

# Sprawozdanie Zarządu z działalności Grupy J.W. Construction Holding S.A. w I półroczu 2016 r.



Ząbki, dn. 30 sierpnia 2016 r.



## 1. Introduction

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 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.

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. Company's Capital Group

Structure of Capital Group with information on consolidated entities is presented in the Consolidated Financial Statements.

## 3. Principles for preparation of the consolidated interim financial statements

Principles for preparation of the consolidated interim financial statements were included in the Financial Statements under "ADOPTED PRINCIPLES (POLICY) OF ACCOUNTING"

## 4. Selected financial data including basic items of the consolidated financial statements for the period of six months

The table below presents selected financial data from both consolidated and unitary financial statements (also in EUR).

Consolidated balance sheet item	30-06-2016		31-12-2015	
	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 580 098</b>	<b>357 044</b>	<b>1 697 585</b>	<b>398 354</b>
Fixed assets	812 846	183 673	865 498	203 097
Current assets	767 251	173 371	832 087	195 257
<b>Total equity and liabilities</b>	<b>1 580 098</b>	<b>357 044</b>	<b>1 697 585</b>	<b>398 354</b>
Equity	653 695	147 711	626 643	147 047
Long-term liabilities	434 683	98 222	449 965	105 588
Short-term liabilities	491 720	111 111	620 977	145 718

Consolidated Profit and Loss Account Item	between 01-01-2016 and 30-06-2016		between 01-01-2015 and 30-06-2015	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	255 033	58 220	127 516	30 845
Costs of products, goods and materials sold	186 898	42 666	98 243	23 764
<b>Gross profit (loss) on sales</b>	<b>68 135</b>	<b>15 554</b>	<b>29 273</b>	<b>7 081</b>
Sales expenses	13 359	3 050	8 221	1 989
Overheads	9 438	2 154	8 951	2 165
Profit (loss) on sales	43 219	9 866	15 727	3 804

Management Board statement on the J.W. Construction Holding S.A. Group's activity for the first half of 2016.

Operating profit (loss)	37 472	8 554	14 301	3 459
<b>Gross profit (loss)</b>	<b>30 631</b>	<b>6 993</b>	<b>5 952</b>	<b>1 440</b>
Income tax	4 527	1 033	849	205
<b>Net profit (loss)</b>	<b>26 104</b>	<b>5 959</b>	<b>5 103</b>	<b>1 234</b>

Issuer's Balance Sheet Item	30-06-2016		31-12-2015	
	PLN	EUR	PLN	EUR
<b>Total assets</b>	<b>1 355 407</b>	<b>306 272</b>	<b>1 315 689</b>	<b>308 739</b>
Fixed assets	797 920	180 301	842 997	197 817
Current assets	557 487	125 972	472 692	110 922
<b>Equity and liabilities</b>	<b>1 355 407</b>	<b>306 272</b>	<b>1 315 689</b>	<b>308 739</b>
Equity	652 436	147 426	674 695	158 323
Long-term liabilities	360 721	81 510	300 857	70 599
Short-term liabilities	342 251	77 336	340 138	79 816

Profit and Loss Account Item	between 01-01-2016 and 30-06-2016		between 01-01-2015 and 30-06-2015	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	57 196	13 057	131 852	31 894
Costs of products, goods and materials sold	53 319	12 172	103 441	25 021
<b>Gross profit (loss) on sales</b>	<b>3 876</b>	<b>885</b>	<b>28 411</b>	<b>6 872</b>
Sales costs	8 077	1 844	8 504	2 057
Overhead	7 439	1 698	6 773	1 638
Profit (loss) on sales	-13 759	-3 141	16 759	4 054
Operating profit (loss)	-19 555	-4 464	14 935	3 612
<b>Gross profit (loss)</b>	<b>-26 891</b>	<b>-6 139</b>	<b>7 413</b>	<b>1 793</b>
Income tax	-4 631	-1 057	1 216	294
<b>Net profit (loss)</b>	<b>-22 259</b>	<b>-5 081</b>	<b>6 197</b>	<b>1 499</b>

## 5. Group's activities and significant events during the first half of 2016.

Within the period covered by this statement the following significant events took place:

### Corporate matters

#### General Meetings:

On June 29, 2016 The Ordinary General Meeting of Shareholders took place, which adopted a resolution on the approval of: the financial statements and the Company's activities for the year 2015, the consolidated financial

statements and the Management Board from operations of the Company for 2015, granted discharge to the members of Company authorities. Issuer's profit generated in 2015 was allocated to the reserve capital.

