5.5. Hotel activity

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

Revenues from sales of hotel services in 2010 amounted to PLN 15,217,893. In 2010, the income from hotel activity noted a slight decrease by 2% in comparison to the previous year.

The average number of occupied hotel beds within the whole chain was on the level of 32%.

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

5.6. Real estate management activity

The Company also takes care for correct tenant moving-in procedure, from the day of handing particular apartments over, through transferring the ownership right to the same, to commissioning the real estate to appointed housing communities. The Company usually acts as a real estate administrator up to 12 months from the project completion date. This time is required for appointment, constitution and implementation the proper functioning of the Community Housing. The company has in its resources some of Housing Communities, which have been managed for a number of years. These are e.g Osiedle Łucka -since 2006, Victoria, Radzymin -since 2007, or Górczewska 200 and Bukowińska 8, 12 since 2008.

In 2010, revenues from sales of the Company were as follows:

	from 01-01-2010 to 31-12-2010	from 01-01-2009 to 31-12-2009
Revenues from sales of products and services per business segment	615,706,057.29	707,442,953.32
developer activity	577,585,598.77	664,766,839.99
hotel activities	15,217,892.61	15,499,936.35
social building	12,061,215.86	10,586,369.24
- transport services,	170,126.37	5,273,638.68
-construction	10,671,223.68	11,316,169.06

6. Information about the market

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

The Warsaw market is the biggest housing market in Poland, with the highest prices for a square meter of a housing space. The company also plans to expand into markets outside Warsaw to meet the demand of large urban agglomerations in the southern Poland, in the north, in Lodz and for the first time in Poznań.

In 2010, the Company continued the construction of the first office project, "Jerozolimskie Point" situated in Warsaw. The Company is also prepared to commercialise other office projects – one in Warsaw and one in Szczecin. The works conducted presently are connected with designing and applying for necessary licences and permissions enabling the commencement of the investment project.

7. Suppliers and recipients of the Capital Group

The Group benefits from the services of many suppliers who are chosen in the tenders. The Group does not have any suppliers and customers of companies which turnover / share exceeds 10% of the total transactions.

Group purchases services and materials for the production of many items, and therefore there is no reliance in this respect from any supplier of materials or services.

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

8. Significant agreements for the business of the Company

8.1 Construction contracts

In 2010, the Company, as a new and significant agreement on the implementation of building works, classified only one agreement which was concluded on 2 March 2010 with a subsidiary J.W Construction S.A domiciled in Ząbki - as the General Contractor, the subject of the agreement is the construction of the office building by the General Contractor on the property located in Al. Jerozolimskie and Badyłarska Street. The value of remuneration, in an agreement was specified as the sum of the elements listed in a material and financial scope of works in the amount of PLN net 15,994,691. The facility is expected to commissioning at the end of August 2011.

8.2 Insurance agreements

The Companies from the Capital Group enter into various insurance agreements, being both obligatory and optional insurance, connected with the nature of its business.

Under the building projects, the Companies conclude insurance policies for construction sites, covering possible losses which may occur during implementation of investments, including third party liability insurance for conducted works. Insurance agreements are concluded for the term of implementation of particular investments.

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

On the account of conducting real estate management activity, the Companies holds a package of third party liability insurance of a real estate manager and third party liability insurance for the business activity to that extent. Upon completion of investments and expiry of insurance on building works, the Companies enters into insurance agreements for the constructed buildings. Rights under such agreements are transferred, by way of annexes, to housing communities managing the insured real estate, after such communities have been established.

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Coverage	Insurer	Sum insured in PLN
Insurance connected with business activity of real estate management and performing the function of a real state manager	Towarzystwo Ubezpieczeń ALLIANZ Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A.	EUR 150 000 PLN 1 200 000
Third party liability insurance of the Management Board	AGI Europe S.A. Branch in Poland	PLN 60,000000
Business public liability	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A. Towarzystwo Ubezpieczeń Generali S.A. InterRisk Towarzystwo Ubezpieczeń S.A.	PLN 22 800 000
Hotel Business public liability	Towarzystwo Ubezpieczeń ALLIANZ S.A.	PLN 2 500 000
Insurance connected with all other risks and accidents connected with implemented contracts including third party liability insurance	Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. Towarzystwo Ubezpieczeń ALLIANZ S.A. Towarzystwo Ubezpieczeń Generali S.A.	PLN 153 157 467,50
Property insurance including the assets held in connection with hotel activity.	Towarzystwo Ubezpieczeń ALLIANZ S.A. Towarzystwo Ubezpieczeń i Reasekuracji WARTA	PLN 398 164 214

8.3 Land purchase agreements

On 26 April 2010, the Company concluded an agreement with the city of Gdynia on acquisition of the property located in Sochaczewska, Płocka and Łowiecka Street, in Gdynia with a total area of 7,825 m². The conclusion of the agreement was the result of winning the tender by the Company on 31 March 2010 which was organized by the city of Gdynia in order to sell the above described property. City Hall of Gdynia transferred to the Company owned land development conditions allowing to place a multifamily and single family housing development with a total area of approximately 3,200 m² of usable space. The price at which the Company acquired the subject property does not exceed 10% of the Company's equity.

On 26 April 2010, the Company concluded an agreement on acquisition of the property located in Poznań, in Stare Miasto district, in Władysław Jagiełło housing estate with a total area of 5,219 m². According to land development conditions, on the subject plot there is a possibility to build about 8,000 m² of usable space. The price at which the Company acquired the subject property does not exceed 10% of the Company's equity.

