

**Management Commentary  
on the Capital Group in 2010  
for the period from 1 January to 30 June 2010**



Ząbki, 26 August 2010

## 1. Introduction

### Basic information about the Parent Company

J.W. Construction Holding S.A., a joint-stock company domiciled in Ząbki (“Company”, “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, 14<sup>th</sup> Business Division of the National Court Register, is the parent company of the Capital Group of J.W. Construction Holding S.A. (“Capital Group”).

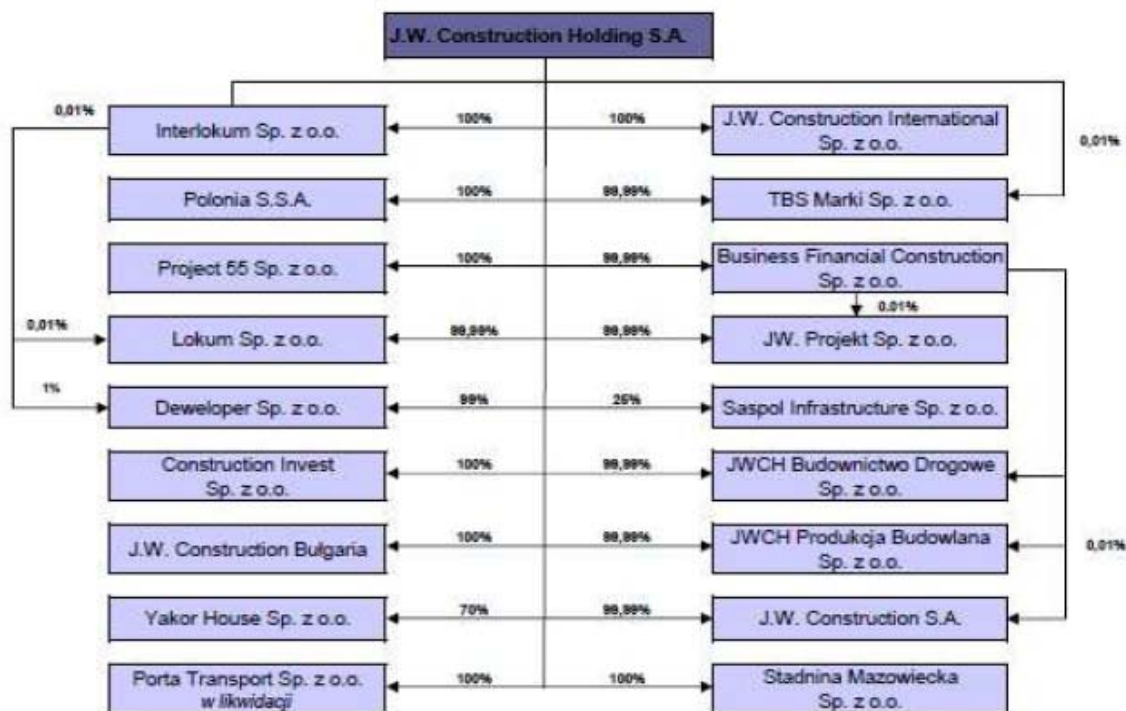
The Company was entered into the Register of Companies of the National Court Register on 16 July 2001, when a change in the name of the Company was registered – from the then-current “Towarzystwo Budowlano - Mieszkaniowe Batory S.A.” to the present “J.W. Construction Holding S.A.”

The Company was formed from transformation of Towarzystwo Budowlano - Mieszkaniowe Batory Sp. z o.o. domiciled in Ząbki, established on 10 February 1994. The transformation of a limited liability company into a joint stock company, executed under a notarial deed of 28 December 2000, was registered by the District Court for the Capital City of Warsaw, 16<sup>th</sup> 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 shares a nominal value of PLN 0.20 each.

### 2. The description of the structure of Capital Group with an indication of entities subject to consolidation.

On June 30, 2010, the Issuer’s Capital Group had the following structure:



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

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 309,900 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”.

Lokum Sp. z o.o (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.(fully consolidated).

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 100 shares with a par value of PLN 500 each. Interlokum Sp. z o.o. is a special purpose vehicle under which an investment project – “Rezydencja na Skarpie” was implemented.

