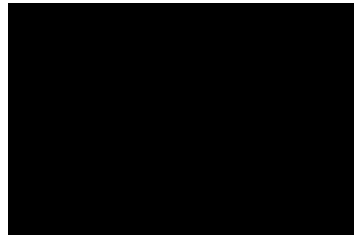




## **The Management Commentary on the Capital Group**

**For the period from 01 January 2013  
to 30 June 2013**



Ząbki, 28 August 2013

## 1. Introduction

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

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

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

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

## 2. Composition of the Capital Group

Issuer's capital group composition along with the information of entities that subject to the consolidation is specified in the Summary Consolidated Financial Statement.

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

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

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

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

Consolidated balance sheet item	30-06-2013		31-12-2012		30-06-2012	
	PLN	EUR	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 447 378</b>	<b>334 329</b>	<b>1 556 107</b>	<b>380 634</b>	<b>1 503 211</b>	<b>352 759</b>
Non-current assets	929 855	214 787	909 477	222 464	875 347	205 418
Current assets	517 522	119 542	646 631	158 170	627 864	147 341
<b>Total Equity and Liabilities</b>	<b>1 447 378</b>	<b>334 329</b>	<b>1 556 107</b>	<b>380 634</b>	<b>1 503 211</b>	<b>352 759</b>
Equity	508 476	117 453	503 256	123 100	502 213	117 855
Non-current liabilities	655 007	151 300	660 268	161 506	601 203	141 084
Current liabilities	283 894	65 577	392 584	96 028	399 795	93 820

Consolidated income statement item	01-01-2013 - 30-06-2013		01-01-2012 - 30-06-2012	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	181 324	43 029	155 438	36 794
Costs of products, goods and materials sold	142 657	33 854	111 792	26 462
<b>Gross profit (loss) on sales</b>	<b>38 666</b>	<b>9 176</b>	<b>43 645</b>	<b>10 331</b>
Selling expenses	8 928	2 119	10 257	2 428
Overhead expenses	10 596	2 515	14 882	3 523
Profit (loss) on sales	22 594	5 362	29 112	6 891
Operating profit (loss)	24 308	5 769	40 159	9 506
<b>Gross profit (loss)</b>	<b>6 254</b>	<b>1 484</b>	<b>10 648</b>	<b>2 521</b>
Income tax	1 108	263	2 069	490
<b>Net profit (loss)</b>	<b>5 146</b>	<b>1 221</b>	<b>8 580</b>	<b>2 031</b>

The Management Commentary on the Capital Group  
J.W. Construction Holding S.A. for the first half of 2012.

Issuer's balance sheet item	30-06-2013		31-12-2012		30-06-2012	
	PLN	EUR	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 345 128</b>	<b>310 711</b>	<b>1 452 050</b>	<b>355 181</b>	<b>1 406 238</b>	<b>330 002</b>
Non-current assets	837 044	193 349	826 527	202 174	772 409	181 261
Current assets	508 084	117 362	625 523	153 007	633 829	148 741
<b>Total Equity and Liabilities</b>	<b>1 345 128</b>	<b>310 711</b>	<b>1 452 050</b>	<b>355 181</b>	<b>1 406 238</b>	<b>330 002</b>
Equity	526 316	121 574	521 788	127 633	527 546	123 799
Non-current liabilities	546 856	126 318	554 927	135 739	486 305	114 121
Current liabilities	271 956	62 819	375 335	91 809	392 387	92 082

Consolidated income statement item	01-01-2013 - 30-06-2013		01-01-2012 - 30-06-2012	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	150 479	35 710	125 136	29 621
Costs of products, goods and materials sold	119 158	28 277	87 320	20 670
<b>Gross profit (loss) on sales</b>	<b>31 321</b>	<b>7 433</b>	<b>37 815</b>	<b>8 951</b>
Selling expenses	8 680	2 060	10 413	2 465
Overhead expenses	7 710	1 830	11 488	2 719
Profit (loss) on sales	18 839	4 471	26 520	6 278
Operating profit (loss)	18 192	4 317	37 151	8 794
<b>Gross profit (loss)</b>	<b>5 527</b>	<b>1 312</b>	<b>8 563</b>	<b>2 027</b>
Income tax	1 000	237	1 749	414
<b>Net profit (loss)</b>	<b>4 528</b>	<b>1 074</b>	<b>6 814</b>	<b>1 613</b>

#### 5. Activity of the Group and major events in the first half of 2012.

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

##### Corporate Affairs

###### General Meeting

On 12 March 2013 the Extraordinary General Meeting of Shareholders of J.W. Construction Holding S.A. was held, which decreased the amount of remuneration of the Member of Company's Supervisory Board, delegated by Supervisory Board under the article 390 §1 of Commercial Companies Code for the independent and individual supervision over the Company Management.