On 24 May 2010, the Company concluded an agreement with the city of Gdynia on acquisition of the property located in Powstania Wielkopolskiego/Powstania Śląskiego Street in Gdynia with a total area of 4,150 m². The conclusion of the agreement was the result of winning the tender by the Company on 26 April 2010 which was organized by the city of Gdynia in order to sell the above described property. City Hall of Gdynia transferred to the Company owned land development conditions allowing to place a multifamily and single family housing development with a total area of approximately 3,000 m² of usable space. The price at which the Company acquired the subject property does not exceed 10% of the Company's equity.

On 11 September 2010, the Company concluded an agreement on obtaining a right of perpetual usufruct of the properties located in Powstańców Śląskich Street in Wrocław with a total area of 3,621 m². On the subject plot the Company is going to implement a building investment with residential, office and hotel functions. The price at which the Company acquired the property in question does not exceed 10% of the Company's equity.

On 30 September 2010 the Company acquired a property situated in Zegrze Południowe - Rybaki, representing a plot of land No. 140 / 4 with an area of 0.9300 ha built-up with a hotel and gastronomy part. Acquisition agreement was a result of the operating lease completion of the property from 31 August 2001. The price at which the Company acquired the property in question does not exceed 10% of the Company's equity.

On 29 October 2010, the Company concluded an agreement on transferring the right of perpetual usufruct of the property located in Katowice in the area of Tysiąclecia and Chrobry Street with a total area of 23.480 m². On the subject property, the Company intends to implement an investment with an usable area of approximately 35 000 sqm. The price at which the Company acquired the property in question does not exceed 10% of the Company's equity.

On 9 December 2010, the Company concluded an agreement with the city of Gdynia on acquisition of the property consisting of plots located in Spokojna Street in Gdynia with a total area of 57,488 m². On the subject plot, the Company intends to build a multifamily housing estate and commercial spaces in accordance with applicable local spatial management plan. The conclusion of the agreement was the result of winning the tender by the Company which was organized by the city of Gdynia in order to sell the above described property. The price at which the Company acquired the property in question does not exceed 10% of the Company's equity.

8.4 Financial agreements concluded and terminated during the accounting year

8.4.1 Loans terminated

Both in 2010 and in the period from the balance sheet date until the date of this Management Commentary for 2010 none of the credit agreements was terminated.

8.4.2 Loans contracted

In 2010, the following credit agreement were concluded:

On 31 March 2010, the Company from the Group operating under the name of J.W Construction S.A domiciled in Ząbki concluded an overdraft facility agreement with PKO BP. S.A in the amount of PLN 7,000,000.

On 9 July 2010, the Parent Company concluded the investment loan agreement with Millenium Bank S.A in the amount of PLN 19,500,000 for financing the "Jerozolimskie Point" investment.

On 29 November 2011, the Parent Company concluded a working-capital credit with Bank Polskiej Spółdzielczości S.A in the amount of PLN 30 million for financing the purchase of real estate located in Spokojna and Leśna Street, in Gdynia.

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In 2010, the Company repaid the following credits:

- On 2 May 2010, the Parent Company repaid an investment loan in the amount of PLN 9,600,000 which was granted by Invest Bank S.A dedicated to finance the purchase of properties located in Łeba.
- On 22 June 2010, the Parent Company repaid a loan in the amount of PLN 115 million, granted by Bank Ochrony Środowiska S.A dedicated to finance the implementation of "Górczewska Park" investment in Warsaw.
- On 23 September 2010, the Parent Company repaid a revolving working-capital loan in the amount of PLN 29,500,000, granted by Bank PKO BP S.A dedicated to finance the implementation of "Lewandów I" investment in Warsaw.
- On 30 November 2010, the Parent Company repaid a non-revolving working-capital loan in the amount of PLN 17.300.000, granted by Bank PKO BP S.A
- On 06 December 2010, the Parent Company repaid a loan in the amount of PLN 35 million, granted by Fortis Bank Polska S.A dedicated to finance the implementation of "Wiślana Aleja" investment in Warsaw.
- On 28 December 2010, the Parent Company repaid a non-revolving working-capital loan in the amount of PLN 10.000.000, granted by Bank PKO BP S.A

In 2010, the following changes occurred in credit agreements that were concluded in the previous years:

- On 4 May 2010, the Parent Company signed an annex to the working-capital credit granted by Invest Bank S.A. In virtue of the annex, the loan value was raised to PLN 10,000,000 and repayment date was postponed until 25 April 2011.
- On 22 June 2010, the Parent Company signed an annex to an overdraft facility agreement with Bank Millennium S.A . In virtue of the annex, the credit's repayment date was postponed until 23 December 2010.
- On 30 June 2010, the Parent Company signed an annex to the investment credit agreement with PKO BP S.A dedicated to finance the implementation of "Czarny Potok" investment in Krynica Górská. In virtue of the annex, the credit's repayment date was postponed until 31 December 2018.
- On 27 September 2010, the Parent Company signed an annex to the working-capital credit agreement with Bank Polskiej Spółdzielczości S.A. dedicated to finance the implementation of "Bursztynowe Osiedle" investment in Warszawa. In virtue of the annex, the credit's repayment date was postponed until 30 April 2011.
- On 29 September 2010, the Parent Company signed an annex to the non-revolving credit, granted by Fortis Bank Polska S.A dedicated to finance the implementation of "Wiślana Aleja" investment in Warsaw. In virtue of the annex, the credit's repayment date was postponed until 30 December 2010.
- On 23 December 2010, the Parent Company signed an annex to the working-capital credit with Bank PKO BP S.A dedicated to finance the implementation of the investment "Lewandów Park II" in Warsaw. In virtue of the annex, the credit's repayment date was postponed until 31 March 2011.