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

Deweloper Sp. z o.o., a limited liability company domiciled in Siemianowice Śląskie entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 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. In the structure of the Capital Group it was assigned the role of the general contractor of a housing estate in Katowice.

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.

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 is 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 scope of infrastructure and road construction.

Yakor House (former Ośrodek Wypoczynkowy “Ogoniok”) Sp. z o.o.(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).

Klub Sportowy Piłkarski Polonia Warszawa S.S.A. (Polonia Football Club), 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.

J.W. Construction Bulgaria EOOD (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 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 nominal 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. 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.

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

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

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

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

Management Commentary on the Group of J.W. Construction Holding S.A.  
 for the period from 1 January 2010 to 30 June 2010

Consolidated balance sheet item	1 January 2009 - 31 December 2009		1 January 2008 - 31 December 2008	
	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 550 287</b>	<b>373 942</b>	<b>1 522 963</b>	<b>370 713</b>
Non-current assets	506 916	122 272	425 653	103 611
Current assets	1 043 372	251 670	1 097 310	267 102
<b>Total equity and liabilities</b>	<b>1 550 287</b>	<b>373 942</b>	<b>1 522 963</b>	<b>370 713</b>
Equity	447 766	108 005	416 207	101 311
Non-current liabilities	198 137	47 792	203 707	49 585
Current liabilities	904 384	218 145	903 049	219 816

Consolidated income statement item	1 January 2010 - 30 June 2010		1 January 2009 – 30 June 2009	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	241 154	60 225	331 153	73 290
Costs of products, goods and materials sold	172 842	43 165	241 923	53 542
<b>Gross profit (loss) on sales</b>	<b>68 312</b>	<b>17 060</b>	<b>89 230</b>	<b>19 748</b>
Selling expenses	11 421	2 852	8 414	1 862
Overhead expenses	12 911	3 224	12 238	2 709
Profit (loss) on sales	43 981	10 984	68 577	15 177
Operating profit (loss)	48 677	12 156	69 064	15 285
<b>Gross profit (loss)</b>	<b>39 349</b>	<b>9 827</b>	<b>57 813</b>	<b>12 795</b>
Income tax	7 316	1 827	8 456	1 871,00
<b>Net profit (loss)</b>	<b>32 032</b>	<b>8 000</b>	<b>49 357</b>	<b>10 924</b>

Issuer's balance sheet item	30 June 2010		31 December 2009	
	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 442 712</b>	<b>347 994</b>	<b>1 366 315</b>	<b>332 582</b>
Non-current assets	400 415	96 583	317 537	77 293
Current assets	1 042 297	251 410	1 048 777	255 289
<b>Total equity and liabilities</b>	<b>1 442 712</b>	<b>347 994</b>	<b>1 366 315</b>	<b>332 582</b>
Equity	424 061	102 287	393 394	95 758
Non-current liabilities	104 757	25 268	87 048	21 189
Current liabilities	913 895	220 439	885 873	215 635

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Income statement item	01 January 2010 – 30 June 2010		01 January 2009 – 30 June 2009	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	215 578	53 837	215 583	47 712
Costs of products, goods and materials sold	158 113	39 487	163 109	36 099
<b>Gross profit (loss) on sales</b>	<b>57 464</b>	<b>14 351</b>	<b>52 473</b>	<b>11 613</b>
Selling expenses	11 174	2 791	7 465	1 652
Overhead expenses	7 029	1 755	6 088	1 347
Profit (loss) on sales	39 261	9 805	38 921	8 614
Operating profit (loss)	43 395	10 837	37 964	8 402
<b>Gross profit (loss)</b>	<b>38 293</b>	<b>9 563</b>	<b>32 427</b>	<b>7 177</b>
Income tax	7 626	1 905	5 436	1 203
<b>Net profit (loss)</b>	<b>30 667</b>	<b>7 659</b>	<b>26 991</b>	<b>5 974</b>

Financial ratios of both the Company and the whole Group are on a satisfactory, safe level. Net profit margin on sales is still high for the Group – 13.28 % and for the Issuer – 14.23 %. Also the liquidity ratios prove safe financial flows and at the same time reflect the ability of the Company and the whole Group to serve current liabilities.

