

Management Board statement on the activity of J.W. Construction Holding S.A. in 2015



Prepared in accordance with the International Financial Accounting Standards

Ząbki, this 17th day of March, 2016





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1. Introduction

Information about the dominant entity

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

The history of the Company begins in 1993. The Company was formed from transformation of Towarzystwo Budowlano - Mieszkaniowe Batory Sp. z o.o. domiciled in Ząbki, established (Company's agreement conclusion) on 10 February 1994 and registered by the Court on 7 March 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.

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."

Share capital of the Company amounts to PLN 17.771.888,60 and is divided into 88.859.443 bearer share with the nominal value of PLN 0,20 each. The capital is divided into A and B share series in the amount of 54.073.280 shares and C-series shares in the amount of 34.786.163 shares.

2. Key economic and financial figures

Income Statement

Key items of the income statement for the years 2014 and 2015 in thousand of PLN, translated into EUR:

Consolidated income statement item	between 01-01-2015 and 31-12-2015		between 01-01-2014 and 31-12-2014	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	202 177	48 261	212 836	50 805
Costs of products, goods and materials sold	160 936	38 416	171 274	40 884
Gross profit (loss) on sales	41 241	9 844	41 562	9 921
Sales costs	18 137	4 329	18 992	4 533
Overheads	14 671	3 502	14 728	3 516
Profit (loss) on sales	39 762	9 492	36 235	8 650
Operating profit (loss)	24 606	5 874	35 246	8 414

Gross profit (loss)	7 258	1 734	11 793	2 815
Income tax	1 524	364	3 452	824
Net profit (loss)	5 734	1 371	8 341	1 991

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

Consolidated income statement item	between 01-01-2015 and 31-12-2015		between 01-01-2014 and 31-12-2014	
	PLN	% of sales	PLN	2015/2014 dynamics
Net revenues from sales of products, goods and materials	202 176 830	100%	212 835 707	-5%
Costs of products, goods and materials sold	160 936 021	80%	171 273 756	-6%
Gross profit on sales	41 240 809	20%	41 561 952	-1%
Operating profit	24 606 024	12%	35 246 380	-30%
Gross profit	7 257 664	4%	11 792 863	-38%
Net profit	5 734 163	3%	8 341 020	-31%

In 2015, the Group had the revenue of PLN 202,2 million, which is a 5% worse result compared with the last year. The level of sales results from the investment realization cycle and the accounting principles, which cause results to be shown on finished real estate projects only regardless of the amount of constructed apartments in a given period. Nevertheless, the profitability of sold projects constantly remains on the same level.

The Company's revenue structure in 2015:

In the revenue structure of the Group in 2015, there is a clear indication of the domination of product sales, such as living and office units, building lots, buildings (65% of revenue), 33% constitute revenues from the sale of services, 1% constitute the sales of goods, and only 1% is formed by the sale of other goods, which is presented in the table below.

REVENUE FROM OPERATIONAL ACTIVITY	between 01-01-2015 and 31-12-2015	% share	between 01-01-2014 and 31-12-2014	% share
-revenue from product sales - units, plots, buildings	131 470 869,92	65%	130 621 013	61%
-sales of products - other	2 504 774,36	1%	4 856 807	2%
-sales of services	66 061 258,01	33%	76 011 927	36%



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- sales of goods	2 139 927,65	1%	1 345 960	1%
Total income	202 176 829,94	100%	212 835 707	100%

Balance sheet

The state of assets and liabilities as of December 31, 2015 and December 31, 2014 is presented in thousands of PLN and in euros.

Items on the consolidated balance sheet	31-12-2015		31-12-2014	
	PLN	EUR	PLN	EUR
Total Assets	1 697 585	398 354	1 450 246	340 250
Fixed assets	865 498	203 097	904 779	212 275
Current assets	832 087	195 257	545 467	127 975
Pasywa razem	1 697 585	398 354	1 450 246	340 250
Equity	626 643	147 047	627 158	147 141
Long-term liabilities	449 965	105 588	522 900	122 680
Short-term liabilities	620 977	145 718	300 188	70 429

The structure and dynamics of changes of assets and liabilities as of December 31, 2015 and December 31, 2014 expressed in PLN:

Items on the Issuer's balance sheet	31-12-2015		31-12-2014	
	PLN	Participation in assets	PLN	Change 2015/2014
Total Assets	1 697 585 229	100%	1 407 507 013	21%
Fixed assets	865 498 014	51%	885 361 988	-2%
Current assets	832 087 214	49%	522 145 025	59%
		Participation in liabilities		Change 2015/2014
Total equity and liabilities	1 697 585 228	100%	1 407 507 013	21%
Equity	626 642 780	37%	513 374 216	22%
Long-term liabilities	449 965 010	27%	589 186 337	-24%
Short-term liabilities	620 977 438	37%	304 946 460	104%

The structure of the balance sheet as of December 31, 2015 is as follows: fixed assets constitute approx. 51% of the balance sheet sum, and the current assets constitute approx. 49% of assets. In comparison with 2014, the balance sheet sum increased by 21%.

Basic financial indicators

	2015	2014	2013
Profitability indicators			
Gross sales profitability	20,4%	19,5%	21,1%
Net sales profitability	2,8%	3,9%	3,5%



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Wealth profitability	0,3%	0,6%	0,8%
Capital profitability	0,9%	1,3%	2,2%

Liquidity indicators

Liquidity indicator I	1,3	1,8	1,7
Liquidity indicator II	0,5	0,4	0,4
Liquidity indicator III	0,30	0,14	0,05

Activity indicators

Payment rate of liabilities in days	54	52	38
Inventory and construction contract turnover rate in days	1090	872	663

Debt ratios

Debt payment rate in days	95	102	96
Debt indicator	63,1%	56,8%	63,5%

Efficiency of shares

Book value per 1 share in PLN	7,05	9,98	9,49
Net financial result per 1 share in PLN	0,06	0,13	0,21

3. Description of important risk and threat factors

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

Liquidity risk

The Company 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, developers and individual Clients may have impact on beginning new investments, the demand for apartments, regularity of payments and, thus, on cash flows.

Credit Risk

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

Risk related to administrative decisions

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 Company. All those factors may have impact on financial flows and overall operations..

Risk related to the general macroeconomic situation

The activity of the Capital Group as well as its financial results to a large extent are dependent upon the current economic prosperity present mostly on the domestic market. The factors that shape the economic situation are among other things as follows: the rate of the GDP growth, the level of gross average remuneration, the unemployment level, the inflation level, currency exchange rates, bank interest rates, the availability of credit loans, the debt level of households. Despite the ongoing economic boom in Poland there is no certainty that positive tendencies will last in the future. It is possible that the economic growth will slow down in Poland. There is a risk that in the case of an economic slowdown in Poland there may occur the drop of real gross remunerations and further restriction with regard towards credit loans, including mortgage credits. This will result in the decrease of demand for the products and services offered by the capital group, especially with regard towards company apartments which are its key products. Consequently, this may have a negative effect influence on the sales level achieved by the Capital Group and cause the worsening of its financial results.

Risk related to the support program for the apartment customers

Currently, in place there is a government buy-down program called "Mieszkanie dla młodych" that makes certain things easier for customers willing to receive additional government contributions towards the obligatory initial contribution on the part of prospect owners. If the amount of funds earmarked for financing such a program turns out to be insufficient or will be limited in the future, there may be a smaller demand for living apartments, especially on the part of people with smaller salaries. An additional risk element is the level of average calculation levels adopted in the calculation of the maximum apartment purchase price and the level of additional government payments towards the obligatory initial contribution on the part of prospect buyers. This may cause the general prosperity to be worse on the real estate development market and the loss of sold apartments, which may have a negative impact on real estate developers and financial results thereof, including the results of the Company.

Untypical circumstances having effect on earnings

In 2015 there were no untypical circumstances and events having effect on earnings for the accounting year.

4. Development perspectives of the Capital Group

In 2015, new real estate development projects were launched due to prosperity on the market, which contributed towards a significant growth of sales. In the opinion of the management board, good prosperity should also be present on the real estate market also in 2016.

In the following year, the Company wants to concentrate on:

- the continuation of construction on its land inventory in accordance with the adopted schedule by realizing its strategy adopted earlier being related to the construction over its extensive land inventory with more than 6,000 units (including 3,000 units realized in 2015, and another 3,000 being planned for launching), which is launching as many new projects guaranteeing faster cash flow as possible in accordance with the adopted schedule.
- the maintaining of the geographical diversification with the dominant position of the Warsaw market and expanding to other regions of Poland with an eye of launching new projects in the territory of Gdansk, Gdynia, Sopot, Katowice, and Szczecin.
- the continuation of the work related to the preparation of project documentation and receiving building permits for the construction of living apartments and aparthotel.
- the selective acquisition of new locations for real estate development investments.
- the sales of 1,500-2,000 units yearly.
- the increase of sold apartments from the popular segment under the government buy-down program.
- the release of non-working assets.

Investments planned for launching in 2016:

In 2016, the Construction Holding S.A. Group plans to realize real estate investments in Warsaw, as well as in other large conurbations of Poland, such as Katowice, Gdynia, and Szczecin.

The realization of investment will be funded from the Group's own funds, revenue received from Customers (in case of an open-ended escrow account) as well as investment credits.

