



**Report on Best Practices
applied by J.W. Construction Holding S.A.**

Table of Contents

- I. Introduction
- II. Corporate governance rules not implemented by the Company, as well as circumstances and justification for any non-implementation, planned remedy for consequences of such non-implementation, if any, and planned steps limiting the risk of non-implementation in future.
- III. Functioning of the General Meeting, principal authorities and shareholder rights, as well as the manner of their exercise.
- IV. Composition and rules of the management and supervisory authorities of the Company.
- V. Basic characteristics of internal control and risk management systems functioning in the Company with regard to the financial statements preparation procedure.

I. Introduction

J.W. Construction Holding S.A., a joint-stock company domiciled in Ząbki ("Company", "Issuer") has been participating in the stock exchange trade since 4 June 2007, however, while preparing to its initial public offering it made an effort to satisfy strict requirements for issuers of securities. One of elements of preparations to the IPO was harmonisation of the Statutes of the Company with requirements of the Warsaw Securities Exchange provided i.a. in Best Practices in Public Companies 2005 ("Best Practices").

Presenting this report on Best Practices, the Management Board of the Company hopes to present full compliance of the Issuer with standards presented in the said document, however, we would like to underline that during the first six months we operated as a non-public company, with a limited number of shareholders trusting each other and striving to reach, together with the Management Board and the Supervisory Board, a common objective i.e. the launch of shares of the Company on the Warsaw Stock Exchange, and therefore, during that period we took actions permitted under applicable laws and facilitating our operations.

II. Corporate governance rules not implemented by the Issuer, as well as circumstances and justification for any non-implementation, planned remedy for consequences of such non-implementation, if any, and planned steps limiting the risk of non-implementation in future

In 2007 the Company observed the rules provided under Best Practices.

III. Functioning of the General Meeting, principal authorities and shareholder rights, as well as the manner of their exercise

The General Meeting of the Company, convened as the Annual General Meeting or the Extraordinary General Meeting, as an authority of the Company operates in accordance with applicable laws provided under the Code of Commercial Companies of 15 September 2000 (Journal of Laws of 2000 No. 94 item 1037, as amended), the Statutes of the Company and the Regulations for the General Meeting and Election of the Supervisory Board Members resolved by the Extraordinary General Meeting on 16 February 2007 with Resolution No. 6.

General Meetings are held in the registered office of the Company (Ząbki) or in Warsaw.

The authorities of the General Meeting comprise:

- reviewing and approving the Management Board's Business Report on the Company and financial statements for the previous financial year, as well as acknowledging fulfilment of duties by members of authorities of the Company,
- taking decisions on remedying damage inflicted at formation of the Company, performance of management or supervision,
- selling or leasing the enterprise or any organised part of the same, and establishing a restricted property rights to the same,
- issuing convertible bonds or bonds with pre-emptive rights,
- amending the Statutes of the Company, including any share capital increase and reduction,
- appointing and recalling members of the Supervisory Board and establishing their salaries, as well as resolving, with a separate resolution, rules for remuneration of the Supervisory Board members if the General Meeting considers it necessary to establish separate rules for remuneration of the Supervisory Board members,
- passing resolutions on mergers with other companies,
- dissolving the Company,
- establishing and liquidating capital reserves and special purpose funds of the Company,
- passing resolutions on redemption of shares,
- passing resolutions on distribution of profit or coverage of loss,
- other matters which in accordance with the Statutes or prevailing laws fall under authorities of the General Meeting.

The Annual General Meeting should be held in June at the latest. The General Meeting can be attended by shareholders who have submitted registered depositary certificates with the Company, issued by an entity keeping the securities account in accordance with the regulations on public trading in securities, at the latest a week before the date of the General Meeting, while the aforesaid certificates should not be collected before the end of such General Meeting. If represented by a proxy, a shareholder should present a written power of attorney, while representatives of

legal persons are obliged to file valid excerpts from relevant registers, disclosing duly authorised representatives of the said persons, and if represented by a person not disclosed in the register, the requirement for a written power of attorney is applied accordingly.

The General Meeting may be attended by:

- members of the Management Board and Supervisory Board, if their participation is justified by the agenda of the General Meeting. Any absence should be duly excused;
- certified auditors, lawyers and other experts invited by the Management Board. The said persons have the right to speak on request of the Management Board members or the Supervisory Board members on the same conditions as the Management Board and Supervisory Board members (in particular they may speak out of turn). The General Meeting may remove any of such persons from the meeting room with a disciplinary resolution adopted on motion of any participant;
- invited experts of particular Shareholders, unless resolved otherwise by the General Meeting.