#### **Capital increase in subsidiary companies:**

##### Dana Invest Sp. z o.o.

On 8 February 2016, a notarial deed A 1189/2016 prepared by Anna Sota in Warsaw increased the share capital of a subsidiary Dana Invest Sp. z o.o with headquarters in Żąbki from 10,065,000 PLN to 11,125,850 PLN. The amount of PLN 1,060,850 was achieved through creation of 21,217 new shares with a nominal value of 50 PLN and issue value of 200 PLN each. The shares were acquired by the Company in exchange for a cash contribution.

On 16 May 2016 the District Court of Warsaw XIV Commercial Department of the National Court Register registered the increase of share capital in the company under the name of Dana Invest Sp. z o.o. with headquarters in Żąbki in the amount of 1,060,850 PLN to the amount of 11,125,850 PLN.

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

W dniu 26 lutego 2016 r. aktem notarialnym Rep. A 2096/2016 sporządzonym przez Annę Sotą Notariusza w Warszawie został podwyższony kapitał zakładowy w spółce zależnej pod firmą J.W. Marka Sp. z o.o z siedzibą w Żąbkach. Kapitał został podwyższony z kwoty 158.838.000 zł do kwoty 189.658.450 zł tj. o kwotę 30.820.450 zł w drodze utworzenia 616.409 nowych udziałów o wartości nominalnej 50 zł każdy. Udziały zostały objęte w całości przez Spółkę w zamian za aport w postaci 145.558 udziałów o łącznej wartości nominalnej 7.277.900 zł w spółce pod firmą Bliska Wola 1 Sp. z o.o. z siedzibą w Żąbkach.

W dniu 26 lutego 2016 r. w wykonaniu wyżej opisanej uchwały oraz oświadczenia o objęciu udziałów została zawarta umowa na podstawie której, Spółka przeniosła na spółkę pod firmą J.W. Marka Sp. z o.o. z siedzibą w Żąbkach 145.558 udziałów o łącznej wartości nominalnej 7.277.900 zł w spółce pod firmą Bliska Wola 1 Sp. z o.o. z siedzibą w Żąbkach.

W dniu 14 marca 2016 r. Sąd Rejonowy dla m.st. Warszawy w Warszawie XIV Wydział Gospodarczy Krajowego Rejestru Sądowego zarejestrował podwyższenie kapitału w spółce pod firmą J.W. Marka Sp. z o.o. z siedzibą w Żąbkach o kwotę 30.820.450 zł tj. do kwoty 189.658.450 zł.

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

On 26 February 2016, a notarial deed A 2096/2016 prepared by Anna Sota in Warsaw increased the share capital of a subsidiary J.W. Marka Sp. z o.o with headquarters in Żąbki from 158.838.000 PLN to 189.658.450 PLN. The amount of 30.820.450 PLN was achieved through creation of 616.409 new shares with a nominal value of 50 PLN each. The shares were acquired

entirely by the Company in exchange for a contribution in the form of 145,558 shares with a total nominal value of 7,277,900 PLN in the company under the name Bliska Wola 1 Sp. z o.o. with headquarters in Żąbki.

On 26 February 2016, exercising the above mentioned resolution an agreement was concluded on the basis of which the Company transferred 145,558 shares with a total nominal value of 7,277,900 PLN to the subsidiary J.W. Mark Sp. z o.o with headquarters in Żąbki.

On 14 March 2016 the District Court of Warsaw XIV Commercial Department of the National Court Register registered the increase of share capital in the company under the name of J.W. Marka Sp. z o.o. with headquarters in Żąbki in the amount of 30.820.450 PLN to 189.658.450 PLN.

#### **Transformation of the Issuer's subsidiaries:**

##### Bliska Wola 1 Sp. z o.o.

On 29 February 2016 the Board of the subsidiary operating under the company Bliska Wola 1 Sp. z o.o. with headquarters

in Żąbki adopted and presented to the partners the plan to transform the company into a limited partnership.