In 2016, the Group plans to launch new residential projects in Warsaw's Białołęka at Zdziarska street, namely 2 new phases with 596 units (in Q1 of 2016 the construction works started at Zielona Dolina III with 54 units), at Lewandów street - 3 phases with 346 units, investments at Nowodworska street (13 units) and Berensona street (290 units). The Group will be also carrying out new investment phases at Kasprzaka street, namely the D and E phases of the Bliska Wola investment with 1,105 units in total (residential units and the aparthotel project). As far as investments outside Warsaw are concerned, the launching of the next phase of the Bernadowo Park investment in Gdynia is planned with 236 units, as well as a residential investment at Sochaczewska street with 55 units. Additionally, the Group plans to realize another residential project in Katowice at Tysiąclecia street with 329 units and the Hanza Tower, a commercial and residential project with 300 units.

Summary of the planned investments for launching in 2016

Planned residential investments for 2016	City /District	Number of units / homes (without offices and aparthotels)	Useable area
Bliska Wola - Phase E	Warsaw/Wola	690	30 000
Zielona Dolina II community – Zdziarska street – Phase II	Warsaw/Białołęka	543	25 424
Bliska Wola - phase D	Warsaw/Wola	415	18 000
Katowice, Nowe Tysiąclecie phase III	Katowice	329	16 175
Hanza Tower	Szczecin	300	14 500
Osiedle Berensona	Warsaw /Białołęka	290	15 250
Gdynia, Bernadowo II	Gdynia/Mały Kack	236	13 185
Osiedle Lewandów III	Warsaw /Białołęka	211	7 875

Osiedle Lewandów IV	Warsaw /Białoleka	108	3 830
Gdynia, ul. Sochaczewska/Plocka	Gdynia	55	3 478
Osiedle Zielona Dolina III	Warsaw /Białoleka	54	2 254
Osiedle Lewandów I/16	Warsaw /Białoleka	27	1 115
Osiedle Nowodworska	Warsaw /Białoleka	13	1 241
In total		3 271	152 327

In 2016, the J.W. Construction Holding S.A. Group plans to realize commercial investments earmarked for aparthotel units in Warsaw and Szczecin.

Planned commercial investments for 2016	City /District	Useable area
Bliska Wola - phase E	Warsaw /Wola	13 600
Bliska Wola - phase D	Warsaw /Wola	45 580
Jerozolimaska Invest	Warsaw /Wlochy	3 476
Pileckiego	Warsaw /Ursynow	7 960
Hanza Tower	Szczecin	22 000
In total		92 616

Market conditions:

The market analysis and customer preferences show that the currently adopted strategy consisting in meeting the needs of customers with average income and adjusting the offer to the requirements of wealthy customers (aparthotel units with units for rental being mainly addressed to them) is correct. Lately, there has been a larger number of customers who find bank deposit interest rates not to be satisfactory enough, and therefore they invest in real estate. On the other hand, the needs of Poles with average income constantly grow. The prosperity on the main markets that are the key area of the Capital Group's activity, especially the commercial and living real estate market and the hotel market, is dependent upon macroeconomic factors.

The condition of the real estate development market is affected by political, social and cultural factors being outside the domain of economic factors, including:

- demographic processes influencing natural population growth and the population size,
- migration of population to large conurbations,
- decrease of the emigration and increase of the employment immigration as a result of the growth of the living standard in the country,
- changes within households - the process related to the creation and breakdown of families (growing number of divorces),
- implementation of support programs for young households and and social support, namely the Mieszkanie dla Młodych government buy-down program and the Apartment Rental Fund.

All the economic activity measures show that there has been an economic rebound after the period of slow-down, which took place in the first half of 2013.

According to the estimations of the Central Statistical Office, both in Q3, as well as in the period of three quarters of 2015, the GNP was 3,5%. The unemployment level in September of 2015 was on the level of 9,7%, which is 1,8 p.p. less than the year before. In the first three quarters of 2015, the average income in the sector of companies went up nominally by 3,6%, and constituted PLN 4,067. The payment growth took place in almost every sector. In the period between January and September 2015, the Council of Monetary Policy decreased interest rates only once. Since March 5, 2015, the interest reference rate has been 1,5%. In 2014, according to the Central Statistical Office data, the production of construction materials and works as a whole went up by 2,6% year by year. In companies employing more than 9 employees there was a 3,6% growth.

According to the report from the Ministry of Economy, in the period between January and September 2015, there were 101,500 new apartments put into operation, which is 1,4% more than in the same period of the year before. In construction conducted by individuals as well as in construction earmarked for sale or rent there was a growth of the number of apartments put into operation by 4,3% and 3,2% respectively. There was a decrease of the number of apartments in co-operative buildings, municipal and public housing. In the period between January and September 2015, the production of construction materials and construction works went up by 2,0% in comparison with the same period of the year 2014.

There was a growth in the sector of the production of construction materials and construction works in the analyzed period of time took place in every construction segment, namely the entities performing specialist construction works (3,4%), companies performing the construction of buildings (2,1%), as well as in companies involved in civil and water engineering (0,9%). Only in the group of companies specializing in construction works related to the construction of living and non-living buildings there was a 1,5% decrease. It is estimated that in 2015 there will be an approx. 1,5% growth related to the production of construction materials and performing construction works.

According to the report by the National Bank of Poland, information on the apartment prices and the situation of the living real estate and commercial market in Poland in Q3 leads to the following conclusions:

The living real estate market remained stable despite the new rebound phase as a result of a new economic cycle. Similarly to the previous quarters, there the market of commercial real estate, especially office real estate, remained balanced, but the imbalance remained between demand for space and increasing supply caused by the realization of new investment projects. This caused a state of a lot vacant buildings to remain especially in the sector of office buildings.

The offer prices regarding sq. m. of living apartments on the markets of new apartments being analyzed showed signs of stabilization. Transaction prices of sq. m. on the markets of new apartments in Warsaw and six largest cities went up slightly, which was an effect of the sale of the larger number of more expensive apartments, especially those with better location. Transaction prices of sq. m. on the markets of second-hand apartments of most cities were stable, but in Warsaw the next quarter in row saw prices to go down in relation to the bigger number of apartments, which was caused by the bigger number of apartments of lesser quality or with a worse location.

In all analyzed cities, the prices of new apartments were higher in comparison with those from the second-hand market. Due to deflation, real CPI divided by deflators transaction prices of a sq. m. of an apartment showed an insignificant growth both in segment of new apartments, as well as in the segment of second-hand apartment market.

Average rent rates of apartments in large cities (offered and transactional) showed a slight growth. Citing further the information from the report of the National Bank of Poland, the following information can be found:

- Average credit and apartment availability in large cities decreased in comparison with the previous quarter as a result of stable prices of an apartment meter square, rising minimum income of households, as well as slightly higher interest rates in PLN regarding apartment credits. An average price of an apartment meter square in the largest cities of Poland was equal to 0,83 m. sq. per average monthly remuneration in company sector, i.e. it was higher by 0,34 m. sq. in comparison with the minimum level of Q3 2007.
- Apartment investments (without counting transaction costs) are still profitable in a short-term perspective. The reliability of an apartment investment is higher than the reliability of 10-year state bonds, as well as a bank deposit, and is similar to the reliability in the commercial real estate market. The relation of an apartment credit cost servicing to an apartment rent still allows for financial servicing of credit costs with the rent revenue. It still needs to be remembered that there is a risk related to such an investment and that such an asset has low liquidity.
- The mortgage credit action on the part of banks in the apartment segment was stable. The mortgage debt level of households decreased, which was the consequence of granting loans in PLN, gradual payment credit loans in foreign currencies and a lower PLN/CHF exchange rate in comparison with the previous quarter. Since 2012, in the bank currency structure of credit loans there has been a systematic decrease of credit loans denominated in foreign currencies. This is a positive phenomenon from the standpoint of financial and macroeconomic stability that also results from the fact that people without permanent income in a given currency do not get credit loans. Banks' selling their liabilities with decreased quality to debt collector agencies caused the share of mortgage loans under the risk of default to decrease (approx. 3,3%).
- High estimated profitability of residential real estate development investments still remained at a high level. It was a result of the positive price relation of apartment prices to the costs of materials and construction works over the last couple of years. Financial data of real estate development companies normally show that there is a poor profitability on their activity, which also reflects on the stock exchange quotations of the largest companies from the industry. The estimated profitability of real estate development projects in the real estate construction remained at a good level, which confirms starting and introducing to the market new investment projects. For another quarter, the number of bankruptcies was also lowered in the real estate industry.
- The number of contracts for the construction of new apartments was on the increase as well as the number of apartments that are under construction. Large estimated real estate development profit margins and residential project return rates, as well as a large demand contributed to a significant growth of the number of issued building permits and certificates of occupancy. There was a growth in comparison with the three quarters of 2014 respectively by 17,8 thousand (+14,8% year/year), by 13,5 thousand (+11,8% year/year) and 1,4 thousand (+1,4% year/year).
- The number of ready apartments and new construction contracts for them on the six largest markets of Poland increased again in the discussed period (by approx. 2,9 thousand of apartments).

The high supply of new contracts for the construction of apartments has not been absorbed by the market in spite of a large demand partially related to discounting the effect of low interest rates. The opposite effect has the increase of the initial contribution requirement in reference to mortgage loans. The indicator of apartment sales time on the primary market (counted as a number of apartments being on offer at the end of a quarter in relation to average sales level from the previous year) in six largest cities changed insignificantly. Real estate developers continue to properly match the structure of apartment sizes to the demand as opposed to the apartment second-hand market, where supply results from the apartment structure resource.