Detailed information about liabilities under loans as at 31 December 2010 is presented under Note 14 to the financial statements.

8.4.3 Cash loans contracted and granted

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

Borrower	Granted on	Granted on	Amount and currency	Interest rate	Maturity date
Construction Invest Sp. z o.o.	J.W. Construction Holding S.A.	21/12/2010 r.	PLN 120.000	WIBOR 3M + margin	31.12.2011
YAKOR HOUSE	J.W. Construction Holding S.A.	18/02/2010 r.	PLN 45.000	WIBOR 3M + margin	31/12/2010 r.
YAKOR HOUSE	J.W. Construction Holding S.A.	07/06/2010 r.	PLN 45.000	WIBOR 3M + margin	31.12.2011
YAKOR HOUSE	J.W. Construction Holding S.A.	24/08/2010 r.	PLN 54.800	WIBOR 3M + margin	31.12.2011
YAKOR HOUSE	J.W. Construction Holding S.A.	10/12/2010 r.	PLN 45.000	WIBOR 3M + margin	31.12.2011
YAKOR HOUSE	J.W. Construction Holding S.A.	15/07/2010 r.	USD 110.000	WIBOR 3M + margin	31.12.2011
JWCH Produkcja Budowlana Sp. z o.o.	J.W. Construction Holding S.A.	14/09/2010 r.	PLN 200.000	WIBOR 3M + margin	30/06/2011 r.
JWCH Produkcja Budowlana Sp. z o.o.	J.W. Construction Holding S.A.	09/11/2010 r.	PLN 300.000	WIBOR 3M + margin	31.12.2011
JWCH Produkcja Budowlana Sp. z o.o.	J.W. Construction Holding S.A.	10/12/2010 r.	PLN 100.000	WIBOR 3M + margin	31.12.2011
Developer Sp. z o.o.	J.W. Construction Holding S.A.	15/11/2010 r.	PLN 110.715	WIBOR 3M + margin	15/11/2011 r.

8.5 Agreements between its shareholders which could be significant for the activity of the Company

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

8.6 Issue of securities

On 25 June 2010, the Parent Company issued a total amount of 1,300 of long-term unsecured bonds with their nominal value of PLN 100.000 zł each. The total value of the issuance amounted to PLN 130 million. The maturity date was set on 25 June 2013. Notes bear interest at the rate of WIBOR 3M plus a margin. Cash from the issuance of Bonds is intended to finance the Parent Company's growth strategy, including the land purchase and financing of new residential and commercial projects.

As a result of the ordinary unsecured bonds issuance, as referred to above, the Management Board of the Company withdrew from the issue of convertible bonds as referred to in the resolutions adopted by the General Assembly on 18 May 2010.

The Group held, as at 31.12.2010, bills of exchange amounting to PLN 136.26 million.

8.7. Information about guarantees and warranties granted and received

In 2010, the Company did not grant any warranties.

In 2010 the following guarantees were granted by the Company:

Beneficiary of the guarantee	Guarantee value
TBS Marki Sp. z o.o.	22,400,000.00
JW. Construction S.A.	2,900,000.00
ZPM Metalcon Sp. z o.o.	800,000.00
JWCH Produkcja Budowlana Sp. z o.o.	500,000.00
Deweloper Sp. z o.o.	110,715.00

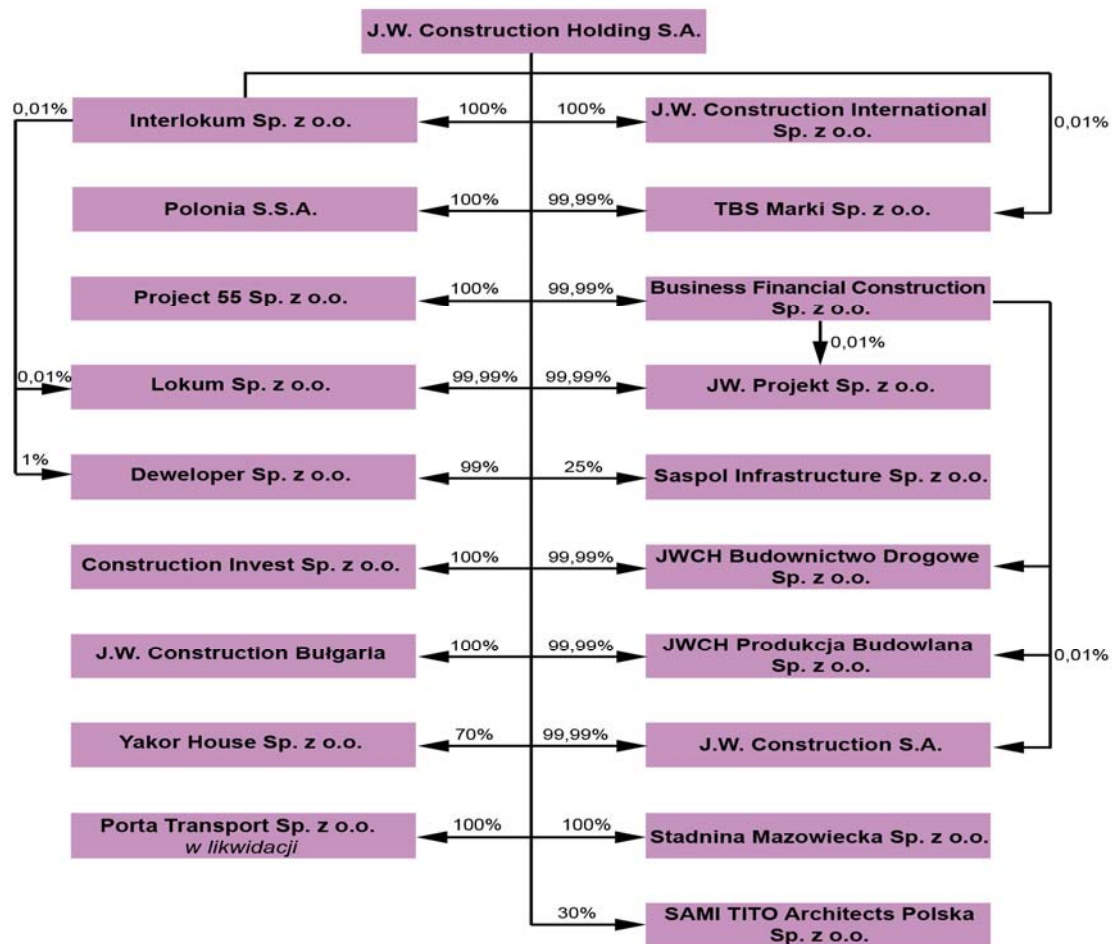
The list of warranties and guarantees granted within the Company, year-to-date as at 31 December 2009, is presented in Note 35 to the financial statements.