#### Financial ratios of the Capital Group

Net profit margin on sales	$\frac{\text{net profit/loss}}{\text{revenues from sales}}$	<b>1st half of 2009</b> 13.28 %
Liquidity I	$\frac{\text{total current assets}}{\text{current liabilities}}$	1.15
Liquidity II	$\frac{\text{Total current assets-inventories}}{\text{Current liabilities}}$	1.12
Equity to fixed assets	$\frac{\text{equity}}{\text{fixed assets}}$	0.88



***Financial ratios of the Parent Company***

		<b>1st half of 2010</b>
Net profit margin on sales	$\frac{\text{net profit/loss}}{\text{revenues from sales}}$	14.23 %
Liquidty I	$\frac{\text{total current assets}}{\text{current liabilities}}$	1.14
Liquidty II	$\frac{\text{total current assets -inventories}}{\text{current liabilities}}$	1.13
Equity to fixed assets	$\frac{\text{equity}}{\text{fixed assets}}$	1.06

**5. Activity of the Group and major events in the first half of 2010.**
**The Implementation of the Investment.**

In the first half of 2010 J.W. Construction Holding S.A. as the Parent Company of the Capital Group was further strengthening its leading position among developers both in Warsaw and in the whole country due to implementation of all launched investments. In the first half of 2010 the Company implemented six investments in the same time with a total number of 2,601 units and twelve one-single houses covering 119,500 sqm of usable area. Works on commercial investment in Warsaw in Badylarska Street with a usable area of 4,157 sqm and hotel investment "Czarny Potok" in Krynica Zdrój with a usable area of 20,896 sqm were being conducted.

A list of investments implemented in the first half of 2010 is presented below:

No.	Investments	Number of premises
1	„Osiedle Lewandow I”	423
2	„Osiedle Lewandow II”	1274
3	„Osiedle Bursztynowe” , Korkowa Street	328
4	„ Wislana Aleja” , Odkryta Street	200
5	„Lazurowe Ustronie” I stage	376
6	„Lazurowe Ustronie” – houses	12

No.	Commercial and hotel investments	Usable Area
1	„Jerozolimskie Point”, Badylarska Street	4.157
2	„Czarny Potok” – Krynica Zdroj	20.896

The following out of the aforesaid projects were granted an occupancy permit in the first half of 2010:

- „Lewandow Park” Ist stage, Warsaw, Lewandow Street- 423 premises
- „Wisłana Aleja”, Warsaw, Odkryta Street - 200 premises
- „Osiedle Bursztynowe”, Warsaw, Korkowa Street - 328 premises

#### Planned Investments

In addition to continuation of ongoing investments, in the nearest future, the Company is going to expand its offer by other new projects covering the housing segment. The investments that are planned to launch as the first ones cover the implementation of almost 2,000 premises and are as follows:

Planned housing investments	City /District	Number of premises
Lodz II	Lodz	255
Lewandow Park , ul. Lewandow	Warsaw / Bialoleka	208
Zielona Dolina I, ul. Zdziarska/Ostrodzka	Warsaw / Bialoleka	596
Zielona Dolina II, ul. Zdziarska/Ostrodzka	Warsaw / Bialoleka	901

Moreover, there are also some preparations to launch the implementation of new office projects. The works connected with designing and obtaining appropriate permits and decisions allowing for the beginning of these investments are being continued.

Planned commercial investments	Town /District	Usable Area
„Dana”	Szczecin/Centrum	28.712
Pileckiego Street	Warszawa/Ursynow	16.838
Powstancow Slaskich Street	Wroclaw/Centrum	24.000

*Objectives and development prospects*

The analyse of the property market and our own preferences recognition of the Buyers prove the right direction of our current action strategy that is focused on meeting our quite well-off Clients needs. In connection with the foregoing, the activity of the Company in the scope of housing building will be still developed by launching new investments in a segment of popular flats.