After the transformation the associates of the company will be:

- Bliska Wola 4 Sp. z o.o. with headquarters in Żąbki which is the general partner with participation in the profits of 1 % (100% subsidiary of the Issuer)
- J.W. Brand Company o.o. with headquarters in Żąbki being a limited partner with a share in the profits of 51 % (100% subsidiary of the Issuer)
- Issuer being a limited partner with a 48% share of the profits

On 30 March 2016 shareholders of company Bliska Wola 1 Sp. z o.o. with headquarters in Żąbki adopted a resolution, recorded by a notary Radosław Walasik A1797/2016 in Warsaw, to transform Bliska Wola 1 Sp. z o.o. into a limited partnership, which will operate under the company Bliska Wola 4 Sp. z o.o. 1 Limited Partnership with headquarters in Żąbki.

On 29 April 2016 the District Court of Warsaw XIV Commercial Department of the National Court Register registered the transformation of the Issuer's subsidiary under the name of Bliska Wola 1 Sp. z o.o. with headquarters in Żąbki into a limited partnership operating under the name Bliska Wola 4 Sp. z o.o. 1 Limited Partnership with headquarters in Żąbki. The entity was registered in the register of entrepreneurs under the number KRS 0000614745.

**Bliska Wola 2 Sp. z o.o.**

On 29 February 2016 the board of the subsidiary operating under the company Bliska Wola 2 Sp. z o.o. with headquarters in Żąbki adopted and presented to the partners the plan to transform the company into a limited partnership.

After the transformation the associates of the company will be:

- Bliska Wola 4 Sp. z o.o. with headquarters in Żąbki which is the general partner with participation in the profits of 1% (100% subsidiary of the Issuer)
- J.W. Construction Sp. z o.o. with headquarters in Żąbki being a limited partner with a share in profits of 51% (100% subsidiary of the Issuer)
- Issuer being a limited partner with a 48% share of the profits.

On 30 March 2016 shareholders of company Bliska Wola 2 Sp. z o.o. with headquarters in Żąbki adopted a resolution, recorded by a notary Radosław Walasik A1801/2016 in Warsaw, to transform Bliska Wola 2 Sp. z o.o. into a limited partnership, which will operate under the company Bliska Wola 4 Sp. z o.o. 2 Limited Partnership with headquarters in Żąbki.

On 29 April 2016 the District Court of Warsaw XIV Commercial Department of the National Court Register registered the transformation of the Issuer's subsidiary under the name of Bliska Wola 2 Sp. z o.o. with headquarters in Żąbki into a limited partnership operating under the name Bliska Wola 4 Sp. z o.o. 2 Limited Partnership with headquarters in Żąbki. The entity was registered in the register of entrepreneurs under the number KRS 000061621.

**Loans:**

Annex to the loan agreement

On 21 March 2016 the Company signed an annex to the loan agreement in the current account in the amount of 16.83m PLN with Bank Millenium SA. Under the annex the agreed payment date is 23 October 2016.

On 25 April 2016 the Company signed an annex to the loan agreement in the current account in the amount of 15m PLN with Plus Bank S.A. Under the annex the utilisation and payment dates have been changed. The payment date is 25 April 2018.

On 27 April 2016 the Company signed an annex to the loan agreement in the current account in the amount of 10m PLN with PKO BP S.A. Under the annex to utilisation and payment dates have been changed. The payment date is 27 April 2017.

Loan repayment

On 29 April 2016, the Issuer's subsidiary under company Łódź Invest Sp. z o.o. with headquarters in Żąbki carried out the payment of entire revolving credit to the amount of 15.141.884 PLN for co-financing of the "Osiedle Centrum III" investment at Tymienieckiego street in Łódź granted by Bank Polskiej Spółdzielczości.

On 29 April 2016, the Issuer's subsidiary under company Łódź Invest Sp. z o.o. with headquarters in Żąbki carried out the payment of entire revolving credit to the amount of 350.000 PLN for financing VAT tax for the "Osiedle Centrum III" investment at Tymienieckiego street in Łódź granted by Bank Polskiej Spółdzielczości.

On 31 May 2016, the Issuer's subsidiary under company Nowe Tysiąclecie Sp. z o.o. with headquarters in Żąbki carried out the payment of entire investment loan to the amount of 21.000.000 PLN for co-financing of the "Nowe Tysiąclecie Budynek A1" investment in Katowice granted by Getin Noble Bank SA.