8.8 Employee share plan control system

The Company does not have any employee stock ownership plans.

9. Organisational and capital relations of the Capital Group

Capital Group's Structure



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J.W. Construction S.A. (full consolidation)

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

JWCH Produkcja Budowlana Sp. z o.o. (full consolidation)

JWCH Produkcja Budowlana Sp. z o.o., a limited liability company domiciled in Ząbki entered in the register of entrepreneurs of the National Court Register under KRS number 0000300959. The Company holds 99.99% of its shares. Share capital of JWCH Produkcja Budowlana Sp. z o.o. amounts to PLN 15,495,000 and is divided into 300,900 shares with a par value of PLN 50 each. The business of JWCH Produkcja Budowlana Sp. z o.o. is production of building prefabricated units.

JW Projekt Sp. z o.o. (full consolidation)

JW Projekt Sp. z o.o., a limited liability company domiciled in Warsaw entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 195210 on 20 February 2004. The Company holds 99.99% of its shares. Share capital of JW Projekt Sp. z o.o. amounts to PLN 1,155,060 and is divided into 5,778 shares with a par value of PLN 200 each. The business of JW Projekt Sp. z o.o. is architecture and designing.

Construction Invest Sp. z o.o. (full consolidation)

Construction Invest Sp. z o.o., a limited liability company domiciled in Ząbki entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 250688 on 9 February 2006. The Company holds 100% of its shares. Share capital of Construction Invest Sp. z o.o. amounts to PLN 50,000 and is divided into 100 shares with a par value of PLN 500 each. The business of Construction Invest Sp. z o.o. is own real estate development and sale. Construction Invest Sp. z o.o. was established to purchase real estate, apply for building permits and then transfer the real estate with the corresponding building permit to the Company.

TBS Marki Sp. z o.o. (full consolidation)

TBS Marki Sp. z o.o., a limited liability company domiciled in Warsaw entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 65232 on 28 November 2001. The Company holds 99.99% of its shares. Share capital of TBS Marki Sp. z o.o. amounts to PLN 13,360,000 and is divided into 26,720 shares with a par value of PLN 500 each. TBS Marki Sp. z o.o. was established as a social building society, within the meaning of the Act on Some Forms of Supporting Housing Building Projects. TBS Marki Sp. z o.o. is an investor responsible for implementation of four projects i.e. "Lisi Jar", "Marki V", "Warszawa Białoleka" and "Sochaczew, ul. Piłsudskiego".

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Lokum Sp. z oo (full consolidation)

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

Project 55 Sp. z o.o. (full consolidation)

Project 55 Sp. z o.o., a limited liability company domiciled in Warsaw entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 139665 on 22 November 2002. The Company holds 100% of its shares. Share capital of Project 55 Sp. z o.o. amounts to PLN 7,528,500 and is divided into 15,057 shares with a par value of PLN 500 each. Project 55 Sp. z o.o. is a special purpose vehicle conducting developer activity. An investment project – “Górczewska” was implemented under its structures.

Interlokum Sp. z o.o. (full consolidation)

Interlokum Sp. z o.o., a limited liability company domiciled in Warsaw entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 170216 on 18 August 2003. The Company holds 100% of its shares. Share capital of Interlokum Sp. z o.o. amounts to PLN 50,000 and is divided into 7,557 shares with a par value of PLN 500 each. Interlokum Sp. z o.o. is a special purpose vehicle. An investment project – “Rezydencja na Skarpie” in Warsaw was implemented under its structures.

Deweloper Sp. z o.o. (full consolidation)

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

J.W. Construction International Sp. z o.o (full consolidation)

J.W. Construction International Sp. z o.o., a limited liability company is registered in the territory of Russia. The Company holds a 100% of its share capital. The business of J.W. Construction International Sp. z o.o. is investments in housing building industry in the territory of the Russian Federation. Presently it builds a housing estate – “Victoria Park” in Kolomna near Moscow.

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Porta Transport Sp. z o.o. in liquidation (full consolidation)

Porta Transport Sp. z o.o., a limited liability company domiciled in Szczecin entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register KRS 0000177420. Share capital of Porta Transport Sp. z o.o. is divided into 258,308 shares with a par value of PLN 100 each. The business of the company was transport services provided to Porta Szczecińska Nowa Sp. z o.o. in the territory of the Szczecin shipyard and forwarding services in the country and abroad. The Company holds 100% of its share capital.