Taking into account the above assumptions and still difficult situation in the mortgage market, the Company offers its Clients flexible solutions to purchase a flat. Within financing offer there are programs that are adjusted to different groups of Purchasers. The most innovative solution dedicated especially to customers without creditworthiness, is the program “First move in then buy”. The program allows the clients to rent a flat and then after a period of time specified in the sale agreement to purchase it for a price that already includes a part of incurred expenses for renting a flat. Moreover, the Company has a very varied credit offer prepared on the basis of preferential conditions dedicated only to our Company’s Clients. The premises that meet criteria for obtaining the credit within the program “Rodzina na swoim”, which additionally extends the possibilities for financing, predominate in the Company’s offer.

Nowadays, the Company sees also some promising possibilities of development activity in the field of commercial building projects. In connection to this, the expansion of new and attractive commercial investments in a few the biggest cities in Poland such as Warsaw, Wrocław and Szczecin is planned. In accordance with our assumptions, there will be built about 70,000sqm of usable area assigned for rent and sale.

Both in the previous half-year as well as in the previous periods, the Company was running hotel activity. The current hotel accommodation consists of two and three star hotels that are located in very attractive places in Poland. This sector is being developed by enlargement and modernization of the “Czarny Potok” hotel in Krynica Górská obtaining the category “Resort and SPA”. Ultimately, this building will be a four-star hotel with gastronomy facilities, multifunctional conferences room and five-star SPA/Wellness complex. Construction works on

this building object were commenced in the previous years and they are still being pursued intensely.

A significant element in the Capital Group's development strategy is the executive arm – J.W. Construction S.A. Through separating the Company with a building profile, the possibilities of obtaining new, external contracts in the scope of works connected with , for example, road infrastructure have significantly increased.

The Group also continues the activities connected with development of Group Companies by implementing strategic objectives such as:

- Increasing a land bank by further attractive plots (including those in the capital),
- Cutting costs among other things by shortening the period of investment 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 investments by drawing up the documents, including project documentation (J.W. Projekt Sp. z o.o) and applying for building permits which will allow to smoothly launch further investments in the future.

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

Moreover, the following significant events occurred during the reporting period:

#### Concluding loan agreements

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

On 4 May 2010, the Company concluded Annex to the overdraft agreement with Invest Bank S.A. By virtue of the annex the loan amount was increased to PLN 10,000,000 and the final repayment date was postponed until 25 April 2011.

On 22 June 2010, the Parent Company concluded Annex No.14 to the overdraft agreement with Bank Millennium S.A. By virtue of this annex the final repayment date was postponed until 23 December 2010.

On 30 June 2010, the Parent Company concluded Annex No.3 to the overdraft agreement with PKO BP S.A for financing the implementation of the investment “Czarny Potok”. By virtue of this annex the loan commitment period was postponed until 31 December 2010 as well as final repayment date that was postponed until 31 December 2018.

#### Loan repayment

On 2 May 2010, the investment loan in the amount of PLN 9,600,000 granted by Invest Bank S.A to finance the purchase of the property situated in Łeba was repaid.

On 22 June 2010, the credit in the amount of PLN 115,000,000 granted by Bank Ochrony Środowiska S.A to finance the implementation of “Górczewska Park” investment was repaid.

#### General Meeting

On 8 April 2010 the Extraordinary General Meeting was held and amended the Articles of the Association and determined the amount of remuneration for the delegation to perform supervisory duties by the Member of the Supervisory Board.

On 18 May 2010 the General Meeting was held and approved unitary financial statement, consolidated financial statement, reports on activities of the Management Board of the Company and its Capital Group, commentaries on the activity of the Company and gave discharge to the members of the Company, appropriated the profit by allocating it entirely for a supplementary capital of the Company and chose the Supervisory Board for another term of office.

In addition, the General Meeting redeemed 625,000 own shares purchased under the program of purchasing own shares for purposes of their redemption, and gave the permission for the issuance of bonds convertible into own shares.

### Changes in the Management Board

On 26 January 2010, the Management Board of the Company appointed Mr. Marek Samarcew on the basis of personal right that the shareholder holding more than 50% of the share capital.

On 14 June 2010, the Company received a resignation statement from the function of the Vice Chairman of the Management Board of the Company by Mrs. Barbara Czyż.