- The maximum sq. m. prices of apartments meeting the requirements of the government buy-down program (MDM) in Q3 of the current year remained unchanged on the six largest Polish real estate markets, and there was a slight increase in another ten Polish towns. The analyses show that price limits in the government buy-down program are decided upon in a discretionary fashion. The established limits in case of Cracow decreased the estimation of the annual return rate on real estate development projects from 11% to 9% and remained at the same level in Gdansk and Wroclaw at the respective level of approx. 14% and 7%. In case of Warsaw they decreased from 11% to 10%. The amount of received government support for households in the case of purchasing new apartments increase. Since the beginning of 2014, out of 31,7 thousand applications filed regarding the government buy-down support, 20,5 thousand applications (64,7%) were approved of with the amount of financial support amounting PLN 470,9m. Due to the extension of the government buy-down program (MDM) to the second-hand apartment market in Q3 of 2015 it is possible to expect the interest in the program to grown in the coming quarters. The government buy-down program Rodzina na Swoim slowly but surely starts to cease. This should mean that the installments of lenders' mortgage loans will increase, but due to a historically low level of interest rates this should not be a significant problem for the payment of those credits.

Goals and perspectives for development:

The priority for the Company have been real estate development projects that guarantee quick return on invested funds as opposed to commercial projects. The Company's offer is dedicated to medium-income population, hence investments are planned and carried out in locations that are attractive from the price standpoint. Investments in Warsaw such as Bliska Wola in Warsaw's city center and Zielona Dolina in Warsaw's Białołęka are adjusted to purchasing possibilities of potential buyers. The Company also assists its customers in receiving mortgage credits. The company offers financing programs adjusted to financial possibilities of customers. Due to co-operating with many banks that lasts for many years, the Company has diverse credit offer based on preferential conditions dedicated to the Company's customers.

The Company plans to increase sales in the nearest years and wants to achieve the level of 1,500 - 2,000 units sold yearly. It will be possible due to adding to the offer another 1,600 apartments in 2015, especially due to the Bliska Wola, phase D and E at Kasprzaka street and Zielona Dolina II in Warsaw's Białołęka investments. A good signal for future sales is also the government buy-down program known as "Mieszkanie dla Młodych" that makes it easier for young people to buy their first apartment from real estate developers

Despite primary concentration on the real estate development activity, the Group plans to continue the revenue diversification started in previous years through the participation in the hotel and aparthotel segment in all Poland by using its potential and possibilities of obtaining financing.

To sum up, the Company regardless of the situation on the market diversifies risk through:

- realization of started residential real estate investments,
- extending the offer with apart-hotel units - apartments for rent,
- preparations to run a new investment in the capitol and other, various part of Poland,
- the continuation of hotel activity.
- acquiring new contracts for J.W. Construction sp. z o.o., a construction company

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

5.1. Real estate development activity

The Group within the scope of its real estate development activity offers units that can be divided into the following market segments:

- Popular flats: flats located in communities which are located mainly outside the city centre of urban areas such as for example Warsaw, etc, usually comprising of not less than 200 hundreds flats with an average area of 50 sq. m. Examples of such popular flats are the following investments Osiedle Światowida na Białołęce, Lewandów Park i Zielona Dolina na Białołęce, Osiedle Bursztynowe in Wawer, Villa Campina in Ożarów Mazowiecki
- Higher-end apartments: units belonging to this category are located close to the city center in popular districts in buildings with higher architectural standard. An example of such projects are Oaza Piątkowo (Poznań), Rezydencja Redłowo (Gdynia) realized within a SPV, as well as Bliska Wola (Warsaw, Wola District) realized within an SPV an by J.W. Construction Holding S.A.

Apartments are offered as fully finished and equipped and under a developer standard, which means that there is no interior finishing at the time of take-over by the customer. As far as the interior finishing programs are concerned, there are Smart and Optima programs that have been selected as the most popular ones by the customers buying our apartments. These programs have a broad selection of finishing materials from a catalogue of products dedicated to the finishing offer.

In 2015, the Group realized 12 residential investments with the total number of 3,005 units and the area of more than 135,000 sq. m. as well as single-family homes. The construction works encompassed investments throughout the country, namely Bliska Wola - phases A, B1, B2, C and C-Wola Invest in Warsaw, the Zielona

Dolina II phase 1 and the Villa One community in Warsaw, the phases of the Nowe Tysiąclecie community (phase A1 and phase B1) in Katowice, the Centrum III community in Lodz, Bernadowo Park in Gdynia, as well as single-family homes near Ożarów Mazowiecki.

At the same time as residential investments were realized, Dana Invest sp. z o.o., a JWCH Group company carried out works on a hotel investment, namely the Stara Dana hotel in Szczecin whose total area comprised approx. 5 thousand sq. m. In Q4 of 2015, the Company finished the realization of the Hotel Dana Business & Conference building.

Below is a summary presenting the investments prepared and realized by the Group, as well as those realized within its SPV's in 2015.

Out of the presented projects, in 2015 construction works started on the Bliska Wola C and Wola Invest community at Kasprzaka street, Zielona Dolina II phase 1, Villa One in Warsaw, Bernadowo Park phase 1 in Gdynia, Nowe Tysiąclecie phase B1 in Katowice, as well as at Nowe Tysiąclecie phase B1 community and single-family homes near Ożarów Mazowiecki.

In 2015, construction works were finished and certificated of occupancy were received for Bliska Wola phase A. The Bliska Wola B2 and Nowe Tysiąclecie A investments were finished (construction works were finished in December 2015). Below is a summary presenting investments realized by the Group and realized within its SPV's in 2015.

No.	Housing investments	Number of units
1	Bliska Wola – phase B1, Warsaw – Bliska Wola 1 Sp. z o.o.	672
2	Bliska Wola - phase C, Warsaw – J.W. Construction Holding S.A.	481
3	Bliska Wola - phase C - Wola Invest, Warsaw – J.W. Construction Holding S.A.	458
4	Zielona Dolina II phase I, Warsaw – J.W. Construction Holding S.A.	321
5	Bliska Wola – phase B2, Warsaw – Bliska Wola 2 Sp. z o.o.	291
6	Gdynia, Bernadowo phase etap I – J.W. Construction Holding SA	196
7	Bliska Wola – phase A, Warsaw – J.W. Construction Holding S.A.	156
8	Nowe Tysiąclecie, Katowice phase A1 – Nowe Tysiąclecie Sp. z o.o.	149
9	Nowe Tysiąclecie, Katowice phase B1 – Nowe Tysiąclecie Sp. z o.o.	122
10	Osiedle Centrum III, Łódź – Łódź Invest Sp. z o.o.	96
11	Villa Campina – single-family homes, Ożarów	42
12	Willa One, Warsaw – J.W. Construction Holding S.A.	21
	Total	3 005

Lp.	Hotel investment	Number of hotel rooms
1	Stara Dana – Dana Invest Sp. z o.o. - Szczecin – revitalization of an existing building	100

Out of the presented projects, construction works were started at a residential community called Bliska Wola C and Wola Invest at Kasprzaka street, Zielona Dolina II phase I, Villa One in Warsaw, Bernadowo Park phase I in Gdynia, Nowe Tysiąclecie phase B1 in Katowice, as well as at Villa Campina single-family homes. These numbers show totals for 2015. The company started developer investments for 1,637 units.

Lp.	Real estate development investments started in 2015	Number of units
1	Bliska Wola - phase C, Warsaw – J.W. Construction Holding S.A.	481
2	Wola Invest, Warsaw – J.W. Construction Holding S.A.	458
3	Zielona Dolina II phase I, Warsaw – J.W. Construction Holding S.A.	321
4	Gdynia, Bernadowo Park phase I – J.W. Construction Holding SA	196
5	Nowe Tysiąclecie, Katowice phase B1 – Nowe Tysiąclecie Sp. z o.o.	122
6	Villa Campina – single-family homes, Ożarów - J.W. Construction Holding S.A.	38
7	Willa One, Warsaw – J.W. Construction Holding S.A.	21
	Total	1 637

In 2015, the construction works were finished and an occupancy permit was obtained for the Bliska Wola phase A investment. At Bliska Wola B2 and Nowe Tysiąclecie A investments were also finished (construction works were finished in December 2015).

No.	Construction works finished in 2015	Number of units
1	Bliska Wola – phase B2, Warsaw – Bliska Wola 2 Sp. z o.o.	291
2	Bliska Wola – phase A, Warsaw – J.W. Construction Holding S.A.	156
3	Nowe Tysiąclecie, Katowice phase A1 – Nowe Tysiąclecie Sp. z o.o.	149
	Total	596

In 2015, the Capital Group received the following decisions regarding permits:

- a) *building permit*

On January 29, 2015, the Company received a building permit for the construction of 9 residential buildings and semi-detached buildings located in Gdynia at Soczaczewska/Płocka street. The permit is final and binding.

On May 21, 2015, the Company received a building permit for the construction of a multi-family building with an underground garage in Warsaw at Marcina z Wrocimowic/Sprawna streets, i.e. "Willa One" community. The permit is final and binding.

On May 25, 2015, the Company received a building permit for the construction of a community of multi-family buildings "Zielona Dolina II" with business premises, a kindergarten, garages located in Warsaw in the region of Zdziarska and Ostródzka streets. The permit is final and binding.

On June 17, 2015. J.W. Group Sp. z o.o. 1 S.K.A., a Company's subsidiary, received a building permit for the construction of the residential and business complex "Bliska Wola etap C" [phase C] that comprises the "Cm" multifamily building with business premises and an underground part, the "Ck" building being an aparthotel with business services and technical infrastructure in the region of Ordonia, Kasprzaka, Al. Prymasa Tysiąclecia streets in Warsaw. The permit is final and binding.