JWCH Budownictwo Drogowe Sp. z o.o. (full consolidation)

JWCH Budownictwo Drogowe Sp. z o.o., a limited liability company domiciled in Ząbki entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 0000299665 on 21 February 2008 on 21 February 2008. The Company holds 99.99% of its shares. Share capital of JWCH Budownictwo Drogowe Sp. z o.o. amounts to PLN 450,000 and is divided into 9,000 shares with a par value of PLN 50 each. JWCH Budownictwo Drogowe Sp. z o.o. intends to take further steps in the construction of infrastructure and road construction. On 10 January 2011, the Court registered the capital increase in the amount of PLN 2,060,000, which is divided into 41,120 shares of which the Company holds 99,9(9)%.

Yakor House Sp. z o.o. - former Ośrodek Wypoczynkowy "Ogoniok" (full consolidation)

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

Business Financial Construction Sp. z o.o. - BFC (not subject to consolidation)

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

Polonia S.S.A (not subject to consolidation)

Polonia S.S.A a sports joint-stock company domiciled in Warsaw entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 173656 on 19 September 2003. The Company holds 100% of its shares. Share capital of Polonia S.S.A. amounts to PLN 1,544,000 and is divided into 5,000 A-class registered shares with a par value of PLN 100 each and 10,440 B-class registered shares with a par value of PLN 100 each.

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J.W. Construction Bulgaria (not subject to consolidation)

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

Saspol Infrastructure Sp. z o.o. (not subject to consolidation)

SASPOL INFRASTRUCTURE Sp. z o.o., a limited liability company domiciled in Ząbki, entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 0000335050 on 21 February 2010. The company holds 25% its share capital. Share capital of SASPOL INFRASTRUCTURE Sp. z o.o amounts to PLN 5,000 and is divided into 100 shares with a per value of PLN 50,00 each. SASPOL INFRASTRUCTURE Sp. z.o.o is a special purpose vehicle made up of foreign partners through which, the Company, together with these partners, will take part in tenders for the realization of works connected with infrastructure.

Stadnina Mazowiecka Sp. z o.o. (full consolidation)

Stadnina Mazowiecka Sp. z o.o. a limited liability company domiciled in Ząbki, entered in the register of entrepreneurs of the National Court Register on 3 January 2007 under KRS number 0000271065. The company obtained 100% its share capital on 30 June 2010. Share capital of Stadnina Mazowiecka Sp. z o.o. amounts to PLN 50,000 and is divided into 1,000 shares with a nominal value of PLN 0,50 each.

Sami Tito Architects Polska Sp. z o.o

The Company Sami Tito Architects Sp. z o.o domiciled in Ząbki was established by a notary deed drawn up on 8 December 2010 and entered in the register of entrepreneurs on 9 January 2011, under KRS number 376090. The Company holds 30.00 % of its shares. Share capital of Sami Tito Architects Polska Sp. z o.o amounts to PLN 5.000 and is divided into 100 shares with a par value of PLN 50 each. The business of Sami Tito Architects Polska Sp. z o.o is architecture and designing.

10. The changes in the structure of the Capital Group in 2010 and major capital investments

During the reporting period there were no significant investments in shares and stocks.

Share and stock purchase or sales transactions made in 2009 are presented below:

An increase in share capital of JWCH Budownictwo Drogowe Sp. z o.o, and JWCH Budownictwo Drogowe Sp. z o.o domiciled in Ząbki to the amount of PLN 2,060,000.

Subscription of 30% of shares by J.W. Construction Holding S.A entitling to 30% of vote at the shareholders meeting of Sami Tito Architects Polska Sp. z oo domiciled in Ząbki.

J.W. Construction Holding S.A acquired 100 % of shares entitling to 100 % of vote at the shareholders meeting of Stadnina Mazowiecka Sp. z oo domiciled in Ząbki.

Information about capital investments is presented in the financial statements – Note 5 and Note 9.

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

All transactions with related parties concluded by the Companies from the Capital Group are arm's length transactions and they are described under Note 30 to the financial statements.

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

In the reporting period the Company did not draw up or publish any projected results.

13. Cash management of the Capital Group

Cash management of the Capital Group is based on guaranteeing liquidity in all business segments, including mainly the developer activity. The supreme objective of the Company's business is to provide sources offinancing for all implemented projects, while maintaining safe liquidity ratios. Turnovers in the Company and the structure of financing are analysed on a day to day basis to guarantee optimum current and future liquidity. In 2010, the Group generated satisfactory profits. Despite difficulties in the market, by controlling daily turnovers the Company repaid numerous loans incurred for implementation of developer projects. Economic and financial situation is secured in the form of inflows from investments which were completed or handed over in 2010 and in the form of other assets. In addition, the Group has cooperated with various banks for many years in order to provide financing for both business and current investment.

14. Ability to implement investment projects planned by the Company

The Company is preparing to implement new residential projects. However, it may face legal and formal problems connected mainly with administrative decisions. The lack of licences, permits or concessions or late obtainment of the same may have an adverse effect on the Company's ability to launch new developer projects. The activity of the Company will be still financed with own funds, prepayments made by clients and bank loans. Those will continue to be loans in the form of safe revolving lines financing the gap of the given period. Financing is raised based on very good long-term co-operation with banks, where lending formulas have been developed on the basis of mutual experience, taking account of characteristics of the building sector.

15. Factors with significant effect on the activity of the Company

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

- projected increase in the value of housing loans in 2010 in comparison to the previous year, in which the rapid suppression and the tightening of credit condition for mortgage and investment credits.