A certified auditor of the Company should be present in the Annual General Meeting and on request of the Management Board or the Supervisory Board – in the Extraordinary General Meeting.

Members of the Supervisory Board and Management Board, as well as the certified auditor of the Company should – within their authorities and to the extent necessary to resolve matters reviewed by the General Meeting – provide participants of the General Meeting with explanations and information about the Company, while any response of the Management Board or the Supervisory Board may not infringe the regulations on filing obligations of a public company.

The General Meeting is valid if represented by at least half of share capital and unless applicable laws do not provide for more stringent requirements. The General Meeting adopts all resolutions with an absolute majority of votes, unless the Statutes of the Company or the prevailing laws provide for more stringent requirements for adopting a given resolution. Voting may be performed with the traditional method – with voting cards or a computer voting system. The General Meeting is opened by the Chairman of the Supervisory Board or the Deputy Chairman of the Supervisory Board and when none of them is able to open the General Meeting, such meeting is opened by the CEO and if the same is not able or not willing to open the General Meeting – by any other member of the Management Board, who should immediately order the election of the Chairman of the General Meeting.

The Chairman presents the participants with a valid agenda, which may be changed by the General Meeting or whose particular items may be removed with a resolution of the General Meeting, subject to the following conditions:

- a resolution on removing from the agenda or abandoning the review of any matter included in the agenda is adopted only for a significant reason. A motion on removing from the agenda or abandoning the review of a matter included in the agenda must be specifically justified;
- any removal from the agenda or abandonment of the review of any matter included in the agenda of the General Meeting on motion of a shareholder or shareholders requires a resolution of the General Meeting, upon prior consent of all movers present in the General Meeting. A resolution on removing from the agenda or abandoning the review of any matter included in the agenda of the General Meeting on motion of a shareholder or shareholders requires the majority of three fourths of votes.

The Chairman may give the right to speak to members of the Management Board and Supervisory Board, as well as experts of the Company called to speak by the same.

Resolutions are taken upon voting, which is usually open. Secret voting is ordered in the case of:

- elections of members of authorities of the Company and its liquidators, as well as voting over recalling or suspending the same;
- voting over calling the aforesaid persons to account;
- voting over personal matters;
- voting over other matters, if a motion for secret voting is submitted by at least one shareholder or his/her representative.

All resolutions adopted by the General Meeting in 2007 were aimed at the best interest of the Company and took rights of the parties concerned into account. Upon the launch of the Company on the Warsaw Stock Exchange resolutions adopted by the General Meeting have been disclosed in the website of the Company: www.jwconstruction.com.pl.

IV. Composition and rules of the management and supervisory authorities of the Company

Supervisory Board

Composition:

The Supervisory Board is composed of 5 /five/ to 9 /nine/ members, including the Chairman of the Supervisory Board and one Deputy Chairman of the Supervisory Board, appointed for a common term of office. The number of members of the Supervisory Board is provided under a resolution of the General Meeting. The number of members of the Supervisory Board may be changed during its term of office.

Appointment:

A 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 Supervisory Board Chairman. 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. In the case of such appointment, the aforesaid representations should be appended by a declaration of consent of the given person for appointment as a member of the Supervisory Board. Other members of the Supervisory Board are appointed and recalled by the General Meeting.

On the day of adopting a resolution on amending the Statutes and awarding personal rights, the shareholder holding more than 50% of shares of the Company was Mr. Józef Kazimierz Wojciechowski. In the case of any occurrence resulting in not holding more than 50% of shares of the Company by Mr. Józef Kazimierz Wojciechowski, the personal rights expire and applicable provisions of the Code of Commercial Companies are applied accordingly, with a reservation that the same is not applicable if Mr. Józef Kazimierz Wojciechowski holds at least one share of the Company and together with its subsidiaries, within the meaning of the act on public offering, or companies controlled by the same, within the meaning of the act on accounting of 29 September 1994 (i.e. Journal of Laws of 2002 No. 76 item 694, as amended), applicable on the day of registration of amendments to the Statutes, 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. When the personal rights expire or are waived, provisions of the Statutes referring to such personal rights to have expired or been waived are substituted by applicable regulations of the Code of Commercial Companies.