As at 30 June 2010 the Management Board was composed of:

Robert Wójcik – the Vice-Chairman of the Management Board

Grażyna Szafarowska – the Member of the Management Board

Wojciech Rajchert – the Member of the Management Board

Piotr Ciszewski – the Member of the Management Board

Tomasz Panabażys – the Member of the Management Board

Marek Samarcew – the Member of the Management Board

### Changes in the Supervisory Board

On 21 January 2010, the Supervisory Board of the Company appointed Mr. Marek Maruszyński as a member of the Supervisory Board on the basis of personal right that the shareholder holding more than 50% of the share capital.

On 9 April 2010, the Company received a resignation statement by Mr. Marek Maruszyński from the function of the Member of the Company's Board.

On 13 May 2010, Mr. Andrzej Podsiadło was appointed as the Member of the Supervisory Board.

On 18 May 2010, the Extraordinary General Meeting appointed the following persons as the Member of the Supervisory Board: Mr. Jarosław Król as the Member of the Supervisory Board of the Company and Mr. Marcin Michnicki as the Member of the Supervisory Board of the Company.

On 20 May 2010 the Company received a statement of exercise of the personal right by the shareholder holding more than 50% of the Company's shares regarding appointment of Mr. Józef Wojciechowski and Mr. Józef Oleksy as the Members of the Supervisory Board.

As at 30 June 2010 the Supervisory Board was composed of:

Józef Wojciechowski – the Chairman of the Supervisory Board  
Henryk Pietraszkiewicz – the Vice-Chairman of the Supervisory Board  
Józef Oleksy – the Vice-Chairman of the Supervisory Board  
Andrzej Podsiadło – the Member of the Supervisory Board  
Jarosław Król – the Member of the Supervisory Board  
Marcin Michnicki – the Member of the Supervisory Board

#### Acquisition of land

On 13 April 2010, the Company concluded a preliminary land purchase agreement. The land is situated in Katowice and its area is 23,480 sqm. On the subject property, there will be the possibility of implementing a multi-family investment with usable area of 35,000 sqm.

On 26 April 2010, the Company concluded a land purchase agreement with the city of Gdynia. The property is located at Sochaczewska/Łowicka street in Gdynia and its total area is 7,825 sqm. The conclusion of the land purchase agreement was a result of winning a tender, regarding selling of the above-mentioned property, that was organized by the city of Gdynia on 31 March 2010. The City Hall of Gdynia transferred owned planning permission to the Company, the planning permission allows for placement of single-house and multi-family building on that plot with a total usable area of 3,200 sqm.

On 26 April 2010, the Company concluded a land purchase agreement regarding the property situated in Poznan at Jaroczyńskiego street with a total usable area of 5,219 sqm. On the subject plot, in accordance with planning permission, it can be built about 8,900 sqm of usable area.

On 24 May 2010, the Company concluded a land purchase agreement with the city of Gdynia. The property is located at Powstania Wielkopolskiego/Powstania Śląskiego in Gdynia and its total area is 4,150 sqm. The conclusion of the land purchase agreement was a result of winning a tender, regarding selling of the above-mentioned property, that was organized by the city of Gdynia on 26 April 2010. The City Hall of Gdynia transferred owned planning permission to the Company, the planning permission allows for placement of single-house and multi-family building on that plot with a total usable area of 3,000 sqm.

#### Conclusion of joint venture agreement

On 22 May 2010, the Company concluded a joint venture agreement with STAR (AP) ENTERPRISES LIMITED and WINGS PROPERTIES Sp. z o.o. The agreement relates to cooperation in implementation of the investment located in Wrocław, at Podwale Street No. 82-91 consisting of building a hotel-apartment complex with its accompanying infrastructure. Within the Investment among other things a 5 star hotel managed by Hilton is supposed to be built. The agreement was concluded under suspensive conditions that should be fulfilled in 60 days since the agreement conclusion.

As a result of failure to fulfill above-mentioned conditions, the agreement expired on 21 June 2010.

### Bonds issue

On 25 June 2010 the Company issued, in total, 1,300 unsecured long-term bonds with a nominal value of PLN 100,000 each, with a total issue value of PLN 130,000,000 with their maturity date set on 25 June 2013. The bonds' interest are based on WIBOR 3M plus margin. Funds raised through Bond issues will be allocated to funding the Company's development strategy, inter alia to purchase the land and to co-finance new housing and commercial projects.