On 25 June 2013 the General Meeting was held, which approved unitary financial statements, consolidated financial statements for 2012, reports on activities of the Management Board of the Company and its Capital Group and gave discharge to the members of the Company, appropriated the profit by allocating it entirely for a supplementary capital of the Company. In addition, the General Meeting repealed the Resolution No. 27 of 18 May 2010 on the issue of convertible bonds, made changes to the Articles of Association by deleting the provisions concerning the possibility of conditional share capital increase and the possibility of a capital increase within the authorized capital.

###### Supervisory Board

As at 30 June 2013, the Supervisory Board was composed of:

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

**During the reporting period as well as after this period, the Company's Supervisory Board did not change.**

###### Management Board of the Company

As at 30 June 2013, the Management Board was composed of:

Wojciech Rajchert - the Member of the Management Board  
Irmína Łopuszyńska – Member of the Management Board  
Magdalena Starzyńska – Member of the Management Board  
Anna Konkel – Member of the Management Board  
Małgorzata Ostrowska – Member of the Management Board

In the reporting period, there were following changes in the Management Board:

On 07 February 2013, the Company received declaration of Mr. Robert Wójcik (Member of the Board) on the resignation on 09 February 2013 from the participation in Company Management Board.

On 17 April 2013, the following have been appointed to Management Board:

- Anna Konkel as Member of the Management Board
- Małgorzata Ostrowska as Member of the Management Board

After the end of the reporting period, the Management Board of the Company did not change.

#### Concluding loan agreements

On 29 January 2013, the Company concluded the investment credit agreement with PKO BP SA Bank in the amount of PLN 10,955,252 for refinancing the construction of part of residential premises, constructed within the frames of "Lewandów Park II" housing development in Warsaw. The repayment date was set on 31 December 2014.

On 29 May 2013, the Seahouse Sp. z o.o. company concluded an agreement with Bank Zachodni WBK SA on loan in the amount of PLN 12,717,422.80 for financing part of residential investment realization – "Rezydencja Redłowo" in Gdynia.

On 24 June 2013, the Company concluded a non-revolving credit agreement in the amount of PLN 10,000,000 with Invest Bank SA, dedicated to finance a current activity. The repayment date was set on 31 October 2014.

#### Conclusion of the annex to the credit agreement

On the 21 January 2013 the Company concluded an Annex to the overdraft credit agreement with Bank Millennium S.A. By virtue of the Annex, the credit repayment date was set on 22 January 2014.

On the 15 February 2013, the Company concluded an Annex to the revolving credit facility agreement with Bank Millennium S.A. dedicated to the co-finance of "Oaza Piątkowo" investment realization in Poznań. By virtue of the Annex, the amount of the loan granted was lowered from PLN 21,000,000 to PLN 20,000,000 and the credit use period and repayment date were postponed. The final repayment date is set on 30 June 2015.

On the 25 April 2013, the Company concluded an Annex to the revolving credit agreement with Bank Polskiej Spółdzielczości S.A. in the amount of PLN 10,000,000, dedicated to the finance of current activity. By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 25 April 2014.

On the 25 April 2013, the Company concluded an Annex to the overdraft facility agreement with Invest Bank S.A. in the amount of PLN 15,000,000. By virtue of the Annex, the credit use period and repayment date were postponed. The new repayment date is set on 25 April 2014.

On the 26 April 2013, the Company concluded an Annex to the overdraft agreement with PKO BP S.A. in the amount of PLN 10,000,000. By virtue of the Annex, the credit use period and repayment date were postponed. The new repayment date is set on 27 April 2014.

#### Credit repayment

On 9 May 2013, the Company fully repaid the overdraft facility granted by Invest Bank S.A. for the co-finance the realization of "Tymienieckiego II" investment in Łódź.

#### Occupancy permits

On 12 March 2013, the Company received the decision on the occupancy permit of multi-family housing development "Osiedle Światowida" at Światowida street in Warsaw. The permit is final.