Independent members:

The General Meeting may appoint two independent members of the Supervisory Board, one of whom should hold the office of the Deputy Chairman of the Supervisory Board. Independent members of the Supervisory Board may be persons not related to the Company, shareholders or employees, who could have significant impact on the ability of an independent member to take objective decisions i.e. satisfying the below requirements. The proposal of a candidate for a members of the Supervisory Board and then a resolution appointing an independent member of the Supervisory Board or a separate resolution adopted directly after elections, should state that a given person is appointed as an independent member of the Supervisory Board.

An independent member of the Supervisory Board is a person satisfying all the following criteria:

- is not and was not an employee of the Company or a person providing work or services to the Company on a similar legal basis within three years before appointment to the Supervisory Board; that also refers to entities within the Capital Group of the Company;
- did not perform, within three years before appointment to the Supervisory Board, any functions in the Management Board of the Company; that also refers to entities within the Capital Group of the Company;
- is not a relative of a member of any authority of the Company or a manager of the Company; that also refers to members of authorities or managers of entities within the Capital Group of the Company;
- did not receive any remuneration, within three years before appointment to the Supervisory Board, from the Company or any entity within the Capital Group of the Company, except for a salary due to holding an office of a Supervisory Board member, is not a relative of a person to have received remuneration from the Company or an entity within the Capital Group of the Company, within the last three years before appointment to the Supervisory Board, except for a salary due to holding an office of a Supervisory Board member;
- does not hold shares representing over 10 (ten) percent of share capital of the Company;
- is not a relative of a shareholder being a natural person and holding shares representing over 10 (ten) percent of share capital of the Company;

- does not represent a shareholder or shareholders holding shares representing over 10 (ten) percent of share capital of the Company;
- is not a member of authorities, an employee or a person providing work or services under similar legal basis to a shareholder or shareholders holding shares representing over 10 (ten) percent of share capital of the Company; that also refers to entities within the Capital Group of such shareholder or shareholders;
- was not an employee of the present or previous auditor of the Company within three years before appointment to the Supervisory Board,
- was not a member of the management authority of the entity in which a member of the Management Board of the Company held the office of a member of the supervisory authority within three years before appointment to the Supervisory Board.

For the aforesaid purpose, a relative should be understood as a spouse, ascendants, descendants, adoptees and adopters, siblings and relatives in a straight line up to the second degree.

With a declaration of consent for standing for and appointing to the Supervisory Board, a candidate for an independent member of the Supervisory Board files a written declaration of satisfying the aforesaid criteria, with an undertaking to immediately notify the Company about each and every event resulting in not satisfying any of the aforesaid criteria by the same.

Members of the Supervisory Board are appointed for a common term of office of three years. When recalling all members of the Supervisory Board the General Meeting may resolve an earlier termination of the term of the Supervisory Board.

As at 31 December 2007 the Supervisory Board was composed of:

1. Józef Wojciechowski, Chairman of the Supervisory Board – appointed by the eligible shareholder,
2. Roman Kobyliński, Member of the Supervisory Board – appointed by the eligible shareholder,
3. Jacek Obłąkowski, Member of the Supervisory Board – appointed by the eligible shareholder,
4. Henryk Pietraszkiewicz, Member of the Supervisory Board – an independent member of the Supervisory Board,
5. Marek Rocki, Member of the Supervisory Board – an independent member of the Supervisory Board.

The present members of the Supervisory Board were appointed with Resolution No. 5 of the Extraordinary General Meeting of 16 February 2007.

Rules of functioning of the Supervisory Board

The Supervisory Board performs permanent supervision over activities of the Company, in any and all areas of its activities. The Supervisory Board holds meetings on an as and when needed basis, however, at least once per quarter.

Specific rules of functioning of the Supervisory Board are provided under the Supervisory Board Regulations resolved by the General Meeting. The Supervisory Board Regulations or a separate resolution of the General Meeting may provide for establishing committees within the Supervisory Board, in particular the audit committee and the remuneration committee.

A meeting of the Supervisory Board is convened by fax, against a confirmation of sending, or by registered letters. An invitation to a Supervisory Board meeting should be sent to the last address notified to the Company by a member of the Supervisory Board. The invitation to the Supervisory Board meeting should specify the place, day, hour and agenda of such meeting. The invitation to the Supervisory Board meeting should be sent to a Supervisory Board member at least one week before the appointed date of the meeting and in urgent cases – three days before the appointed date of the meeting.

Resolutions of the Supervisory Board adopted in a meeting are valid if all members of the Supervisory Board were invited to the meeting in accordance with the aforesaid provisions.