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- shortage of new flats amounting to 1.5 – 1.8 million estimated pursuant to various sources and in consequence still unsatisfied housing needs of an active group of clients coming from the baby boom of the 80's;
- expected decrease in interest rates on PLN loans,
- still limited supply of apartments in the primary market, connected with a limited number of new investments commenced by developers;
- stable situation on the market of building material prices;
- demand for increasing commercial, office and hotel spaces and development of the infrastructure,
- formal and legal factors, administrative decisions, licences, permits, etc.

Internal factors with effect on dynamics of income:

- good and attractive offer of apartments, including those ready for immediate move-in,
- diversified offer of programmes for financing the purchase of investment projects for clients,
- projected acquisitions of complementary companies in order to strengthen the executive and building arm of the Company,
- constant marketing actions,
- introduction of demonstration flats with interior design,
- flexible approach to the customer – the possibility of negotiating the prices depending on the payment amount and schedule

Projections for development of the core business of the Company for 2011 assume that the said factors will prevail in the future. The threat to the market is seen in the fact that access to sources of purchase financing continues to be hampered. Despite periodic price stagnation connected with a limited supply of new apartments coming to the market, it is projected that prices of real estate will be gradually increasing. In order to benefit from the factors favourable for the Company's development and to eliminate the unfavourable ones, it is planned to introduce further special apartment purchase programmes, launch the sale of new housing investments and implement commercial projects, and to acquire a complementary entity to strengthen the executive and building arm of the Company.

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

In the reporting period there were no changes in the basic principles of managing the enterprise of the Company.

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

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As at 31/12/2010

Shareholder	Company	Number of shares held	Share par value	Total par value of shares held	% of the total number of shares
Józef Wojciechowski	J.W. Construction Holding S.A.	15.413.713	PLN 0.20	PLN 3.082.742,60	28.51 %

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

The total value of court procedures regarding liabilities or receivables of the Company, pending as at 31 December 2010 before a court, arbitration tribunal or public administration authority was lower than 10% of equity of the Company.

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

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

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

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

Salaries, bonuses and benefits for members of the Management Board and Supervisory Board of the Company are presented under Note 31 to the financial statements.

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

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

22. Information on the agreement with the entity authorized to audit the financial statements and review of financial statements

On 26 July 2010, the Company concluded an agreement, with BDO Sp. Ltd., a company authorized to perform audits of financial statements, on performing the interim review and audit of financial statements for the year 2010.

The remuneration of the auditor for auditing the financial statements for the financial year ended on 31.12.2010 amounted to PLN 233 thousand, of which PLN 155 thousand for the audit and review of the unitary financial statements, while PLN 78 thousand for the review of interim consolidated financial statements. The remuneration of the auditor for auditing the consolidated financial statements prepared for the year ended on 31.12.2010 amounted to PLN 78 thousand, of which PLN 48 thousand for an annual consolidated financial statements, and PLN 30 thousand for the review of an interim consolidated financial statements. The remuneration of the auditor for auditing the unitary financial statements prepared for the financial year ended on 31.12.2010 amounted to PLN 155 thousand, of which PLN 90 thousand for a unitary annual survey, and PLN 65 thousand for an interim review. The given amounts are net amounts.

In addition, the Company concluded also additional agreements with BDO Sp. z oo on the audit of financial statements of subsidiaries included in the Capital Group of J.W Construction Holding SA: TBS Marki Sp. z o.o based in Warsaw -the agreement on auditing the statements for the year 2010 was concluded in 2010, the remuneration is PLN 16.8 thousand, JWCH Produkcja Budowlana Spółka z o.o based in Ząbki- the agreement on auditing the statements for the year 2009, was concluded in 2009, the remuneration is PLN 15 thousand, J.W. Construction S.A based in Ząbki concluded agreement on auditing the statements for the year 2010, was concluded in 2011, the remuneration is PLN 45 thousand.

In addition, during the reporting period, the Company concluded agreement on providing audit and attestation services with the entity authorized to audit the financial statements. The remuneration in this agreement is set in the amount of PLN 20 thousand net. The remuneration in the agreement on preparation of the valuation is amounted to PLN 50 thousand net.

23. Statement on corporate governance of J.W. Construction Holding S.A. in 2009

a. Rules of corporate governance of the Company

In 2010 J.W. Construction Holding S.A. observed the rules provided under the Best Practices of WSE Listed Companies (Dobre Praktyki Spółek Notowanych na Giełdzie Papierów Wartościowych w Warszawie S.A.).

The collection of Best Practices of WSE Listed Company is available at:

<http://www.corp-gov.gpw.pl/publications.asp>

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

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

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

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

Authorities and responsibilities of particular management lines

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

Specialist accounting and financial divisions separated in the organizational structure

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

accounting department, controlling department, financial liquidity management department, internal control department.

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

Financial reporting processes are covered with the constantly improved Quality Management System. The said system is reviewed periodically by internal and external quality system auditors. The last review was made in June 2010 and ended with the renewal of the ISO 9001 certificate. The main document governing the principles of handling financial documents is the "Internal Document Circulation and Control Instruction" introduced with the regulation of the President of the Management Board of the Company in November 2005. The most important documents governing financial records and projections are the "Procedure for Budgeting and Budget Supervision" and "Procedure for Investment Project Budgeting".