On 14 March 2013, the Company received the decision on the occupancy permit of multi-family housing development "Zielona Dolina" at Zdziarska street in Warsaw. The permit is final.

#### A building permit

On 3 April 2013, the Company of Group – J.W. Group Sp. z o.o. 1 S.K.A. – received the decision on building permission of the first stage of multi-family housing development “Bliska Wola” at Ordonia/Kasprzaka street in Warsaw. The permit is final.

#### **Bonds**

##### **Changing the terms of issue**

On 24 January 2013, the Board Management passed a resolution, on the basis of which has changed the terms of the issue of bonds, issued pursuant to the Resolution of 26 April 2012, a total of 9,500 units with a nominal value of PLN 10,000 each and a total value of PLN 95 million identified in the NDFS system as PLJWC0000043, on the issue of which, the Company informed in the current report no 14/2012 of 27 April 2012 in respect of: (i) the maturity of the bond, which was changed from 27 April 2015 to 25 January 2016, (ii) completion of table of interest with three new periods of interest falling respectively from 2015-04-24 to 2015-07-24 from 2015-07-24 to 2015-10-23 and from 2015-10-23 to 2016-01-25; (iii) interest rates by increasing the margin by 0.75%, in force since 25 January 2013. the Company obtained the consent of all bondholders to change the above terms of the issue.

##### **The issue of Bonds**

On 25 January 2013, the Company issued a total number of 1,057 secured bonds with a nominal value of PLN 100,000 each and total value of PLN 105,700,000 for which the issue price corresponds the nominal value and the interest was determined on the basis of WIBOR 3M plus margin (“Bonds”), thus the maturity date was set on the 25 January 2016. The bonds were used to partially finance the debt from the A series bonds issued by the Company on the basis of the Resolution No. 1 of the Company Management of 18 June 2010, registered in the National Depository for Securities S.A. in Warsaw, under the ISIN code of PLJWC0000035. The bonds were paid in bonds of series A. As a result of the issue of Bonds, from the deposit of securities held by the National Depository for Securities, 1057 series A bonds marked with ISIN code PLJWC0000035 were deregistered and 243 bonds remained. Bonds entitle bondholders to receive payments on the redemption of 10% of nominal value on 25 April 2014 and 25 April 2015. The redemption installments mentioned above reduce the amount of the redemption of the Bonds, attributable to the payment of the final maturity date. Interest is paid quarterly. The bonds are secured by establishing:

(1) joint mortgage in the amount of PLN 135 million for:

(a) the Company's ownership of the real estate, developed by office building, located in Warsaw, 216 Jerozolimskie Avenue, consisting of plot No. 62/2 , with an area of 3999 m2, for which the District Court for Warsaw Mokotów in Warsaw , the 13<sup>th</sup> Division of the Land Registry lead Land and Mortgage Register No. KW WA1M/00149632/9 (the value of aforementioned real estate according to valuation done by a certified expert has been estimated to the amount of PLN 36,365,800 net) (The Company grants the security);

(b) the right to use the real estate consisting of a parcel of land located in Krynica - Zdrój at Czarny Potok street, plot no. 163/1 , 164/1 , 164/4 , 174/4 , 146, 172 , 173, 174/8 , 174/9, with a total area of 29,491 m2, and the right of ownership of buildings erected on the property, which are items separate from the land ownership, for which the District Court in Nowy Sącz X, Division of Land Registry in Muszyna lead a Land and Mortgage Register No. KW NS1M/00007069/8 (the aforementioned real estate value according to the valuation prepared by an expert was estimated at PLN 200,268,000,000 ) (The Company grants the security);

(c) Lokum Spółka z o.o. with its place of residence in Warsaw (a subsidiary of the Company) ownership of undeveloped real estate:

(i) consisting of plots No. 86/2 and 86/4, with a total area of 15,066 m2, located in Konstancin – Jeziorna, Bielawska street, for which the District Court in Piaseczno , the 4<sup>th</sup> Land Registry leads the Land and Mortgage Register No. KW WA1I/00006117/5 and

(ii ) consisting of a plot of land No. 84/27, with an area of 29 m2, located in Konstancin – Jeziorna at Bielawska street, for which the District Court in Piaseczno, 4<sup>th</sup> Land Registry, leads Land and Mortgage Register No. KW WA1I/00006116/8, (the value of the valuation prepared by an expert in real estate has been estimated at PLN 4.212 million) (Lokum Spółka z o.o. grants the security); and