Resolutions of the Supervisory Board are adopted with the absolute majority of votes, with a reservation that in the case of a draw, the vote of the Chairman of the Supervisory Board is decisive. However, any resolutions on:

- a. consent to a benefit to be granted to a Management Board member by the Company under any title,
- b. consent to conclude a significant agreement by the Company, of the value over PLN 10,000,000.00 (ten million) and in the case of contracts for building works – PLN 15,000,000.00 (fifteen million) with an entity within the Capital Group of the Company, Supervisory Board or Management Board members, or their relatives,
- c. appointment of a certified auditor to audit the financial statements of the Company,

are valid if voted for by at least one independent member of the Supervisory Board, provided that any of the independent members is present in the given Supervisory Board meeting, while for the matters provided under the

item a. and b. above a resolution may also authorise the Chairman of the Supervisory Board to give consent on terms and conditions provided therein.

Resolutions of the Supervisory Board may also be adopted by way of circulation or teleconference, excluding resolutions referred to under article 388 § 4 of the Code of Commercial Companies. Draft resolutions adopted by way of circulation or teleconference are submitted to members of the Supervisory Board by its Chairman, and if the Chairman is absent – by the Deputy Chairman of the Supervisory Board. The procedure of taking resolutions by way of circulation or teleconference will be provided under the Supervisory Board Regulations.

Members of the Supervisory Board may participate in resolutions adopted by the Board, by casting their votes in writing through another member of the Supervisory Board.

In the case of group appointment of the Supervisory Board, the Chairman and Deputy Chairman are elected by the Supervisory Board from among their members.

Meetings of the Supervisory Board are recorded. Members of the Supervisory Board are remunerated for their activities in the Supervisory Board, at the amount established by the General Meeting.

Besides the statutory tasks and other tasks provided under the Statutes of the Company, the authorities of the Supervisory Board comprise:

- appointing and recalling members of the Management Board, referred to under Article 14 section 2 of the Statutes of the Company;
- resolving Management Board's labour regulations;
- providing opinion on any and all matters submitted to the General Meeting;
- appointing a certified auditor to audit financial statements of the Company;
- suspending, due to significant reasons, particular or all members of the Management Board and delegating members of the Supervisory Board, for the maximum period of three months, to temporarily perform activities of the Management Board members to have been recalled, have resigned or have been unable to perform their activities due to any other reasons.

If a Management Board member is unable to act, the Supervisory Board should immediately take relevant steps to change the composition of the Management Board.

There may be established committees within the Supervisory Board, including the audit committee and the remuneration committee. However, due to the requirement of minimum membership in the Supervisory Board, provided under the applicable laws for public Companies, the Supervisory Board prefers to work together over any matters significant for the Company.

Management Board

Composition

The Management Board of the Company is composed of three to eight members, including the CEO and CEO of the Holding, appointed for a common term of office of three years. The number of the Management Board members is established by the Supervisory Board. It is possible to change the number of members of the Management Board during their term of office.

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 CEO and CEO of the Holding. 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 CEO or the CEO of the Holding. In the case of such appointment, the aforesaid representations should be appended by a declaration of consent of the given person for appointment as a member of the Management Board. Other members of the Management Board are appointed and recalled by the Supervisory Board.

Based on resolutions adopted by the Extraordinary General Meeting the office of the CEO of the Holding was liquidated on 1 April 2008.

On the day of adopting a resolution on amending the Statutes and awarding personal rights, the Shareholder holding more than 50% of shares of the Company was Mr. Józef Kazimierz Wojciechowski. In the case of any occurrence resulting in not holding more than 50% of shares of the Company by Mr. Józef Kazimierz Wojciechowski, the personal rights expire and applicable provisions of the Code of Commercial Companies are applied accordingly, with a reservation that the same is not applicable if Mr. Józef Kazimierz Wojciechowski holds at least one share of the Company and together with its subsidiaries, within the meaning of the act on public offering, or companies controlled by the same, within the meaning of the act on accounting of 29 September 1994 (i.e. Journal of Laws of 2002 No. 76

item 694, as amended), applicable on the day of registration of amendments to the Statutes, 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. When the personal rights expire or are waived, provisions of the Statutes referring to such personal rights to have expired or been waived are substituted by applicable regulations of the Code of Commercial Companies.

The Management Board is appointed for a common three-year term of office.

As at 31 December 2007 the Management Board was composed of:

Jerzy Zdrzałka, CEO – appointed by the eligible shareholder,

Barbara Czyż, Member of the Management Board,

Irmina Łopuszyńska, Member of the Management Board,

Bożena Malinowska, Member of the Management Board,

Grażyna Szafarowska, Member of the Management Board.