Implementation of the SAP R/3 integrated IT system

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

Commissioning the control over periodic reports to an independent external auditor

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

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

As at 31/12/2010

<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	15.413.713	28.51 %	15.413.713	28.51 %
EHT S.A.	18.568.300	34.34 %	18.568.300	34.34 %
Investment funds managed by PKO TFI S.A	Between 5 and 10% of the shares ^x			
Pioneer Pekao TFI S.A	Between 5 and 10% of the shares ^{xx}			

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

^x on 15 April 2010, the Company received a notification on exceeding a 5% threshold of the share capital of the Company by the Funds managed by PKO TFI S.A, as at 9 April 2010 it was 2.740.767 shares representing 5.01 % of the share capital of the Company entitling to 2.740.767 votes at the General Meeting of the Company and representing 5.01 % of the total number of votes. In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

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

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

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

As at 31 December 2010 Mr. Józef Wojciechowski was entitled to the aforesaid rights. In the case of any event resulting in not holding more than 50% of shares in the Company by the eligible shareholder, the personal rights expire and the regulations of the Code of Commercial Companies are applied accordingly, with the reservation that the same is not applicable when Mr. Józef Wojciechowski holds at least one share of the Company and together with his subsidiaries, within the meaning of the Act on Public Offering, or companies controlled by the same, within the meaning of the Act on Accounting of 29 September 1994 (Journal of Laws of 2002 No. 76, Item 694, as amended), applicable on the day of registration of the amendment to the Articles of Association, introduced with Resolution No. 2 of the General Meeting of 16 February 2007, he holds the total of over 50% of the Company's shares, whether directly or indirectly.

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

As at 31 December 2010 Mr. Józef Wojciechowski was entitled to the aforesaid rights. In the case of any event resulting in not holding more than 50% of shares in the Company by the eligible shareholder, the personal rights expire and the regulations of the Code of Commercial Companies are applied accordingly, with the reservation that the same is not applicable when Mr. Józef Wojciechowski holds at least one share of the Company and together with his subsidiaries, within the meaning of the Act on Public Offering, or companies controlled by the same, within the meaning of the Act on Accounting of 29 September 1994 (Journal of Laws of 2002 No. 76, Item 694, as amended), applicable on the day of registration of the amendment to the Articles of Association, introduced with Resolution No. 2 of the General Meeting of 16 February 2007, he holds the total of over 50% of the Company's shares, whether directly or indirectly.

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

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

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

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

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

In accordance with the Company's Articles of Association the Management Board of the Company is composed of three to eight Members, including the President of the Management Board. The number of members of the Management Board is established by the Supervisory Board. The shareholder holding more than 50% of shares of the Company is entitled to personal rights to appoint and recall half of membership of the Management Board, including the President of the Management Board. In the case of an odd number of members of the Management Board the shareholder holding more than 50% of shares of the Company is entitled to appoint three members of the Management Board (when the Management Board is composed of five members) and four members of the Management Board (when the Management Board is composed of seven members), respectively. The said rights are exercised by way of a written representation served upon the Company, on appointing or recalling a given Management Board member. Other members of the Management Board are appointed and recalled by the Supervisory Board. Management Board members are appointed for a common three-year term of office. Management Board members are appointed for a common three-year term of office. Declarations of will and signatures for the Company are valid if made by two members of the Management Board acting jointly.

Issue of shares

In connection to the resolution adopted by the Annual General Meeting of 18 May 2010, which enables the issue of convertible bonds, in accordance with § 5. 6 of the Articles of Association, the Management Board is authorized to increase share capital by issuing new shares with a total nominal value of not more than PLN 1.38 million. The above will be done by converting bonds into shares of series D, which will be made on the basis of written statements of the Bondholders. The Management Board shall report to the registration court each increase in the share capital as specified in the Article. 452 of the Commercial Companies Code. Deadlines for submitting claims to replace the bonds into shares of D series will be determined by the Management Board in a resolution which specifies the conditions of the bonds issue and principles described in detail in the Resolution No. 26 of the Annual General Meeting of 18 May 2010. To date, no convertible bonds were issued, the Company held the program for the issuance of ordinary unsecured bonds, which replaced the convertible bond issue program.

Buyback of shares

On 1 July 2010, a decrease in share capital of the Company was disclosed in KRS, a decrease in share capital was from PLN 10,939,656 to PLN 10,814,656, that is a decrease by the amount of PLN 125,000. The decrease in share capital is a result of redemption of 625,000 shares of the Company's own bearer shares with a nominal value PLN 0.20, entitling to 625,000 votes at the general meeting of the Company, acquired by the Company

within the shares acquisition and redemption program. Redeemed shares were purchased by the Company pursuant to Resolution No. 26 Annual General Meeting of 19 June 2008, the Management Board was authorized to purchase its own shares in order to their redemption and reduction in share capital in accordance with Commission Regulation (EC) No 2273/2003 of 22 December 2003.

i. Amendments to the Articles of Association of the Issuer

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

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

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

General Meetings of the Company, convened by the Management Board, are held in the registered office of the Company (Ząbki) or in Warsaw. Annual General Meetings are held within six months of the end of an accounting year.

Management Board and Supervisory Board members attend General Meetings with no need to be invited to the same. The Management Board may invite other persons to the General Meeting or any part of the same, in particular certified auditors and experts, if their presence is justified with a need to present an opinion on considered issues to participants of the General Meeting. A certified auditor should be present in the General Meeting considering finances of the Company.

The GM is convened in the manner and conditions specified in the principles generally applicable. This means that announcement of convening the GM is made in the current report and posted on the Company's website (at: www.jwconstruction.com.pl) no later than 26 days before the general meeting. Participants who are entitled to attend the general meeting, are these shareholders who hold shares of the Company in 16 days prior to the meeting, this record date is also the day when all shareholders should be registered in the list of participants. The basis of approval to participate in the general meeting of shareholders is to register in the list that is made available to the Company by the NDS, not later than one week before the general meeting..