On September 2, 2015, the Company received a building permit for the construction of a multifamily building at Zielona Dolina III community located in Warsaw in Białoleka district. This building permit is final and binding.

On August 27, 2015 and September 23, 2015, the company received a building permit for the construction of semi-detached homes located in Kręczki Kaputy near Ożarów Mazowiecki. The permit is final and binding.

On October 6, November 19 and November 25, the Dominant Company received the building permits for the construction of multifamily homes as part of the realization of Bernadowo Park community at Leśna and Parkowa street in Gdynia, stage 2. The permit is final and binding.

b) occupancy permit

On March 18 and March 25 the Dominant Entity received an occupancy permit for the occupancy of 2 single-family homes on the Villa Campina community in Ożarów Mazowiecki. The permits are final and binding.

On May 2, 2015, a company of the Group, namely J.W. Group Sp. z o.o. 1 S.K.A., received an occupancy permit for a multifamily building community Bliska Wola stage at Ordonia/Kasprzaka in Warsaw. The permit is final and binding. On July 3, 2015, J.W. Group Sp. z o.o. 1 SKA was taken over by the Company. Since then the sales process has been performed by the Company.

On August 14, 2015, the dominant entity received an occupancy permit for a multi-family home at Villa Campina community in Ożarów Mazowiecki. The permit is final and binding.

In Q4 of 2015, a company of the Group, namely Dana Invest sp. z o.o., finished the revitalization and modernization of the Hotel Dana Business and Conference, a 4-star hotel in Szczecin with 100 rooms, 5 conference rooms, restaurants and SPA zones.

5.2. Construction and prefabrication activity

Within the Capital Group there is an entity performing services in the scope of production of building materials that performs construction works (with its own construction forces and building equipment) and carries out

prefabrication of building materials. As a result of take-over by J.W. Construction sp. z o.o. of a J.W. Construction Holding S.A. subsidiary, there is one entity performing comprehensive services that currently renders services for the Capital Group. The largest receiver of the J.W. Construction sp. z o.o. services is J.W. Construction Holding S.A. for which it performs the majority of its projects, including Bliska Wola in Warsaw phase B1, Zielona Dolina II phase I and single-family homes.

5.3. Hotel activity

In 2013, the Company continued its hotel activity. Currently, the hotel infrastructure includes 3 stable prosperous Hotels 500 located in Zegrze, close to Warsaw (as the operator), Tarnowo Podgórne, Stryków, and the luxurious Czarny Potok Resort & Spa in Krynica Zdrój opened in 2012 as well as the recently opened Hotel Dana Business & Conference, whose revitalization was finished in Q4 of 2015 (the Stara Dana hotel is operated within the Dana Invest sp. z o.o. company).

Revenues from the sale of hotel services in 2015 amounted to PLN 35 172 001. In 2015, there was an increase in revenues from hotel operations in comparison to the previous year by 41%. In 2015, the average number of occupied hotel beds within the whole chain was on the level of 33% and maintained at the same level like in the previous year. The Czarny Potok Resort & Spa had the average occupancy rate of 47%.

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.

5.4. Activity in the scope of property management

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 of the proper functioning of the Community Housing. Currently we provide services in terms of administrative support for 18 properties.

In 2015, the Group's revenue from the sales of products and services by segments was like follows:

	between 01-01-2015 and 31-12-2015	between 01-01-2014 and 31-12-2014
Revenue from the sale of products and services by segments:	200 036 902	211 489 747
-developer activity	146 449 856	145 332 155
-hotel activities	35 172 001	33 794 979
-construction of social buildings	13 002 378	12 870 539
-transport services	0	0
-construction	5 412 667	19 492 075

6. Information about the market

Due to the fact that the sales to external entities are carried out within the Group to a large extent by the Dominant Entity, the description below concerns mainly its markets.

Currently, the main and the largest market for the activity of the Group is the Warsaw market. According to the Group, the Warsaw market is the largest and most stable housing market in Poland, with the highest prices per square meter of living space, and implemented investments have the highest levels of profitability

Taking advantage of its stable position in the developer market and its offer competitiveness, the Company successfully continues a development of projects in other big agglomerations such as Gdynia, Poznań, Łódź, Katowice.

In 2015, J.W. Construction sp. z o.o., a construction company rendered services to third-party entities in the territory of the entire country.

7. Suppliers and receivers of the Capital Group

The Group uses services of several large suppliers that are selected as a result of conducted tenders. In 2015, the Group did not have on its list any suppliers or receivers with whom the turnover would reach at least 10% of the sales revenue in the reporting period.

The Group buys services and production materials from numerous entities, and therefore there is no dependency in this scope on only one material or service provider. Part of the works are conducted within the Group (via J.W. Construction sp. z o.o.), and some of them by external entities. In 2015, the largest amount of construction work was conducted by the following external entities:

Counterparty	Value of performed works in 2015
SPS Construction Sp. z o.o.	PLN 34,5m
Wroński Sp. J.	PLN 16,3m
Fabet Konstrukcje Sp. z o.o.	PLN 15,2m
Instalbud Rzeszów Sp. z o.o.	PLN 10,4m

It is impossible to single out one main receiver of the services of the companies comprising the Capital Group due to a fact that sales outside the Group are carried out by the Company, and in its case the customers are mainly individuals buying residential units.

8. Significant agreements for the business of the Company

8.1 Construction work contracts

As of December 31, 2015, none of the companies comprising the Capital Group was a party to a significant contract entered into with an entity from outside the Capital Group.

8.2 Insurance contracts

The Company enters into various insurance agreements, being both obligatory and optional insurance, connected with the nature of its business.

Under the building projects, the Company holds 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 Company 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.

The company has a separate agreement on the Third Party Insurance for its business, including developer, property management, and hotel business activity.

Upon completion of investments and expiry of insurance on building works, the Company 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.

Coverage	Insurer	Sum insured in PLN
Insurance connected with business activity of real estate management and performing the function of a real state manager	PZU S.A.	2.000.000 PLN
Business public liability	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A. Towarzystwo Ubezpieczeń ALLIANZ S.A.	30 000 000 PLN
Insurance connected with all other risks and accidents connected with implemented contracts including third party liability insurance	TUiR Warta S.A. Compensa TU S.A., TU Gothaer S.A.	200.553.342 PLN + civil insurance to the sum of PLN 35.000.000
Property insurance including the assets held in connection with hotel activity.	Towarzystwo Ubezpieczeń ALLIANZ S.A. ACE EuropeanGroup Limited Sp. z o.o. Oddział w Polsce Compensa TU S.A.	468.588.464 PLN

8.3 Land purchase agreements

In 2015, the Group did not buy land from external entities. Within the Capital Group, sale of land (perpetual usufruct right) occurred located in Katowice at the Osiedle Tysiąclecia community earmarked for the construction of the B1 phase to Nowe Tysiąclecie sp. z o.o. with its business seat in Ząbki, an SPV.

8.4 Information on financial contracts entered into by the company and those that the company received a notice to in the given business year

8.4.1 Loans that the company received a notice to

Both in 2015 and in the period since the balance sheet date until the date of the preparation of this statement on the company activity for 2015 there were no credit agreements that the company received any notice to.

8.4.2 Received loans

Detailed information regarding the credit liabilities as of December 31, 2015 was presented in the note 14 of the financial statement.

In 2015, there were following changes in credit agreements entered into in the previous years:

In 2015, the Group's entities entered into the following credit agreements:

On February 10, 2015, the dominant entity entered into the investment credit regarding co-financing of the Bernadowo Park residential development investment in Gdynia stage 1 in the amount of PLN 39.900.000. The credit payment date was set at December 20, 2017.

On April 29, 2015, Nowe Tysiąclecie sp. z o.o., a subsidiary of the Issuer entered into an agreement with Getin Noble Bank SA regarding an investment credit regarding the co-financing of the realization of the Nowe Tysiąclecie, B1 building in Katowice to the amount of PLN 24.000.000. The payment date was set at December 20, 2017.

On August 31, 2015, Dana Invest z o.o. with its business seat in Ząbki, the Issuer's subsidiary entered into a credit agreement regarding an investment loan in the Jessica fund to the amount of PLN 1.637.900 regarding co-financing of the modernization of the basement of the Stara Dana in Szczecin.

On September 10, 2015, the dominant entity entered into an agreement with BOŚ Bank S.A. on a revolving credit for co-financing of the realization costs of residential development investment, namely Zielona Dolina III in Warsaw to the amount of PLN 5.000.000. The credit payment date was set on September 30, 2017.

On September 10, 2015, the dominant entity entered into an agreement with BOŚ Bank S.A. on a revolving credit for co-financing of the realization costs of residential development investment, namely Zielona Dolina II stage I in Warsaw to the amount of PLN 35.000.000. The credit payment date was set on October 31, 2017.

In 2015 the companies from the Group paid the following credits:

On February 2, 2015, the dominant entity carried out the payment of entire revolving credit to the amount of PLN 21.000.000 for co-financing of the Oaza Piątkowo investment at Jaroczyńskiego street in Poznan granted by Banku Millennium.

On April 15, 2015, the dominant entity fully paid the revolving credit to the amount of PLN 30.000.000 earmarked for financing current activity granted by Bank Polskiej Spółdzielczości S.A

On May 27, 2015, the dominant entity fully paid the investment credit for financing tasks related to the protection of natural environment, i.e. refinancing costs related to the realization of the sewage system and sewage treatment facility in Ożarów Mazowiecki in the amount of PLN 13.874.000.