2) a mortgage in the amount of PLN 75 million on the Company's ownership right for the real estate, located in Ozarów Mazowiecki, located in the region of Sochaczewskiej i Żyzna streets, consisting of plots with a total area of 141,497 m2, for which the District Court in Pruszkow, 6<sup>th</sup> Land Registry leads Land and Mortgage Register No. KW WA1P/00105675/5 (the aforementioned. properties' value according to the valuation prepared by an expert is PLN 86,152,000) (Company grants the security.) Upon Company demand, the administrator is obliged to give consistent of the exemption from the burden of mortgage separate parcels of land which are up to 10% of the secured property. The consent of the administrator requires presentation (by the Company) the property valuation, prepared by the certified expert not earlier than 30 days before the date of the request for exemption from the mortgage collateral This valuation shows that the value of the remaining land as collateral is not less

than PLN 75,000.000.

Mortgages have been granted to the bondholders, for whom the rights and obligations as the mortgagee takes Biedeck/Biedeck and Partners - Legal Advisers, as administrator of the mortgage.

On 24 April 2013, the Company issued a total number of 9,120 bearer bonds with a nominal value of PLN 10,000 each and the total nominal value of PLN 91.2 million, for which the issue price corresponds the nominal value and the interest rate was determined based on WIBOR 3M rate plus margin. The Company is required to fully purchase the bonds until 26 January 2016, by paying the redemption of bonds value plus accrued interest. Interest will be paid annually. Bonds are in the form of the document. Purpose of bonds issuance is to finance the redemption of promissory notes in the amount of PLN 91.2 million. Bonds have been issued as unsecured, but the company is committed to bring to registration (by the competent district court within three months from the issue date, i.e. on 24 April 2013) the security of the Bonds in the form of a mortgage on the property usufruct building, located in Warsaw at 29 Kasprzaka street, flat 31, including lots 3/3 and 3/1 with a total area of 81,185 m<sup>2</sup>, marked with the land register no WA4M/00162186/5, which is owned by the Treasury and J.W. group Spółka z ograniczoną odpowiedzialnością 1 Spółka komandytowo – akcyjna with its place of residence in Ząbki (the Subsidiary) is the perpetual lessee until 5 December 2089. The grantor and establisher of the security is J. W. Group Spółka z ograniczoną odpowiedzialnością 1 Spółka komandytowo—akcyjna domiciled in Ząbki. Under the terms of the bond issue, part of the property securing the bonds will be exempt from the collateral, after approval by the administrator of a mortgage from all bondholders for such an exemption. Mortgage has been granted to the bondholders, for whom the rights and obligations as the mortgagee takes Biedeck/Biedeck and Partners - Legal Advisers, as administrator of the mortgage.

#### **Redemption of bonds**

On 25 January 2013, the Company redeemed part of the 1300 bonds of unsecured A series, issued by the Company pursuant to Resolution of the Board of the Company dated on 18 June 2010, registered with the National Depository for Securities S.A. in Warsaw under ISIN code of PLJWC0000035. 1057 bonds subject to redemption with a nominal value of PLN 100,000 each and a total value of PLN 105.7 mil.

On 25 January 2013, the Company redeemed rest of the 1300 bonds of unsecured A series, issued by the Company pursuant to Resolution of the Board of the Company dated on 18 June 2010, registered with the National Depository for Securities S.A. in Warsaw under ISIN code of PLJWC0000035. 243 bonds subject to redemption with a nominal value of PLN 100,000 each and a total value of PLN 24,300,000.

#### **Payment of interest**

On 25 January 2013, the Company paid bonds interests

- 1) issued pursuant to the resolutions of the Board of the Company on 26 April 2012 in an amount of 9500 pieces with a nominal value of PLN 10,000 each and a total value of PLN 95 million, marked in the NDS as PLJWC0000043
- 2) of redeemed part of bonds issued pursuant to the resolutions of the Board of the Company dated 18 June 2010, registered with the National Depository for Securities S.A. in Warsaw under ISIN code of PLJWC0000035

On 25 March 2013, the Company paid interest of the not redeemed part of bonds issued on the basis of resolutions of the Board of the Company dated 18 June 2010, registered with the National Depository for Securities S.A. in Warsaw under ISIN code of PLJWC0000035