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

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

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

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

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

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

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

The Management Board

Composition of the Management Board

As at 31 December 2010 the Management Board of the Company was composed of four members:

Mr. Robert Wojcik - Vice President of the Management Board

Mr. Tomasz Panabazys - The Member of the Management Board

Mr. Wojciech Rajchert - The Member of the Management Board

Mr. Marek Samarcew - The Member of the Management Board

During 2010 the composition of the Management Board of the Company was changed as follows:

On 26 January 2010, Mr. Marek Samarcew, on the basis of the personal right entitled to the shareholder who holds more than 50% of the shares, was appointed as the Member of the Management Board.

On 14 June 2010 Mrs. Barbara Czyż resigned from the Management Board.

On 5 August 2010, the Supervisory Board recalled Mrs. Grażyna Szafarowska from the Management Board.

On 25 October 2010 Mr. Piotr Ciszewski resigned from the Management Board.

Rules of the Management Board

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

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

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

passed with an absolute majority of votes cast. In the case of a draw, the vote of the President of the Management Board is decisive.

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

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

The Supervisory Board

Composition of the Supervisory Board

As at 31.12.2010, the Supervisory Board consisted of:

Mr. Józef Kazimierz Wojciechowski - Chairman of the Supervisory Board

Mr. Henryk Pietraszkiewicz - Vice- Chairman of the Supervisory Board

Mr. Józef Oleksy - Vice-Chairman of the Supervisory Board

Mr. Andrzej Podsiadło – Member of the Supervisory Board

Mr. Jarosław Król - Member of the Supervisory Board

Mr. Marcin Michnicki - Member of the Supervisory Board

During 2010 the composition of the Supervisory Board Board of the Company was changed as follows:

On 21 January 2010 ,Mr. Marek Maruszyński, on the basis of the personal right entitled to the shareholder who holds more than 50% of the shares, was appointed as the Member of the Supervisory Board.

On 9 April 2010, the Company received a statement from Mr. Marek Maruszyński -the Member of the Supervisory Board on his resignation from the membership in the Supervisory Board.

On 13 May 2010 ,Mr. Andrzej Podsiadło, on the basis of the personal right entitled to the shareholder who holds more than 50% of the shares, was appointed as the Member of the Supervisory Board.

In connection with the end of term on 18 May 2010, the Annual General Meeting appointed the following persons to the Supervisory Board: Mr. Henryk Pietraszkiewicz as the Vice-Chairman of the Supervisory Board, Mr. Jarosław Król as the Member of the Supervisory Board and Mr. Marcin Michnicki as the Member of the Supervisory Board.

In view of the end of term, on 20 May 2010, the Company received a statement from the shareholder holding more than 50% of the shares on the exercising his personal right in the form of appointment Mr. Józef Wojciechowski and Mr. Józef Oleksy to the Supervisory Board.

Rules of the Supervisory Board

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

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

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

The Supervisory Board may appoint the Audit Committee and Remuneration Committee from among its members, however, in connection with the provisions of the Best Practices of WSE Listed Companies and the fact that the Supervisory Board acted with the minimum number of members provided under applicable laws. Currently, as at 31 December 2010 the Supervisory Board did not appoint any Committees.

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

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

- a/ approval of any performance to the benefit of a member of the Management Board by the Company,
- b/ approval of execution of a significant agreement by the Company, of the value over PLN 10,000,000.00 (ten million Polish zlotys) and over PLN 15,000,000.00 (fifteen million Polish zlotys) for construction contracts, with a member of the Capital Group of the Company, a member of the Supervisory Board or the Management Board, or their closerelatives (within the meaning of § 16.5 of the Articles of Association of the Company),
- c/ appointment of a certified auditor to audit the financial statements of the Company,

are not valid unless approved by at least one Independent Member of the Supervisory Board, provided that any Independent Member is attending the meeting of the Supervisory Board.

24. Significant events after the balance sheet date

Significant contracts

On 17 January 2011, the Parent Company concluded an agreement with a subsidiary J.W Construction S.A domiciled in Ząbki - as the General Contractor. The agreement concerns the implementation of 9 multifamily buildings with related facilities by the General Contractor on a property located in Tymienieckiego Street, in Łódź with a total usable floor area of 12,225.40 m². The value of remuneration was specified in an agreement as a lump sum in the amount of PLN net 35,441,434.60. Obtaining occupancy permit was set on 30 September 2012.

Credit Agreements

On 18 February 2011, the Parent Company concluded an investment credit with Invest Bank S.A for the amount of PLN 33 million. The credit is allocated for the implementation of Łódź Centrum II investment. The maturity date was set for March 31, 2013

A building permit

On 22 February 2011, the Parent Company obtained a building permit for the construction of , "Nowa Dana" multi service-office investment in Al. Wyzwolenia/Odzieżowa Street in Szczecin. On a subject property, the Company intends to implement the investment with a total area of m² of 33,966 m² . The permit is not final.

On 4 March 2011, the Parent Company obtained a building permit for the construction of a multifunctional and multifamily building in Jaroczyńskiego Street, Poznan. On subject property, the Company intends to build a multifamily twosegment buidling with 6 and 7 storeys and 182 premises. The permit is not final.

The Management Commentary of the Capital Group of .J.W Construction Holding S.A
for the period from 1 January 2010 to 31 December 2010.

Signatures of Board Members

Tomasz Panabażys Vice President	Signature
Robert Wójcik Member of the Management Board	Signature
Wojciech Rajchert Member of the Management Board	Signature
Mark Samarcew Member of the Management Board	Signature

Ząbki, 15 March 2010.