In connection to the issuance of ordinary unsecured bonds referred above, the Management Board withdrew from issuing bonds convertible into shares, that were mentioned in the Resolutions taken by the Annual General Meeting on 18 May 2010.

### Awards and prizes

During the period that is covered in this report, the following prizes and awards were granted:

- Title "The Businessman of 1990-2010" for the Chairman of the Supervisory Board of J.W. Construction granted by Polish Business Club;
- Title "The Company of 1990-2010" granted by Polish Business Club

Moreover, J.W. Construction S.A was among the laureates of the "Forbes Diamonds 2010". On the list, there were Polish enterprises which increased their value most dynamically in the years 2005 – 2008.

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

On 1 July 2010, the reduction of share capital of the Company from the amount of PLN 10,939,656 to PLN 10,814,656 was disclosed in . The reduction of the share capital is a result of redemption of 625,000 own bearer shares with a nominal value of PLN 0,20 each entitling to 625,000 votes at the general meeting of the Company, acquired by the Company within the program of purchasing and redemption of own shares.

On 1 July 2010, District Court for the Capital City of Warsaw XIV Commercial Division of the National Court Register registered in National Court Register. The changes were made in the Articles of the Association during and by the Extraordinary General Meeting on 8 April 2010 and by the General Meeting on 18 May 2010.

On 9 July 2010, the 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 28 July 2010, the Company concluded the Annex to the non-revolving credit for financing the “Wiślana Aleja” investment, by virtue of the final repayment was postponed until 30 August 2010.

On 5 August 2010, the Supervisory Board of the Company passed a resolution to dismiss Mrs. Grażyna Szafarowska from the Management Board.

## **7. Description of major threats and risks.**

Below there are described risks and threats for the operations of the Company and the Group in the following months of 2010.

### **Interest rate risk**

The Group 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 – on the average for 1.5 years. It is assumed that in such period the interest rate risk would not require additional hedging options. The only non-current liabilities are liabilities of TBS Marki – a Group company, under loans incurred with the National Housing Fund on entirely separate terms and conditions provided under the act on supporting certain forms of housing building industry of 26 October 1995.

### **Currency risk**

Within the whole Group the companies not to conclude transactions in PLN are Russian law companies – J.W. Construction International in Kolomna near Moscow and YAKOR HOUSE Sp. z o.o. in Sochi, as well as a Bulgarian law company – J.W. Construction Bulgaria EOOD. Settlements made in Russia did not require additional hedging since both income and expenses are recognised in the same currency, while the Bulgarian company has not launched operations yet.

### **Credit risk**

A very significant part of the Group’s clients purchases with bank loans. Risks connected with 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 position. However, a smaller availability of mortgage loans should be still taken into account, connected indirectly with more stringent lending procedures, also due to the situation on the mortgage loan market. That results in a still smaller demand for apartments.

### **Liquidity risk**

The Group pays special attention to keeping the balance between financing its investment activities and timely payment of its liabilities. The liquidity is dependent on the banks’ credit policy, both mortgage and investment. The lack of financing by banks 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 licences, permits or concessions or late obtainment of the same may have adverse effect on the Capital Group's ability to launch, conduct or complete present and new developer projects. All those factors may have impact on financial flows and overall operations.

### Consolidated risk

Financial statements item	Value in PLN	Interest rate risk				Currency risk			
		Effect on earnings		Effect on equity		Effect on earnings		Effect on equity	
		+ 50 b.p. in PLN	- 50 b.p. in PLN	+ 50 b.p. in PLN	- 50 b.p. in PLN				
<b>Financial assets</b>		+ 25 b.p. in USD/EUR	- 25 b.p. in USD/EUR	+ 25 b.p. in USD	- 25 b.p. in USD	+10%	-10%	+10%	-10%
Cash in current accounts	39 766	199	-199						
Bank deposits	83 189	416	-416						
Bonds held	0	0	0						
Granted loans in PLN	0	0	0						
Granted loans in USD	0	0	0			0	0		
Granted loans in EUR	0	0	0			0	0		
<b>Effect on financial assets before tax</b>		<b>615</b>	<b>-615</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Tax (19%)		-117	117	0	0	0	0	0	0
<b>Effect on financial assets after tax</b>		<b>498</b>	<b>-498</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financial liabilities</b>									
Bonds issued	130 000	-650	650						
Bank loans	318 633	-1 593	1 593						
<b>Effect on financial liabilities</b>		<b>-2 243</b>	<b>2 243</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Management Commentary on the Group of J.W. Construction Holding S.A.  
 for the period from 1 January 2010 to 30 June 2010