Wojciech Rajchert, Member of the Management Board – appointed by the eligible shareholder.

Rules of functioning of the Management Board

The Management Board of the Company acts in accordance with applicable laws, Statutes of the Company and Management Board Regulations approved by the Supervisory Board and in accordance with Best Practices. Two members of the Management Board acting jointly are authorised to represent the Company.

Works of the Management Board are managed by the CEO, whose authorities comprise current management and co-ordination of works of the Management Board, overall supervision over keeping deadlines by the Management Board, current assignment of tasks for implementation by other members of the Management Board, settlement of authority disputes, if any, between other members of the Management Board. Besides matters resulting from division of duties in the Management Board, CEO has the right to control at any time each and every matter falling under the authority of the CEO. The CEO approves the action plan of the Management Board, convenes meetings and establishes agendas, in particular based on motions of the Management Board members, chairs of Management Board meetings. The CEO appoints a person from among the Management Board members, substituting for him/her during his/her absence and determines the rules and mode of substitution for absent Management Board members.

Resolutions of the Management Board are adopted in meetings, with an ordinary majority of votes, in presence of at least half membership of the Management Board, subject to below provisions, unless the Statutes of the Company or prevailing laws provide for more stringent requirements. In the case of a draw, the vote of the CEO is decisive.

Resolutions of the Management Board may also be adopted by way of circulation or teleconference. Draft resolutions adopted by way of circulation or teleconference are submitted for signature to all members of the Management Board by the CEO.

The Management Board members are subject to restrictions with regard to the Company, established under the law, Statutes, Management Board Regulations and resolutions of the Supervisory Board and the General Meeting. The General Meeting and Supervisory Board may not give valid orders to the Management Board, referring to running the business of the Company.

In the case of any conflict of interest of the Company with interest of a member of the Management Board, a Management Board member may not hold competitive interests or participate in a competitive company as a partner of a civil law company, partnership or a member of authorities of a corporation, or participate in any other competitive legal person as a member of its authorities, without consent of the Supervisory Board. The said ban also covers a share in a competitive corporation, if the Management Board member holds at least 10% of shares in such corporation or the right to appoint at least one member of the management board.

V. Basic characteristics of internal control and risk management systems functioning in the Company with regard to the financial statements preparation procedure

Observing the recommendations of fairness and reliability of prepared financial statements, in particular requirements provided under the regulation of the Minister of Finance of 19 October 2005 on current and periodic filings of issuers of securities, J.W. Construction Holding S.A. applies the following controls:

1. Definition of authorities and responsibilities on particular management levels,
2. Separation of specialist accounting and financial departments in the organisational structure,
3. Definition of consistent instructions and procedures connected with collecting, processing and presenting data under the Quality Management System,
4. Implementation of the integrated IT system - SAP R/3,
5. Outsourcing the audit of prepared periodic reports to an independent certified auditor.

Re item 1

The supreme authority approving financial documents in the Company is the Management Board. Nevertheless, the materials are prepared through organisational units of the accounting and economic departments. Financial materials are checked and reviewed by managers of lower levels of financial and accounting divisions and then approved by the Chief Accountant or the Financial Director.

Re item 2

Definition of the sequence of financial process approving and monitoring activities necessitated separation of specialised departments in organisational structures of the enterprise. And thus, the following organisational units were separated in the Company: investment budgeting department, financial accounting department, controlling department, financial liquidity management department, internal control department

Re item 3

Financial reporting processes are covered with constantly improved Quality Management System. The said system is examined on a periodic basis by internal and external quality system auditors. The last review was performed at the beginning of 2008 and it ended with extension of the rights to hold the ISO 9001 certificate. The basic document providing for the rules of handling financial documents is the "Internal Instructions for Document Circulation and Control" introduced with a regulation by the CEO of the Company in November 2005. Key documents providing for financial records and projections are the following procedures: "Budgeting and Supervising the Budget of the Company" and "Investment Project Budgeting".

Re item 4

The Company implemented the integrated IT system - SAP R/3. The said tool covered the logistics area, warehouse management, preparation and implementation of investments, accounting and controlling. Books of accounts are kept in SAP R/3 and at the same time the system "looks after" correct recording of business events – conducting the process from planning through reporting the demand for materials or services, submitting an order to a supplier and ending with accounting for the bill or invoice.

Re item 5

Annual financial statements prepared by the Company are audited by an independent certified auditor. Semi-annual reports are reviewed. An audit consist in checking the presented figures and verifying methodology of collecting and processing data as to its compliance with the principles of accounting.