On 26 April 2013, the Company paid interest on bonds

- 1) issued pursuant to the resolutions of the Board of the Company on 26 April 2012 in an amount of 9500 pieces with a nominal value of PLN 10,000 each and a total value of PLN 95 million, marked in the NDS as PLJWC0000043
- 2) issued pursuant to the Resolutions of the Management Board of 12 December 2012, registered in the National Depository for Securities S.A. in Warsaw under ISIN code of PLJWC0000050

On 25 June 2013, the Company paid interest of the not redeemed part of bonds issued on the basis of the resolutions of the Board of the Company dated 18 June 2010, registered in the National Depository for Securities S.A. in Warsaw under ISIN code of PLJWC0000035.

#### **Implemented investments**

In the first half of 2013, the following investments were realized:

No.	Housing investments	Number of units
1	„Oaza Piątkowo”, Poznań	183
2	„Rezydencja Redłowo”, Gdynia	52

The Management Commentary on the Capital Group  
J.W. Construction Holding S.A. for the first half of 2012.

3	„Villa Campina” – 2 single-family houses	2
4	„Oxygen” – Warsaw (external contract - GW JW. Construction Sp. z o.o.)	287

No.	Commercial investment	PU
1	„Hanza Tower” – Szczecin – zero condition realized	36 328

In the first half of 2013, the Group was realizing the construction of 3 residential investments for a total number of 522 premises and two single-family houses. Front of the realized works covered the following projects: „Oaza Piątkowo” housing development in Poznań, „Rezydencja Redłowo” in Gdynia, single-family houses – Villa Campina near Ożarów Mazowiecki and external contract - „Oxygen” investment at Wronia street in Warsaw – realized by J.W. Construction Spółka z o.o. company within the frames of general contracting.

In parallel with ongoing residential investments, the Group carried out construction work on **commercial investment - Hanza Tower in Szczecin with a usable area of over 36 thousands of squared meters.**

Investments planned

In addition to currently continued investments, in the near future, the Company intends to expand its range with new projects in the residential segment. Over the next two years, the Company plans to launch residential investments with 6,020 units:

Housing investments to be launched in the next two years	City/District	Number of units / houses:
Os. Bliska Wola, Kasprzaka street	Warsaw / Wola	2 905
Zielona Dolina II, Zdziarska street	Warsaw / Białołęka	865
Millenium, Tysiąclecia street, I stage	Katowice	149
Millenium, Tysiąclecia street, further stages	Katowice	488
Spokojna street	Gdynia	432
Katowice, Bałtycka street	Katowice	236
Berensona street	Warsaw / Białołęka	263
Antoniewska street	Warsaw / Mokotów	234
Aluzyjna street, I and II	Warsaw / Białołęka	98
Tymienieckiego street III	Łódź	108
Odkryta street II	Warsaw / Białołęka	82
Sochaczewska street	Gdynia	51
Zielona Dolina III, Zdziarska street	Warsaw / Białołęka	44
Villa Campina – houses	Ożarów Mazowiecki	10
Osada Wiślana V	Warsaw / Białołęka	21
Mikołaja Trąby street	Warsaw / Białołęka	18
Nowodworska – houses	Warsaw / Białołęka	16

m.matejuk 28.8.13 15:32  
Usunięto: 59

In addition, currently there are some preparations for the implementation of next office projects. The works are connected with designing and obtaining appropriate permits and decisions which allow to commence these investments. It is planned that in 2013 and in subsequent periods the implementation of the following commercial investments will begin:

Planned commercial investments	City/District	Usable space
Miasteczko Kasprzaka, Kasprzaka street	Warsaw / Wola	72 055
Pileckiego street	Warsaw / Ursynów	10 022

Objectives and development prospects

The analysis of the real estate market and the recognition of the preferences of the Company's customers prove the necessity of the current strategy consisting mainly in satisfying the necessities of middle-class customers. According to market studies, in Poland in the coming years will continue to maintain the housing deficit. In addition, it is necessary to keep in mind that many places that are currently used have very bad technical condition which will be in the near future reflected by the real increase in demand.