<b>before tax</b>									
Tax (19%)		426	-426	0	0	0	0	0	0
<b>Effect on financial liabilities after tax</b>									
		-1 817	1 817	0	0	0	0	0	0
<b>Total increase / (decrease)</b>									
		-1 319	1 319	0	0	0	0	0	0

**8. Effects of changes in the structure of the company, also due to business combination, acquisition or sale of companies of the capital group of the Issuer, long-term investments, division, restructuring and discontinued operations.**

There were no major changes in the organisational structure of the capital group of the Issuer during the reporting period and that would have significant impact on the activity of the Issuer and its Capital Group.

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

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

**10. Shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes in the general meeting of the Issuer as at specific dates, the number of shares held by the same, percentage share in share capital, number of votes attributed to the same and their percentage share in the total number of votes in the general meeting.**

As at 31 December 2009.

<i>Shareholder</i>	<i>Number of shares</i>	<i>% of share capital</i>	<i>Number of votes</i>	<i>% of total votes in the General Meeting</i>
Jozef Wojciechowski	15.413.713	28,18 %	15.413.713	28,18 %
EHT S.A.	24.448.300	46,52 %	24.448.300	46,52 %

As at 30 June 2010.

<i>Shareholder</i>	<i>Number of shares</i>	<i>% of share capital</i>	<i>Number of votes</i>	<i>% of total votes in the General Meeting</i>
Jozef Wojciechowski	15.413.713	28,18 %	15.413.713	28,18 %
EHT S.A.	18.568.300	33,95 %	18.568.300	33,95 %
Investment Fund managed by PKO TFI S.A.	Between 5 and 10 % of shares <sup>x</sup>			
Pioneer Pekao TFI S.A.	Between 5 and 10 % of shares <sup>xx</sup>			

As at 26 August 2010.

<i>Shareholder</i>	<i>Number of shares</i>	<i>% of share capital</i>	<i>Number of votes</i>	<i>% of total votes in the General Meeting</i>
Jozef 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 Fund managed by PKO TFI S.A.	Between 5 and 10 % of shares <sup>x</sup>			
Pioneer Pekao TFI S.A.	Between 5 and 10 % of shares <sup>xx</sup>			

<sup>x</sup> On 9 April 2010 the Company received the notice on exceeding 5% threshold in the share capital of the Company by Funds managed by PKO TFI S.A. As at 9 April 2010 there was the amount of 3,245,668 shares constituting 5.93 % of share in the share capital of the Company and entitling to 3,245,668 votes at the General Meeting that constituted 5.93 % of the total number of votes. In accordance with effective laws and regulations the shareholder has the duty to notify the Company of exceeding 5% and than 10% threshold of total number of the Company shares. To this day the Company hasn't received other notices from the shareholder which would contain the information about the reduction in the number of the shares held below 5 % or increase over 10 % of share capital of the Company.

<sup>xx</sup> On 15 April 2010 the Company received the notice on exceeding 5% threshold in the share capital of the Company by Funds managed by Pioneer Pekao TFI S.A. As at 15 April 2010 there was the amount of 2,740,767 shares constituting 5.01 % of share in the share capital of the Company and entitling to 2,740,767 votes at the General Meeting that constituted 5.01 % of the total number of votes. In accordance with effective laws and regulations the shareholder has the duty to notify the Company of exceeding 5% and than 10% threshold of total number of the Company shares. To this day the Company hasn't received other notices from the shareholder which would contain the information about the reduction in the number of the shares held below 5 % or increase over 10 % of share capital of the Company

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

Issuer's shares held by members of authorities of the company.

As at 31 December 2009.