On May 28, 2015, the dominant entity carried out the entire payment of a non-revolving credit to the amount of PLN 13.000.000 earmarked for financing of current activity granted by the BOS S.A. bank..

On May 18, 2015, Seahouse sp. z o.o the Issuer's subsidiary carried out a partial payment of an investment credit granted to the amount of PLN 12.467.423 for the financing of the construction of the Rezydencja Redłowo community in Gdynia.

On October 29, 2015 Bliska Wola 2 Sp. z o.o., the Issuer's subsidiary carried out a partial payment of a credit loan granted to the amount of PLN 47.764.710. The credit was earmarked for the financing of the part of the realization costs of the Wola On December 29, 2015, Dana Invest Sp. z o.o., an issuer's subsidiary carried out full payment of a credit loan to the amount of PLN 1.500.000. The credit was earmarked for financing the costs related to the VAT tax borne as a result of the realization of the Dana hotel investment in Szczecin.

In 2015, there were significant changes in credit loan agreements entered into in previous years:

On March 17, 2015, the dominant entity signed an annex to a credit agreement in the current account entered into with Bank Millennium S.A. Based on the annex, the payment date was set on September 23 and due to a partial payment, the limit of the credit was decreased to the amount of PLN 4 670 000, i. .e the sum of PLN 16 830 000. On September 15, 2015, the company signed another annex to the agreement. Based on the annex the payment and the utilization date was extended. The day for the credit payment was set on March 23, 2016.

On April 23, May 20, December 22, 2015, the Company signed an annex to the revolving credit agreement granted by Bank Polskiej Spółdzielczości S.A. in the final sum of PLN 6.944.327 that was earmarked for financing current activity. Based on the annexes, the utilization date was extended, and a new payment schedule was agreed upon. The new payment date was set on December 31, 2016.

On April 27, 2015, the dominant entity signed an annex to a credit agreement in the current account granted by PKO BP S.A. in the amount of PLN 10.000.000. Based on the annex, the payment and utilization dates were extended. The final payment date was set on April 27, 2016.

On July 3, 2015, J.W. Construction sp. z o.o, an Issuer's subsidiary signed an annex to the credit agreement in the current account granted by PKO BP S.A. to the amount of PLN 7.000.000. Based on the annex, the payment and utilization dates were extended. The new payment date was set on April 4, 2016.

On September 21, 2015, Dana Invest sp. z o.o., an Issuer's subsidiary signed an annex to a revolving credit agreement granted by Bank BZ WBK to the amount of PLN 1.500.000. Based on the annex, the credit payment date was extended. The new payment date was set on December 31, 2015.

8.4.3 Loans taken and granted

In the reporting period, no notice was received to any of the granted loans.

Lender	Borrower	Provision date	Sum and currency	Interest rate	Maturity date
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J.W. Construction Holding S.A.	YAKOR HOUSE	11.09.2015	275.000 PLN	3M WIBOR + margin	31.12.2018
J.W. Construction Holding S.A.	Seahouse Sp. z o.o.	23.04.2015	250.000 PLN	3M WIBOR + margin	30.06.2015
J.W. Construction Holding S.A.	Bliska Wola 2 Sp. z o.o.	12.01.2015	40.000 PLN	3M WIBOR + margin	30.04.2017
J.W. Construction Holding S.A.	J.W. Group Sp. z o.o.	25.03.2015	1.000 PLN	5 %	31.12.2015
J.W. Construction Holding S.A.	J.W. Construction Bulgaria EOOD	15.09.2015	8.000 Euro	3M LIBOR + margin	31.12.2017
J.W. Construction Holding S.A.	Nowe Tysiąclecie Spółka z o.o.	25.08.2015	180.000 PLN	3M WIBOR + margin	31.12.2017

8.5 Agreements entered into between shareholders that could be significant for the activity of the Group

The company knows of no agreements entered into by its shareholders that could be significant for the activity of the company.

8.6. Issuance of security papers

Bond issuance

In the reporting period, the dominant entity carried out unsecured bonds of the JWC1217 series in the amount of 120.000 units with the nominal value of PLN 1.000.each

The basis for the issuance of bonds was the Company decision no. 1 made on November 23, 2015 pursuant to which the maximum issuance program was to be PLN 120.000.000, The proposals to acquire new bonds were to be directed to individually selected addresses in the amount not larger than 149 people. The bonds are in the form of documents, and there are registered and settled by the national depository of security papers in Warsaw.

On December 4, 2015, the management board of the dominant entity made a decision no.1 pursuant to which it carried out partial assignment of bonds to Investors.

On December 9, 2015, the management board of the national depository of security papers in Warsaw by way of a decision no. 845/2015 carried out partial registration of the JWC1217 series and assigned them the ISIN PLJWC0000100 code.

The bonds were issued on December 10, 2015 for the period of 2 years with partial buyout thereof on December 9, 2016 and the final buyout date planned on December 8, 2017.

The bond interest is accrued based on the WIBOR 6M+ margin, interest is paid every 6 months.

The financial means received from the issuance of bonds were earmarked for the payment of the Company indebtedness due to the JWX0415 JWC415 (PLJWC0000043) series bonds and the JWC0116 (PLJWC0000050) series bonds, as well as on the financing of current activity of the Company, including land purchase.

Partial bond buyout

On April 25, the dominant entity partially bought out the nominal value of bonds issued based on the company decision of December 12, 20112 in the amount of 1,057 units with the nominal value of PLN 90.000 each and the



total value of PLN 95.130.000 marked in the national depository of security papers with the ISIN PLJWC0000050 code. The buyout also encompassed the 10% value of the initial bond issuance (100.000). The buyout took place in the timeframe and on the conditions provided for in the bond issuance conditions.

Bond buyout

On December 10, 2015, the dominant entity carried out a partial buyout of bonds :

- 65 bond units with the nominal value of PLN 80,0000, each of the JWC0116 (PLJWC0000050) series;
- 3.718 bond units with the value of 10.000, each of the JWX0415 JWC415 (PLJWC0000043) series.

The buyout was carried out before the planned date of January 25, 2016 due to the fact that the holders of the bonds subscribed to the bonds of the JWC1217 (PLJWC0000100) series, and carried out partial payment of newly issued bonds with the already held bonds.

The change of the bond buyout date

2018.

The JWX0116 bonds were issued on April 24, 2013.

At the same time, the company in the reporting period serviced the issued bonds by paying interest thereon.

8.7. Information on granted and received sureties and guarantees

In 2015, the Capital Group showed the following granted sureties:

Surety to	Value of the surety
A guarantee granted by Company to BZ WBK SA /Dana Invest/	28 056 975,52
A guarantee granted by Company to BPS /Łódź Invest/	30 983 768,78
Surety granted by JWCH to the benefit of Nowe Tysiąclecie	67 500 000,00
Sureties to the benefit of TBS "Marki" Sp z o.o.	22 400 000,00
Sureties to the benefit J.W.Construction Sp. z o.o.	7 000 000,00
Sureties to the Capital City of Warsaw	151 300,00

The summary of guarantees and sureties granted within the Capital Group as of December 31, 2015 is shown in note 35 of the financial statement.

8.8 Information on the system of control of the matching shares programs

The company has no matching shares program.

8.9 Other significant agreements

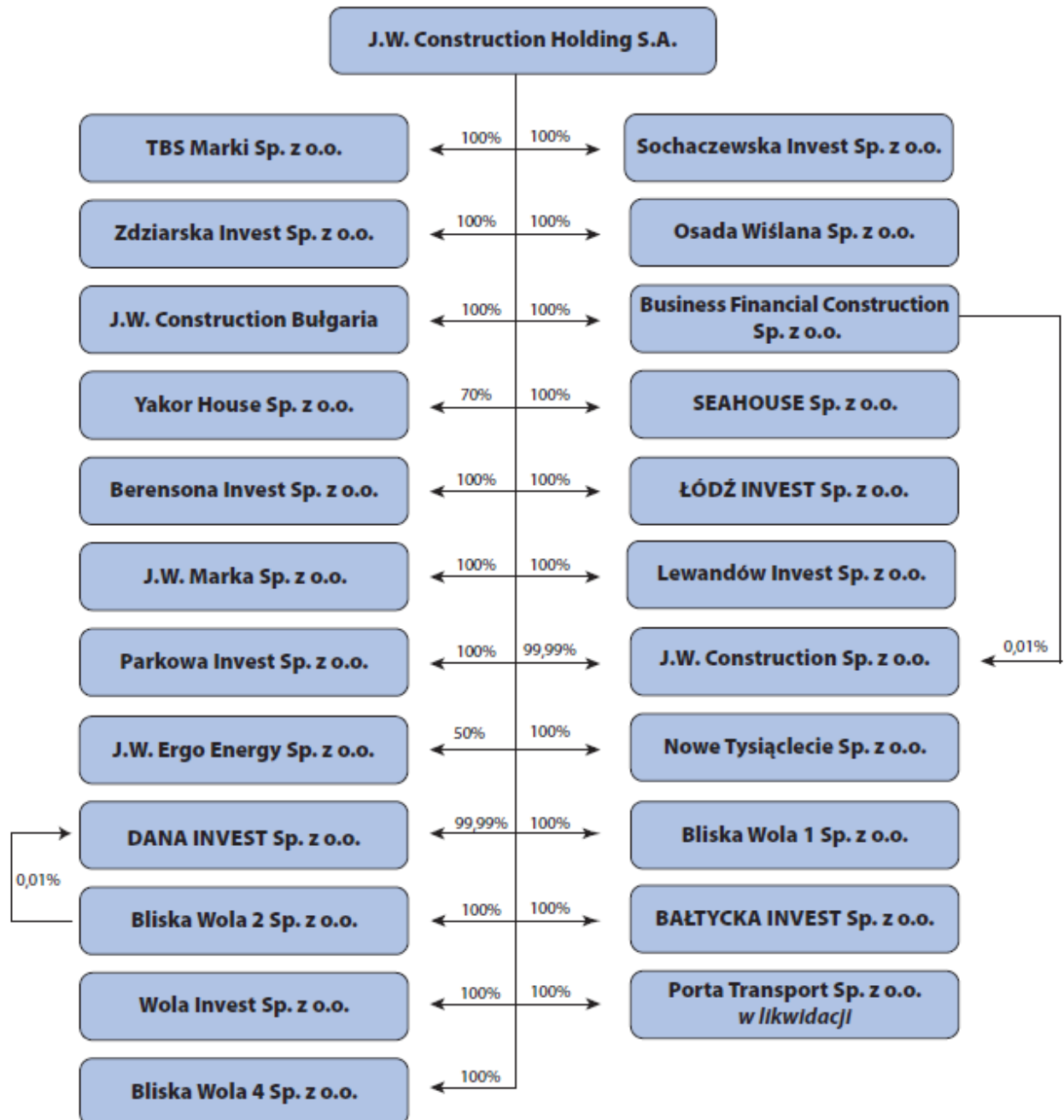
Land sale agreements within the Capital Group