The priority for the Company are development projects which (in contrast to commercial projects) bring rapid return on investment. The company dedicates residential offer mainly to all customers from middle-income group, hence the planning and implementation of cost-effective investments in attractive locations - tailored to the financial opportunities of potential buyers. Taking into account the above assumptions and still difficult situation in the mortgage market, the Company offers its customers flexible solutions related to premises purchase. Within the frames of financing offer, the proposed programs are tailored to the financial opportunities of offer recipients. Thanks to the many years of successful cooperation with major banks, the Company has diversified credits offer based on preferential conditions, dedicated only to customers of the Company. In addition, we continuously work on another, new programs that allow to obtain financing for the Company customers.

In addition to the implementation of development projects, the Company intends to continue the diversification of income (commenced in previous years) by participating in the commercial and hotel segment on a national scale. In the second half of 2012, "Czarny Potok Resort & SPA" hotel in Krynica Zdroj was commissioned.

The company continuously realizes strategic objectives posed earlier:

- continuation of works related to the preparation of new investments by preparing the documentation such as among others the detailed design documentation and applying for building permits which will allow to start new investments in the future.
- expansion into new markets and enrichment of the offer by the purchase of another real estates for the next attractive residential investments

Thanks to the appropriate sales policy, the Company maintains an offer which is attractive to customers. In addition to the finished premises coming from the previously completed investments, purchasers are able to choose flats from new, attractively priced and well-located projects introduced for sale. Stable sales level and achieved result are proofs that the proper development strategy has been adopted where the Company directs its offer mainly to customer who is interested in popular housing sector. Good relationships with banks allowed the Company to offer customers a special pre-negotiated conditions of credit granted that are the best on the market. Accordingly to the aforementioned, the Company's activity in the field of housing will continue to be developed by starting new investments in popular housing segment. This will be based on attractive prices and locations, as well as on adjusting the size of flats sold to buyers demand.

Intensive preparations lasts for the launch of new investment, both in Warsaw and other large Polish cities such as Katowice, Gdynia and Łódź. The company plans to start and introduce to the sales another residential projects among others on Wola (Bliska Wola housing development at Kasprzaka street) and Białoleka - the district which is famous for the popularity among customers - including Aluzyjna and Berensona streets.

The biggest in the history of the Company "Bliska Wola" project containing both residential and commercial parts will be created on the plot at Kasprzaka street. The proposed housing development will comprise approximately 3,000 flats, and the services part will have an area of over 72,000 m<sup>2</sup>. The project, divided into stages, will be implemented within the frames of special purpose subsidiary of the Company.

At the same time, works related to the launch of investment in Katowice are being finalized. The final building permits are already obtained. In the third quarter of 2013, the construction and sale of the first stage of this project will be started. This will include 149 premises. The housing development called "Nowe Tysiąclecie" will be located in a very attractive part of Katowice. "Nowe Tysiąclecie" project will be realized within the frames of a special purpose vehicle.

Appointment of special purpose vehicles increases the financial and legal transparency in the implementation of housing projects. This design also fits in with the current requirements of credit institutions.

Additionally, the Company is working on launching (in 2013) the subsequent housing projects in Katowice, at Bałtycka street and in Łódź, at Tymienieckiego street and in Gdynia, at Spokojna street.

Threats to the real estate market, and thus to the nearest environment, the Company sees more and more difficult access to finance the purchase of houses by individual buyers, which could have a significant impact on demand. No alternative government program in 2013 will result in a further weakening of the real estate market. In this situation, you should expect to lower sales of flats - which in turn may result in deterioration of liquidity in the Company. In order to eliminate these negative factors, the Company plans to implement another special programs of flats purchase and start selling new housing investments in attractive prices and locations.

The priority for the Company are development projects which (in contrast to commercial projects) bring rapid return on investment.



An important element in the development strategy of the Capital Group's activity is its executive arm - J.W. Construction S.A. Thanks to the separation of a company with a typical construction character, our opportunities to attract new external contracts significantly increased.

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

- cutting costs among other things by shortening the period of investment implementation while using a new prefabricated unit production technology under a separated company – J.W. Construction Sp. z o.o.;
- continuation of works related to the preparation of new investments by preparing the documentation such as among others the detailed design documentation and applying for building permits which will allow to start new investments in the future.
- increasing a land bank by further attractive plots (including those in the downtown of a capital city).