<i>Person</i>	<i>Function</i>	<i>Number of shares</i>
Jozef Wojciechowski	Supervisory Board Chairman	15.413.713

As at 30 June 2010

<i>Person</i>	<i>Function</i>	<i>Number of shares</i>
Jozef Wojciechowski	Supervisory Board Chairman	15.413.713

As at 26 August 2010

<i>Person</i>	<i>Function</i>	<i>Number of shares</i>
Jozef Wojciechowski	Supervisory Board Chairman	15.413.713

There were no changes during the reporting period.

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

Neither the Company nor any of its subsidiaries is a party to a procedure pending before a court, arbitration tribunal or public administration authority, of the value over 10% of equity of the Issuer.

**13. Transaction(s) between the Issuer or its subsidiary with related parties, provided that their individual or aggregate value is significant and they were concluded otherwise than on an arm's length basis.**

The Company and its subsidiaries conclude only arm's length transactions.

No.	Balances of JWCH with the group's companies	Receivables from related parties		Liabilities to related parties	
		30 June 2010	31 December 2009	30 June 2010	31 December 2009
1.	TBS Marki Sp. z o.o.	0,00	0,00	22 935 812,59	22 423 424,90
2.	JW. Construction International Sp. z o.o.	14 233 913,34	14 161 890,46	0,00	0,00
3.	Business Financial Construction Sp. z o.o.	0,00	0,00	2 304 079,51	2 251 427,98
4.	Project 55 Sp. z o.o.	43 932,54	0,00	7 897 138,57	8 843 603,19
5.	Interlokum Sp. z o.o.	309 049,08	285 000,00	6 274 275,96	6 287 625,41
6.	Lokum Sp. z o.o.	1 000,00	19 168,89	355 107,05	0,00
7.	Deweloper Sp. z o.o.	0,00	0,00	20 000,00	21 620,56
8.	JW. Projekt Sp. z o.o.	2 162 159,69	2 136 498,95	709 022,45	17 269,11
9.	TBS Nowy Dom Sp. z o.o.	10 238,10	9 639,18	0,00	0,00
10.	Construction Invest Sp. z o.o.	3 866 707,24	3 770 743,23	0,00	0,00
11.	JW. Construction SA	1 182 076,03	2 050 387,83	94 284 634,59	103 213 488,88
12.	J.W.Bulgaria Sp. zo.o.	30 903 940,95	30 514 275,75	0,00	0,00
13.	Porta Transport Sp. z o.o.w likwidacji	15 921,00	21 829,01	2 851 177,77	0,00
14.	Yakor House Sp.z o.o.	7 661 993,78	7 352 340,43	0,00	0,00
15.	JWCH Produkcja Budowlana Sp. z o.o.	8 895 649,04	7 392 537,18	0,00	0,00
16.	JWCH Budownictwo Drogowe Sp. z o.o.	2 859 802,47	2 332 175,13	911 266,04	0,00
17.	Stadnina Mazowiecka Sp. z o.o.	5 419 953,60	0,00	0,00	0,00
18.	SASPOL INFRASTRUKTURE Sp.z.o.o.	40 000,00	40 000,00	0,00	0,00

**14. Loan or credit guarantees or securities granted by the Issuer or its subsidiary to one entity or its subsidiary, if the total amount of current guarantees or sureties is equal to at least 10% of equity of the Issuer.**

Not applicable

**15. Auditor's remuneration for the review.**

For the review of the abbreviated consolidated financial statements for 6-month period of 2010, the auditor's remuneration was set for the amount of PLN 30,000 net.

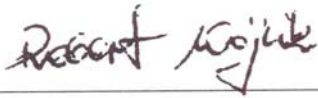




For the review of the abbreviated unitary financial statement for 6-month period of 2010, the auditor's remuneration was set for the amount of PLN 65,000.

**16. Other information significant, in the opinion of the Issuer, for evaluation of its personnel, assets, financial standing, earnings and changes in the same, and information significant for assessment of the ability of the Issuer to fulfil its obligations.**

None besides the ones disclosed above.

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Podpisy Członków Zarządu

Robert Wójcik Vice Prezes Zarządu	Podpis 
Tomasz Panabażys Członek Zarządu	Podpis 
Piotr Ciszewski Członek Zarządu	Podpis 
Marek Samarcew Członek Zarządu	Podpis 
Wojciech Rajchert Członek Zarządu	Podpis 

Ząbki, 26 sierpnia 2010 r.