Sale of real estate to subsidiaries

On April 27, 2015 an agreement was signed entered into the notary's record no. A 3959/2015 whose subject was to sell by the Issuer to Nowe Tysiąclecie Spółka z o.o. with its business seat in Ząbki, Poland, a subsidiary, the right of perpetual usufruct to the plots no. 43/9 and 52/5 with the total value of 0,4634 ha for which the district court in Katowice - Wschód in Katowice XI Division of Land Registers maintains a land register no. KA1K 00127396/0. Together with the real estate subject to sale was also project documentation being the basis for the issuance of a building permit for a multifamily living building.

9. Organisational and capital relations of the Company with other entities as at 31/12/2015.

Structure of the capital group



J.W. Construction Sp. z o.o.

The Company of J.W. Construction Sp. z o.o. with its seat in Ząbki entered in the register of entrepreneurs of the National Court Register under KRS number 300959. The Company holds 99.99% of its shares. Share capital of the Company amounts to PLN 27.021.650 and is divided into 540,433 shares with a par value of PLN 50 each.



The main business activity of J.W. Construction Sp. z o.o is building construction and production of building prefabricated units..

TBS Marki Sp. z o.o.

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 100% 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".

Porta Transport Sp. z o.o. in liquidation

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 177420. 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., currently in liquidation. The Company holds 100% of its share capital.

Yakor House Sp. z o.o.

Yakor House Sp. z o.o., a limited liability company domiciled in Sochi, Russia. 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.

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.

J.W. Construction Bulgaria EOOD

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). Currently, J.W. Construction Bulgaria EOOD has a seat in Warna, in which 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. J.W. Construction Bulgaria EOOD has a property in the area of Golden Sands.

J.W. Marka Sp. z o.o.

J.W. Marka Sp. z o.o. with its business seat in Ząbki entered into the register of entrepreneurs on December 20, 2010 un the KRS no. 373684 (National Court Regsiter number). The company holds 100% of shares at J.W.

Marka sp. z o.o. The activity of J.W. Marka sp. z o.o. consists in providing advertisement and marketing services and leasing the trade mark.

SEAHOUSE Sp. z o.o.

SEAHOUSE Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on July 11, 2008 under the KRS no. 309998. The company holds 100% of shares at SEAHOUSE sp. z o.o. Via SEAHOUSE sp. z o.o., the Company realized a residential investment in Gdynia at Powstania Wielkopolskiego street.

Nowe Tysiąclecie Sp. z o.o.

Nowe Tysiąclecie Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on August 6, 2013 under the KRS no. 472229. The company holds 100% of shares at Nowe Tysiąclecie sp. z o.o. Via Nowe Tysiąclecie sp. z o.o., the Company realized a residential investment in Katowice at Tysiąclecia street.

Dana Invest Sp. z o.o.

Dana Invest Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on December 30, 2013 under the KRS no. 492262. The company holds 100% of shares at Dana Invest Sp. o.o. Via Dana Invest Sp. o.o., the Company realized a residential investment in Szczecin at Tysiąclecia street.

Bliska Wola 1 Sp. z o.o.

Bliska Wola 1 sp. z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on January 22, 2014 under the KRS no. 495392. The company holds 100% of shares at Bliska Wola 1 Sp. o.o. Via Bliska Wola 1 Sp. o.o., the Company realized a residential investment in Warsaw at Kasprzaka street, phase B1.

Bliska Wola 2 Sp. z o.o.

Bliska Wola 2 sp. z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on January 29, 2014 under the KRS no. 495680. The company holds 100% of shares at Bliska Wola 2 Sp. o.o. Via Bliska Wola 2 Sp. o.o., the Company realized a residential investment in Warsaw at Kasprzaka street, phase B2.

Łódź Invest Sp. z o.o.

Łódź Invest Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on January 22, 2014 under the KRS no. 495145. The company holds 100% of shares at Łódź Invest Sp. o.o. Via Łódź Invest Sp. o.o., the Company realized a residential investment in Lodz, the Centrum III community.



Wola Invest Sp. z o.o. (formerly Bliska Wola 3 Sp. z o.o.)

Wola Invest Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on January 23, 2014 under the KRS no. 495616. The company holds 100% of shares at Wola Invest Sp. o.o.

Bliska Wola 4 Sp. z o.o.

Bliska Wola 4 Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on January 24, 2014 under the KRS no. 495669. The company holds 100% of shares at Bliska Wola 4 Sp. o.o.

Bałycka Invest Sp. z o.o.

Bałycka Invest Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on January 23, 2014 under the KRS no. 495612. The company holds 100% of shares at Bałycka Invest 4 Sp. o.o.

Zdziarska Invest Sp. z o.o.

Zdziarska Invest Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on January 22, 2014 under the KRS no. 495351. The company holds 100% of shares at Zdziarska Invest Sp. o.o.

MT Invest Sp. z o.o.

MT Invest Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on July 28, 2014 under the KRS no. 517718. The company holds 100% of shares at MT Invest Sp. o.o.

Berensona Invest Sp. z o.o.

Berensona Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on January 28, 2014 under the KRS no. 496087. The company holds 100% of shares at Berensona Invest Sp. o.o.

Parkowa Invest Sp. z o.o.

Parkowa Invest Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on July 16, 2014 under the KRS no. 517057. The company holds 100% of shares at Parkowa Invest Sp. o.o.

Sochaczewska Invest Sp. z o.o.

Sochaczewska Invest Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on July 25, 2014 under the KRS no. 517232. The company holds 100% of shares at Sochaczewska Invest Sp. o.o.

Lewandów Invest Sp. z o.o.

Lewandów Invest Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on July 24, 2014 under the KRS no. 517637. The company holds 100% of shares at Lewandów Invest Sp. o.o.

Osada Wiślana Sp. z o.o.

Osada Wiślana Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on July 16, 2014 under the KRS no. 517060. The company holds 100% of shares at w Osada Wiślana Sp. o.o.

J.W. Ergo Energy Sp. z o.o.

J.W. Ergo Energy Spółka z o.o. with its business seat in Ząbki, entered into the register of entrepreneurs on November 11, 2014 under the KRS no. 533529. The company holds 50 % of shares at J.W. Ergo Energy Sp. o.o.

10. Changes in the structure of the Capital Group in 2015 and the most important capital investments

Changes in the structure of the Capital Group

The most important changes in the structure are provided below:

Increase of the share capital in subsidiaries

On March 19, 2015, the extraordinary meeting of shareholders of Dana Invest Sp. z o.o. with its business seat in Ząbki, Poland made a decision taken into the protocol by Ewa Rokos into the register no. A 2513/2015, a notary in Warsaw, regarding the increase of the share capital from the sum of PLN 7.985.000 to the sum of PLN 8.415.000, i.e. by the sum of PLN 430.000 by way of creation of 8,600 new shares with the value of PLN 50 each. All shares were taken over by the Issuer as the former partner.

On September 19, 2015, the extraordinary meeting of shareholders of Dana Invest Sp. z o.o. with its business seat in Ząbki, Poland made a decision taken into the protocol by Ewa Rokos into the register no. A 9897/2015, a notary in Warsaw, regarding the increase of the share capital from the sum of PLN 8.415.000 to the sum of PLN 10.065.000, i.e. by the sum of PLN 430.000 by way of creation of 33.000 new shares with the value of PLN 50 each. All shares were taken over by the Issuer as the former partner.

On May 8, 2015, the extraordinary meeting of shareholders of Nowe Tysiąclecie Sp. z o.o. with its business seat in Ząbki, Poland made a decision taken into the protocol by Ewa Rokos into the register no. A 4384/2015, a notary in Warsaw, regarding the increase of the share capital from the sum of PLN 8.385.000 to the sum of PLN 15.240.000, i.e. by the sum of PLN 137.100 by way of creation of 6.855.000 new shares with the value of PLN 50 each. All shares were taken over by the Issuer as the former partner.

Information on capital investments can be found in the financial statements, notes 5 and 9.