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

The most significant factors which may affect the Company's financial results include:

- conducted banks' credit policy both within the frames of mortgage and investment credits - tightened credit conditions limit the source of funding for the purchase of real estates;
- Replacing "Family's Own Place" program with "Flats for Youth" program;
- introduction of "Tenement Flats" program
- preparation of the new government solutions - a draft of amendment to the Law on the protection of the rights of tenants which would allow to allocate a portion of completed units for rent;
- maintenance of the appropriate pace and schedule of the transferring already finished premises to the customers;
- Implementation of the assumed level of sales;
- obtaining necessary administrative decisions in relation to the currently ongoing and future projects;
- no changes in legislation and taxation – rapid changes could influence in an uncontrolled way on the market demand for products offered by the Company;
- conducted banks' credit policy both within the frames of mortgage and investment credits - tightened credit conditions limit the source of funding for the purchase of real estates;
- interest rate, in particular for the loans in the Polish currency (PLN);

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

Concluding annexes to loan agreements

On the 2 August 2013, J.W. Construction Sp. z o.o. Company concluded an Annex to the overdraft agreement with PKO BP S.A. in the amount of PLN 7,000,000. By virtue of the Annex, the credit use period and repayment date were postponed. The new repayment date is set on 4 July 2014.

Termination of the guarantee

On 26 July 2013 an agreement was concluded between the JW Consulting Spółka z ograniczoną odpowiedzialnością J.W. 5 SKA with its place of residence in Ząbki and Klosters Beteiligungsgedellschaft mbH with its place of residence in Kempen (Germany) on the basis of which the aforementioned Parties changed contract for the sale of shares in J.W. Agro Sp. z o.o. with its place of resident in Nowogard. In accordance with the agreement, guarantee granted by the Company concerning the legal status of J.W. Agro Sp. z o.o. expired. This was granted by the Company as a founder and the first partner of J.W. Agro Sp. z o.o.

On 16 August 2013, the credit facility agreement between the Bank Millennium S.A. domiciled in Warsaw and "Wronia" J.W. 2 Spółka z ograniczoną odpowiedzialnością SKA domiciled in Ząbki (formerly J.W. Wronia Spółka z o.o.) was terminated and thus also the the guarantee granted by the Issuer of the loan was expired.

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

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

**Interest rate risk**

The Company raises funds for implementation of its projects based on floating interest rate loans. Those are mainly loans incurred for the period of the construction of a given investment project – approximately from 2 to 3

years. The Company also holds bonds in the amount of PLN 291.9 million with interests at a floating market rate. Significant reductions in base rates in the last year will improve the level of financial costs.

#### Credit Risk

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

Recent decisions of financial market regulators imposing less strict criteria when granting loans can positively affect the willingness and ability to take loans by customers.

#### Liquidity risk

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

#### Administrative risk

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

#### Competition risk

In the last period of time, the competition on the building market has increased. This situation is caused both by the reduction of the volume tradings of the housing industry. In the other hand, the EU funds inflow encouraged foreign companies to compete for orders in our country. In the light of such circumstances, it will be much harder to obtain any external orders for assembly works as well as prefabricated building materials. There is also a risk that the increased competition will be reflected in profit margins from external building contracts.

#### 8. Indicating the consequences of changes in an economic entity's structure, including the consequences resulting from entities' joint activity, the take-over or sale of entities of the Issuer's capital group, long-term investments, distribution, restructuring or abandonment of activity.

On 14 February 2013, the Company sold all of its shares in the company under the name of Deweloper Spółka z o.o., domiciled in Siemianowice which was subject to consolidation.

On 6 August 2013, the company was registered under the name of Nowe Tysiąclecie Spółka z o.o., domiciled in Żąbki by which the Issuer intends to carry out the first stage of investment in Katowice at Tysiąclecia street. On 20 August 2013 a conditional contract was signed, provided that no right of pre-emption will be used and sales of the perpetual leasehold land with a total area of 7054 m<sup>2</sup> for the first stage of investment in Katowice at Tysiąclecia street.

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

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

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

As at 28.08.2013

Shareholder	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	15.413.713	28,51 %	15.413.713	28,51 %
EHT S.A.	18.568.300	34,34 %	18.568.300	34,34 %
Investment funds manager by	Between 5 and 10% of the shares*			

The Management Commentary on the Capital Group  
J.W. Construction Holding S.A. for the first half of 2012.