**Permits:**

Building permit

On 16 March 2016 the Company received a building permit for reconstruction including the change of use of an existing office building in Warsaw at Jerozolimskie 212 Av. into an aparthotel - Jerozolimska Invest.

Occupancy permit

On 12 February 2016 Group Company operating under the name Nowe Tysiąclecie Sp. z o.o. received an occupancy permit for the occupancy of a multifamily building - "Nowe Tysiąclecie etap A1" at Tysiąclecia street in Katowice. The permit is final and binding.

On 8 April 2016 Group Company - Łódź Invest Sp. z o.o. - received an occupancy permit for a multifamily estate "Łódź Centrum III" at Tymienieckiego street in Łódź. The permit is final and binding.

On 13 June 2016 Group company operating under the name Bliska Wola 4 Sp. z o.o. 2 Limited Partnership received an occupational permit for residential buildings and services - B2 building with underground garage, exits and infrastructure in the region of Ordona street in Warsaw. The permit is final and binding.

**Bonds:**

Bond buyout:

On 25 January 2016 the Company redeemed bonds:

- 5782 bonds with a nominal value of 10,000 PLN each, ISIN code PLJWC0000043

- 992 bonds with a nominal value of 80,000 PLN each, ISIN code PLJWC0000050.

The buyout and payment of interest of the above bonds, together with the redemption of the bonds acquired in exchange for the issued bonds (ISIN code PLJWC000100) on 10 December 2015, mean that the payment of the Company's liabilities described above is finalised.

Listing of bonds:

As of 12 February 2016 120.000 of Company's bonds (ISIN PLJWC000100), with a nominal value of 1,000 PLN each, are listed on Catalyst.

Interest payment

On 25 January 2016 the Company carried out interest payments on bonds (ISIN PLJWC0000043) issued pursuant to the Management Board Resolution from 26 April 2012. The payment concerned the interest charged on the remaining 5,782 bonds redeemed on 25 January 2016.

On 25 January 2016 the Company carried out interest payments on bonds (ISIN PLJWC0000050) issued pursuant to the Management Board Resolution from 12 December 2012. The payment concerned the interest charged on the remaining 992 bonds redeemed on 25 January 2016.

On 8 June 2016 the Company carried out interest payments on 120.000 bonds, with a nominal value of 1.000 PLN each, issued pursuant to the Management Board Resolution from 23 November 2015. ISIN PLJWC0000100.

**Realized investments**

In the first half of 2016 the Group carried out 14 residential investments, including houses, and 2 aparthotel investments with a total of 3870 units. Conducted work spanned across the whole country: Bliska Wola (phase: B1, B2, C and C-aparthotel Wola Invest), aparthotel Jerozolimskie Invest, Osiedle Zielona Dolina II (phase: I and II), Zielona Dolina III and Osiedle Willa One - in Warsaw, two phases of Osiedle Nowe Tysiąclecie (A1 and B1) in Katowice, Osiedle Łódź Centrum III in Łódź, Bernadowo Park (phase: I and II) and Osiedle Kamerata in Gdynia as well as Villa Campina single-family houses near Ożarów Mazowiecki.

In the first half of 2016 the following investments were carried out:

Ongoing residential investments	Number of units	Useable area (m2)	% of units sold	Units handed over as at 30 June 2016	Units to be handed over as at 30 June 2016
Bliska Wola –Phase B1, Warszawa – Bliska Wola 4 Sp. z o.o. 1 sp. kom.	672	30 408	100%	306	366
Zielona Dolina II phase II, Warszawa – J.W. Construction Holding S.A.	567	25 337	0%	0	567
Bliska Wola - Phase C, Warszawa – J.W. Construction Holding S.A.	481	21 392	90%	0	481
Zielona Dolina II phase I, Warszawa – J.W. Construction Holding S.A.	321	12 832	35%	0	321
Bliska Wola – Phase B2, Warszawa – Bliska Wola 4 Sp. z o.o. 1 sp. kom.	291	12 898	100%	159	132
Bernadowo Park phase II, Gdynia – J.W. Construction Holding S.A.	236	13 185	8%	0	236
Bernadowo Park phase I, Gdynia – J.W. Construction Holding S.A.	196	11 471	72%	0	196
Nowe Tysiąclecie, Katowice phase A1 – Nowe Tysiąclecie Sp. z o.o.	142	7 008	98%	121	21
Nowe Tysiąclecie, Katowice phase B1 – Nowe Tysiąclecie Sp. z o.o.	122	6 951	71%	0	122
Osiedle Centrum III, Łódź – Łódź Invest Sp. z o.o.	96	4 865	89%	74	22
Kamerata (Sochaczewska street)* Gdynia, – J.W. Construction Holding S.A.	55	3 487	0%	0	55
Zielona Dolina III, Warszawa – J.W. Construction Holding S.A.	54	2 254	13%	0	54
Villa Campina – houses, Ożarów	42	4 442	40%	0	42
Willa One, Warszawa – J.W. Construction Holding S.A.	21	957	19%	0	21
<b>TOTAL residential investments</b>	<b>3 296</b>	<b>157 487</b>	<b>61%</b>	<b>660</b>	<b>2 636</b>

\* Investment has not yet entered the sales offer

Ongoing aparthotel investments	Number of units	Useable area (m2)	% of units sold	Units handed over as at 30 June 2016	Units to be handed over as at 30 June 2016
Bliska Wola - Phase C - Wola Invest, Warszawa – J.W. Construction Holding S.A.	458	14 559	61%	0	458
Jerozolimskie Invest, Warszawa – J.W. Construction Holding S.A.	116	3 479	4%	0	116
<b>TOTAL aparthotel investments</b>	<b>574</b>	<b>18 038</b>	<b>49%</b>	<b>0</b>	<b>574</b>
<b>TOTAL residential and aparthotel investments</b>	<b>3 870</b>	<b>175 525</b>	<b>59%</b>	<b>660</b>	<b>3 210</b>

19 units remain from the previously completed investments.

#### Construction started in the first half of 2016

Out of the undermentioned investments from the first half of 2016 the following have already started with construction activities: Zielona Dolina II phase II and Zielona Dolina III in Warsaw, Bernadowo Park phase II, Osiedle Kamerata in Gdynia, and aparthotel Jerozolimskie Invest at Jerozolimskie Av.in Warsaw.

Construction started in H1 2016	Number of units	Useable area (m2)
Zielona Dolina II phase II, Warszawa – J.W. Construction Holding S.A.	567	25 337
Bernadowo Park phase II, Gdynia – J.W. Construction Holding SA	236	13 185
Jerozolimskie Invest, Warszawa – J.W. Construction Holding S.A.	116	3 479
Kamerata (Sochaczewska street) Gdynia, – J.W. Construction Holding SA	55	3 487
Zielona Dolina III, Warszawa – J.W. Construction Holding S.A.	54	2 254
<b>TOTAL</b>	<b>1 028</b>	<b>47 742</b>

#### Construction finished in the first half of 2016

In the first half of 2016 4 investments were completed with a total of 1201 units.:

Residential investment completed in H1 2016	Number of units	Useable area (m2)
Bliska Wola –Phase B1, Warszawa – Bliska Wola 4 Sp. z o.o. 1 sp. kom.*	672	30 408
Bliska Wola –Phase B2, Warszawa – Bliska Wola 4 Sp. z o.o. 1 sp. kom.**	291	12 898
Nowe Tysiąclecie, Katowice phase A1 – Nowe Tysiąclecie Sp. z o.o.***	142	7 008
Osiedle Centrum III, Łódź – Łódź Invest Sp. z o.o.	96	4 865
<b>TOTAL</b>	<b>1 201</b>	<b>55 179</b>

\* Construction work was finished H1 2016, occupancy permit received on 01.07. 2016

\*\* Construction work was finished in 2015 occupancy permit received in H1 2016

\*\*\* Construction work was finished in 2015 occupancy permit received in H1 2016

#### Sales

In the first half of 2016, the Group sold a total of 733 units.



## 6. Planned investments and development perspectives

### Planned investments

In the next few years, based on its land inventory, the Company plans to proceed with 15 new development and aparthotel projects. It plans to start selling residential, commercial and aparthotel units with total useable area of almost 229 thousand square meters. In the case of all planned development and aparthotel projects the Company is the owner or perpetual usufructuary of the land. In significant part of the future projects draft and preparatory work have already been carried out. 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. Projects to be implemented in the upcoming years are presented in the table below.