Merger by and between companies

On July 3, 2015, the District Court for Warsaw in Warsaw, XIV Economic Division of the National Court Register issued a decision on the merger between the Issuer with the following subsidiaries:

- J.W Group Spółka z o.o. with its business seat in Ząbki
- J.W 6 Spółka z o.o. with its business seat in Ząbki
- Lokum Spółka z o.o. with its business seat in Warsaw
- J.W Group Spółka z o.o. 1 SKA with its business seat in Ząbki
- J.W Group Spółka z o.o. 2 SKA with its business seat in Ząbki

As a result of the merger, all the assets of the companies that were taken over were transferred to the Issuer that also became a party to the agreements entered into by the companies that were taken over.

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 entered into by 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 Company

Cash management of J.W. Construction Holding S.A 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 2015, the Company generated profits at a satisfactory level. By controlling daily turnovers the Company repays 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 are planned to hand over in 2016 and in the form of other assets. In addition, the Company 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 basing on a new developer ordinance. Still, the loans will be mainly in the form of safe revolving lines with use of the escrow accounts, where the balance of lacking funds in the period is financed or the escrow accounts, where all costs connected with an investment above the required by the bank level of the Company's own contribution are financed. Acquisition of financing is based on very good and 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 Capital Group

The most important factors influencing the financial results recognized by the Capital Group are:

- good prosperity on the real estate market,
- low level of interest rates - lowered cost of servicing credits for customers,
- better availability of mortgage credits,
- positive changes in the government buy-down program called Mieszkanie dla Młodych that supports

the sales of new apartments, including the apartments from the Company offer. The relevant act was recently amended so the government payment limits are increased,

- stable prices of materials and construction services – possibility of more effective management of the margin level,
- recently, there was a growth of values of newly signed mortgage agreement contracts (according to the Association of Polish Banks there was a growth from PLN 36,5 billion in 2013 to PLN 39,3 billion in 2015).

Internal factors with effect on dynamics of revenue::

- continually extended offer of apartments including investments beyond Warsaw, including apart-hotel units,
- constant marketing actions ,
- introduction of demonstration flats and houses with ready interior designs
- flexible approach to the customer – the possibility of negotiating the prices depending on the payment amount and schedule
- free of charge credit counselling and continuous cooperation with banks aiming to provide customers with the best conditions of the Company's financing the purchase of flats
- the best use of the land bank hold consisting of adapting the process of launching new investments to the existing demand,

According to the forecasts for the development of the Group's primary business for 2016, those factors will be also present in the future. The Groups believes that the main threats to the market can be seen in a difficult and long-lasting process of receiving administrative decision for current and planned projects as well as in the developer act that still slows down fast proceeding n the scope of obtaining financing and causes the increase of financial costs.

16. Changes in the basic principles of managing the enterprise of the Capital Group

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

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.

As at December 31, 2015

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.	23.917.739	0,20 zł	4.783.547,80 zł	26,92 %
Laura Michnowicz	J.W. Construction Holding S.A.	2.200.000	0,20 zł	440.000 zł	2,48 %

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

As at December 31, 2015, the Company a party to the lawsuits brought in its name the value of which is PLN 113m. The lawsuit brought by Company with the largest value that exceeded 10 % of Company equity is the court proceedings started on April 26, 2012 consisting in suing the Capital City of Warsaw ("Defendant") a petition for commitment of the Defendant to submit a declaration of intent for the acquisition from the Company right of perpetual use of the plot no 2/6 with the area of 3,2605 ha for which the District Court for Warsaw- Mokotów, X Division of Land Registry maintains a land and mortgage registry no WA4M/00413015/1 KW ("Property") for a net price of PLN 91,130,975 together with interest from the date of 8 January 2010. The company filed a petition according to the Article 36.1 point. 2) of the Act of 27 March 2003 on spatial planning and development (Journal of Laws 2003.80.717) in connection with the adoption by the Respondent of the area development plan area of Olbrachta Street (approved by the resolution of the City of Warsaw No. LVI/1669/2009, which entered into force on 3 August 2009) ("Plan"). The property has been earmarked for the N-S Route. In the period when the Company acquired the Property, the zoning plan of the property was not obligatory. With the adoption of the Plan and as a result of this adoption, there has been a significant restriction on the use of the Property by the Company, therefore the Company has the right to request to redeem to purchase/buy out the Property by the Defendant. The Company applied to the Defendant with a request to take steps to voluntary purchase of the Property by the Respondent but the request was refused.

On March 24, 2015, the court of first instance dismissed the claim of the Company. On March 31, 2015, the Company filed an appeal against the judgment as the Company believes that the clam has valid merits and a favourable judgment should be made in accordance with the Company's claim.

As at December 31, 2015, the value of court actions against the Company does not exceed 10% of the Company share capital.

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 August 6, 2015, the company signed an agreement with BDO Sp. z o.o., an entity authorized to review interim financial statement as well the financial statement for 2015.

The auditor's remuneration for the inspection of the financial statement prepared for the business year ended on December 31, 2015 was set on the sum of PLN 175,000, PLN 125 thousand of which for the review and inspection of the unitary financial statement and PLN 50 thousand for the review of the interim and consolidated annual financial statement. The auditor's remuneration for the services related to consolidated financial statements prepared for the business year ended on December 31, 2015 was PLN 50 thousand, and PLN 25 thousand for the interim consolidated financial statement. The auditor's remuneration for the services related to unitary financial statements for the business year ended on December 31, 2015 was PLN 125 thousand, PLN 85 thousand of which for the annual unitary inspection. PLN 40 thousand for the interim review. The presented sums are net sums.

The companies of the capital group of the Issuer signed an agreement with BDO sp. z o.o. for the review and inspection of financial statements of subsidiaries being part of the J.W. Construction capital group for 2915L TBS Marki Spółka z o.o. with its business seat in Warsaw (the sum of remuneration was PLN 14,5 thousand). J.W. Construction Sp. z o.o. remuneration sum was PLN 40,5, Seahouse Spółka z o.o. with its business seat in Ząbki remuneration sum PLN 5 thousand, Dana Invest Spółka z o.o. with its business seat in Ząbki (remuneration sum PLN 5 thousand), and J.W. Marka Spółka z o.o. with its business seat in Ząbki (remuneration sum of PLN 8 thousand). PLN. Also agreements were signed regarding the merger of companies as part of the dominant entity, the remuneration sum being PLN 6,5 thousand.

The auditor's remuneration for the inspection of the financial statement prepared for the business year ended on December 31, 2015 was set on the sum of PLN 175,000, PLN 125 thousand of which for the review and inspection of the unitary financial statement and PLN 50 thousand for the review of the interim and consolidated annual financial statement. The auditor's remuneration for the services related to consolidated financial statements prepared for the business year ended on December 31, 2015 was PLN 50 thousand, and PLN 25 thousand for the interim consolidated financial statement. The auditor's remuneration for the services related to unitary financial statements for the business year ended on December 31, 2014 was PLN 125 thousand, PLN 85 thousand of which for the annual unitary inspection. PLN 40 thousand for the interim review. The presented sums are net sums.

Also, the agreements were signed with BDO Sp. z o.o. for the inspection of financial statements of the Company subsidiaries being part of the capital J.W. Construction Holding S.A. group: TBS Marki Spółka z o.o. with its business seat in Warsaw (remuneration sum) 14,5 tys. PLN, J.W. Construction Spółka z o.o. with its business seat in Ząbki (remuneration sum) PLN 40,5 thousand, Seahouse Spółka z o.o with its business seat in Ząbki (remuneration sum) PLN 5 thousand, Bliska Wola 2 Spółka z o.o with its business seat in Ząbki (remuneration sum) 5 thousand. PLN and the inspection of J.W. Marka Sp. z o.o. for the previous business year (remuneration sum was PLN 15 thousand).

23. Statement on corporate governance of J.W. Construction Holding S.A. in 2013

In 2013 the Company adhered to 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 Companies is available at::

https://static.gpw.pl/pub/files/PDF/dobre_praktyki/dobre_praktyki_16_11_2012.pdf

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

The Company of J.W. Construction Holding S.A. did not apply the following resolutions:

II 9a) on placing on its website materials such as recordings of the proceedings of the general meeting, in the form of audio or video, as it could be affecting the interests and image of the shareholders who are present at the Meeting.

V 10 on providing the shareholders with possibility to participate in the General Meeting with using means of electronic communication through:

- 1) transmission of the General Meeting in real time,
- 2) two-way communication in real time within which the shareholders may speak during the general meeting from a location other than the place of the meeting.

The Articles of Association do not provide the possibility of participation in the General Meeting by two-way communication in real time, and to this day the Shareholders of the Company did not report need for transmission of the real-time or two-way communication in real time. The costs of the introduction of such possibilities would result in an increase in maintenance costs of the General Meeting by over 400%. The Company is considering amending the Articles of Association in order to provide such possibility. Such possibility to conduct two-way communication depends on the interest of Shareholders in such a possibility.

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. 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.