PKO TFI S.A. Pioneer Open-End Investment Fund owned by Pioneer Pekao TFI SA	Between 5 and 10% of the shares**
--	-----------------------------------

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

\*\* on 22 November 2011, the Company received a notification on a decrease below a 10 % threshold of the share capital of the Company by the Pioneer Open\_End Investment Fund managed by Pioneer Pekao TFI S.A., as at that day it was 5.382.182 shares representing 9.95 % of the share capital of the Company entitling to 5.382.182 votes at the General Meeting of the Company representing 9.95% of the total number of votes.

In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

Pan Józef Wojciechowski kontrolując Spółkę EHT S.A. z siedzibą w Luksemburgu.

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

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

As at 28.08.2013

Person	Office	Number of shares held
Józef Wojciechowski	Chairman of the Supervisory Board	15.413.713

There were no changes during the reporting period.

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

The Company is a party to the proceedings, the value of which exceeds 10% of equity. On 26 April 2012, the Company filed against the Capital City of Warsaw ("Respondent") 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. LVII/1669/2009, which entered into force on 3 August 2009) ("Plan").

The property has been earmarked for the N-S Route. In the period when the Company acquired the Property, the zoning plan of the property was not obligatory. With the adoption of the Plan and as a result of this adoption, there has been a significant restriction on the use of the Property by the Company, therefore the Company has the right to request to redeem to purchase/buy out the Property by the Defendant.

The Company applied to the Defendant with a request to take steps to voluntary purchase of the Property by the Respondent but the request was refused.

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

Total value of law actions where the Company is the Defendant Party does not exceed 10% of the Company's equity.

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

All transactions concluded by the Company or its related parties are market condition transactions.

All transaction concluded with related parties were concluded on the basis of market conditions.

BALANCES WITH RELATED PARTIES (from the point view of the dominating entity)\*

L.p.	COMPANY NAME	Receivables from related parties		Liabilities to related parties	
		30-06-2013	31-12-2012	30-06-2013	31-12-2012
1.	TBS Marki Sp. z o.o.	8 272,21	73 441,01	28 856 211,33	26 247 753,11
2.	Business Financial Construction Sp. z	157 496,10	152 157,80	2 988 927,72	2 954 633,60

The Management Commentary on the Capital Group  
J.W. Construction Holding S.A. for the first half of 2012.

	o.o.				
3.	Lokum Sp. z o.o.	257 920,01	257 920,01	0,00	0,00
4.	J.W. Bułgaria	36 313 770,72	34 014 045,58	0,00	0,00
5.	Porta Transport Sp. z o.o.w likwidacji	29 520,00	31 491,69	12 285 537,79	11 258 140,04
6.	Yakor House Sp.z o.o.	16 830 360,64	15 316 561,38	0,00	0,00
7.	J.W. Construction Sp. z o.o.	3 791 581,56	22 728 679,96	58 602 484,45	109 062 218,19
8.	Saspol Infrastruktury Sp. z o.o.	51 414,77	49 836,70	0,00	0,00
9.	J.W. Marka Sp. z o. o.	36 624,67	4 602 419,73	378 968,79	5 637 903,61
10.	J.W.Group Sp. z o.o.	18 571,64	16 551,81	0,00	0,00
11.	J.W.Group Sp. z o.o. 1 SKA	174 452 158,29	168 049 284,27	483 572,80	0,00
12.	J.W.Group Sp. z o.o. 2 SKA	10 651,80	10 651,80	0,00	0,00
13.	Seahouse Sp. z o.o.	211 455,77	1 990 536,00	301 326,30	369,00
14.	J.W.6 Sp. z o.o.	25 310,28	25 310,28	0,00	0,00

\* The above statement presents balances with related parties from the point of view of the parent company. These balances include amounts for the following transactions between entities: Receivables and liabilities for goods and services, loans, costs, paid deposits, advances and other transactions, except those arising from the valuation of construction contracts entered into by the parent company with special purpose vehicles (above 200 thous.).

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

It does not apply to

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

None besides the aforesaid ones.

Signature of the person responsible for the Financial Statement

Irmina Łopuszyńska Member of the Management Board Main Accountant	Signature
---	-----------

Management Board Members signatures

Wojciech Rajchert Member of the Management Board	Signature
Magdalena Starzyńska Member of the Management Board	Signature
Małgorzata Ostrowska Member of the Management Board	Signature

Anna Konkel Member of the Management Board	Signature
---	-----------

Ząbki, 28 August 2013