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 keeps records of economic events correct 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 Group, 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 December 31, 2015

Shareholder	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	23.917.739	26,92 %	23.917.739	26,92 %
EHT S.A.	32.494.525	36,57 %	32.494.525	36,57 %
Towarzystwo Funduszy Inwestycyjnych PZU S.A.	Between 5 and 10% of the shares ^x			

^x on July 21, 2015, Company received a notification on exceeding a 5% share threshold by the funds managed by the Towarzystwo Funduszy Inwestycyjnych PZU S.A. As of the day of the notification thereof, the number of such shares was 5,139,931, which constituted 5,7843 % of shares in the Company share capital and entitled the Towarzystwo Funduszy Inwestycyjnych S.A. to 5,7843% of the general number of votes. In accordance with the current provisions of law, a shareholder is obliged to inform the Company about exceeding a 5% share threshold, and then about exceeding a 10% threshold regarding the general number of Company shares. As of today, the Company has not received any notification from a shareholder that included information about exceeding a 5% share threshold or decreasing the number thereof under a 10% threshold. 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 2013 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 2013 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 2015, 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 2013 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. The Management Board represents the Company at and out of court. Declarations of will and signatures for the Company are valid if made by two members of the Management Board acting jointly

Issue of shares

The Company's shares may be issued according to the general principles under the Code of Commercial Companies and require resolutions of the General Meeting of Shareholders.

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. It means that the 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

Management Board

Composition of the Management Board

As at 31/12/2015 the Management Board of the Company was composed of:

Wojciech Rajchert – management board member

Magdalena Starzyńska – management board member

Małgorzata Ostrowska – management board member

Piotr Suprynowicz – management board member

In 2015, there were following changes in the composition of the Company management board:

- on August 3, 2015, the Company received a statement of the authorized shareholder to appoint Mr. Piotr Suprynowicz to the management board. The appointment was exercised based on personal authorization granted by the Company statutes.

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 who are appointed for a 3-year joint term. 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 establishing 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..

Supervisory Board

As of 31.12.2015, the Company supervisory board was comprised of:

Józef Wojciechowski – the president of the supervisory board
Irmína Łopuszyńska – supervisory board member
Małgorzata Szwarz - Sroka – supervisory board member
Barbara Czyż – supervisory board member
Laura Michnowicz – supervisory board member

In 2015, the following changes took part in the composition of the supervisory board:

- on January 9, Mr. Józef Oleksy died
- on February 26, 2015, an extraordinary general meeting of shareholders made the decisions to:
 - dismiss Mr. Andrzej Podsiadło from the supervisory board of the company;
 - dismiss Mr. Jarosław Król from the supervisory board of the company;
 - appoint Mrs. Małgorzata Szwarz – Sroka to the supervisory board of the company.
- on February 26, 2015, the company received notification of the exercise of the personal right of the shareholder with more than 50% of shares to:
 - dismiss Mr. Marek Samarcew from the supervisory board of the company;
 - appoint Mrs. Irmína Łopuszyńska to the supervisory board of the company;
 - appoint Mrs. Laura Michnowicz to the supervisory board of the company.

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 its members under applicable laws there were

Committees appointed within Supervisory Board and in all cases provided for the competence of the Committee, the Supervisory Board debated in full composition.

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 close relatives (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. Corporate events

The Annual General Meeting

On February 26, 2015 the extraordinary meeting of the Issuer's shareholders took place during which decision were made regarding the change of the composition of the supervisory board and changed the way of the compensation thereof.

Annual General Meeting

On May 25, 2015, the general meeting of shareholders took place that in addition to the receipt and approval of the financial statement and the statement of the management board on the activity of the Issuer and its Capital Group in 2014, the way of loss coverage for 2014 and granting the vote of approval to the management board members regarding the performance of their duties in 2014, also made a decision regarding the merger of the Issuer with the subsidiaries thereof on the conditions agreed upon in the merger plan of March 16, 2015.

Merger registration

On July 3, 2015 the district court for the capital city of Warsaw, XIV Economic Division of the National Court Register issued a decision based on which a merger took place between the Issuer with the subsidiaries thereof, namely

J.W. Group Sp. z o.o. with its business seat in Ząbki, J.W. Group Spółka z ograniczoną odpowiedzialnością J.W.1 SKA

with its business seat in Ząbki, J.W. Group Spółka z ograniczoną odpowiedzialnością J.W.2 SKA with its business seat in Ząbki, Lokum Sp. z o.o. with its business seat in Ząbki and J.W. 6 Sp. z o.o. with its business seat in Ząbki. The merger took place in the way described in art. 492 §1 section 1 of the Polish Code of Commercial Companies through the transfer of all the assets of the companies being taken over to the Issuer (merger through acquisition).

25. Events which occurred after the balance sheet date

Bond buyout:

On January 25, 2016 the Company carried out the buyout of the bonds:
- 5.782 bond items with the nominal value of PLN 10.000 each marked as ISIN PLJWC0000043
- 992 bond items with the nominal value of PLN 80.000 each marked as ISIN PLJWC0000050.

The buyout and payment on this day of the described bonds with together with the bond redemption on December 10, 2015 that were acquired in exchange for the issuance of the ISIN PLJWC000050 bonds means the repayment of those two bond issuances.

Bonds quotations:

On February 12, 2016 the Company bonds of the JWC1217 series (ISIN PLJWC000050) in the amount of 120.000 pieces with the nominal value of PLN 120.000.000 are quoted on Catalyst.

Increase of share capital:

J.W. Marka Sp. z o.o.

On February 8, 2016, pursuant to a notary deed, number in register Rep. A 1189/2016, prepared by Anna Sota, a notary in Warsaw, the share capital was increased in Dana Invest Sp. z o.o with its business seat in Ząbki, a subsidiary. The share capital was increased from PLN 10.065.000 to the sum of PLN 11.125.850, i.e. by the sum of PLN 1.060.850 by way of creation of 21.217 new shares with the nominal value of PLN 50 each and the issuance value of PLN 200 each. The shares were fully taken over in exchange for a cash contribution.

On February 26, 2016, pursuant to a notary deed, number in register Rep. A 2096/2016, prepared by Anna Sota, a notary in Warsaw, the share capital was increased in J.W. Marka Sp. z o.o with its business seat in Ząbki, a subsidiary. The share capital was increased from PLN 158.838.000 to the sum of PLN 189.658.450, i.e. by the sum of PLN 30.820.450 by way of creation of 616.409 new shares with the nominal value of PLN 50. The shares were fully taken over by the Company in exchange for a contribution in kind in the form of 145.558 shares with the nominal value of PLN 7.277.900 in Bliska Wola 1 Sp. z o.o. with its business seat in Ząbki, Poland.

On February 26, 2016 by way of the exercise of the above-mentioned decision and a statement on taking over shares, a new agreement was entered into based on which the Company transferred to J.W. Marka Sp. z o.o. with its business seat in Ząbki 145,558 shares with the nominal value of PLN 7.277.900 held in the company Bliska Wola 1 Sp. z o.o. with its business seat in Ząbki, Poland.

On March 14, 2016, the district court for the capital city of Warsaw in Warsaw, XIV Economic Register of the National Court Register registered the increase of the capital in J.W. Marka Sp. z o.o. with its business seat in Ząbki, Poland by the sum of PLN 30.820.450 to the sum of PLN 189.658.450.

J.W. Construction Sp. z o.o.

On February 26, 2016, pursuant to a notary deed, number in register Rep. A 2106/2016, prepared by Anna Sota, a notary in Warsaw, the share capital was increased in J.W. Construction Sp. z o.o. with its business seat in Ząbki, a subsidiary. The share capital was increased from PLN 27.021.650 to the sum of PLN 39.767.150, i.e. by the sum of PLN 12.745.500 by way of creation of 254.910 new shares with the nominal value of PLN 50 each and the issuance value of PLN 200 each. The shares were fully taken over by the company in exchange for a contribution in kind in the form of 71.604 shares with the nominal value of PLN 3.580.200 in Bliska Wola 2 Sp. z o.o. with its business seat in Ząbki, Poland.

On February 26, 2016 by way of the exercise of the above-mentioned decision and a statement on taking over shares, a new agreement was entered into based on which the Company transferred to J.W. Construction Sp. z o.o. with its business seat in Ząbki 71.604 shares with the nominal value of PLN 3.580.200 held in the company Bliska Wola 2 sp. z o.o. with its business seat in Ząbki, Poland.

Arranging merger plans

:

Bliska Wola 1 Sp. z o.o.

On February 29, 2016, the management board of Bliska Wola 1 Spółka z o.o. with its business seat in Ząbki, Poland, a subsidiary, adopted and presented to its partners a plan to transform the company to a limited liability partnership.

The partners of the company after the transformation will be:

- Bliska Wola 4 Spółka z o.o. with its business seat in Ząbki being the general partner with the 1% participation in profits (the Issuer's subsidiary with 100% shares therein)
- J.W. Marka Spółka z o.o. with its business seat in being the general partner with the 51% participation in profits (the Issuer's subsidiary with 100% shares therein),
- the Issuer being the limited partner with the 49% participation in the profits


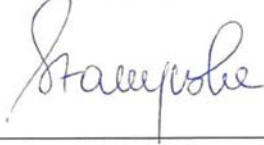

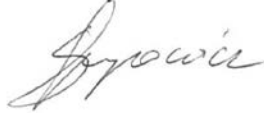
Bliska Wola 2 Sp. z o.o.

On February 29, 2016, the management board of Bliska Wola 2 Spółka z o.o. with its business seat in Ząbki, Poland, a subsidiary, adopted and presented to its partners a plan to transform the company to a limited liability partnership.

The partners of the company after the transformation will be:

- Bliska Wola 4 Spółka z o.o. with its business seat in Ząbki being the general partner with the 1% participation in profits (the Issuer's subsidiary with 100% shares therein),
- J.W. Construction Spółka z o.o. with its business seat in being the general partner with the 51% participation in profits (the Issuer's subsidiary with 100% shares therein),
- the Issuer being the limited partner with the 49% participation in the profits

Signatures of the Management Board Members

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

This 17-th day of March, 2016, Ząbki, Poland