Summary of the planned investments- as at 30 June, 2016.

Planned investments	Number of units*	Useable area(m2)	Commercial space/ aparthotel (m2)
Warsaw, Bliska Wola - phase D	814	38 811	17 968
Warsaw, Bliska Wola - phase E **	779	35 070	10 501
Szczecin, Hanza Tower	493	22 973	9 791
Katowice, Nowe Tysiąclecie phase III	329	18 060	
Warsaw, Berensona street	259	11 733	
Warsaw, Antoniewska street	221	13 763	
Warsaw, Lewandów Park III (Wrzosowa Aleja)	209	7 552	
Ożarów, Villa Campina – houses	125	18 750	
Warsaw, Lewandów Park IV (Wrzosowa Aleja)	108	3 939	
Warsaw, Odkryta street II	82	4 158	
Warsaw, Aluzyjna street II	68	3 670	
Warsaw, Aluzyjna street I	32	1 850	
Warsaw, Lewandów Park I/16 (Wrzosowa Aleja)	27	1 128	
Warsaw, Nowodworska street	13	1 180	
Warsaw, Pileckiego - Aparthotel			8 049
<b>Total:</b>	<b>3 559</b>	<b>182 637</b>	<b>46 309</b>

\* without aparthotels.

\*\* part of residential premises (669 units) already available on sale

In the second half of the year the Company plans to offer its two phases of Wrzosowa Aleja investment near Lewandów street, a total of 317 flats, and 13 terraced houses at Nowodworska street in Warsaw, as long as required building permits are issued. In addition, the Company intends to expand its offer for 55 premises from Kamerata investment in Gdynia, which construction started in the first half of the year. End of June 2016 saw start of reservation sales for part of residential units of Bliska Wola phase E. The Company is carrying out work to begin the realization of this investment in the second half of the year. The Company is also applying for building permits for other Warsaw investments at Berensona, Odkryta and Aluzyjna streets for a total of 440 units. Their realization shall commence next year. At the end of this year or early next year the offer is expected to expand by 330 units of next phase of Nowe Tysiąclecie investment in Katowice, and 500 units of Hanza Tower project in Szczecin, provided the required building permits are issued.

### 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 are adjusted to purchasing capabilities of potential buyers. Estates are built not only in locations that are targeted at mainstream segment such as Białogóra in Warsaw but also close to city centers, i.e. Bliska Wola in Warsaw and Centrum III in Łódź; and prestigious locations such as Redłowo in Gdynia. Moreover, the Issuer has estates in the districts that, due to their character, are very popular in the local market, for instance Mały Kack in Gdynia or Tysiąclecia settlement in Katowice.

## Management Board statement on the J.W. Construction Holding S.A. Group's activity for the first half of 2016.

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The company plans to maintain a good sales growth in current and following years and achieve level of 1500-2000 units per year. This will be possible thanks to the recently launched sales of Bliska Wola phase E investment in Warsaw and newly launched investments of Zielona Dolina II phase II and Jerozolimskie Invest in Warsaw, and Bernadowo Park II in Gdynia. Achieving the targeted sales levels will depend on the launch of new projects from company's land inventory, which currently allows for the realization of around 3600 units and over 46000 commercial areas.

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.

The Company currently has two aparthotel projects in Warsaw: Jerozolimskie Invest and Wola Invest. In the future it plans to expand the segment through realization of next phases of investments of Wola Invest at Kasprzaka street (D and E), project at Pileckiego street, and Hanza Tower in Szczecin.

The company utilises its potential in the form of hotels. Within this segment it will be particularly important to continue activities aimed at further development of the two recently completed 4-star hotels, i.e. Czarny Potok Resort & SPA in Krynica Zdrój, and Dana Business & Conference hotel in Szczecin.

In the next years Company's income can increase for revenues from commercial space rent in Hanza Tower investment in Szczecin. Part of its lower floors has been allocated for that purpose.

Regardless of the situation on the market the Company diversifies its 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,
- moderate increase of involvement in commercial segment.

### **7. Factors which according to the Company are to have an impact on the results for the next quarter**

The most important factors that may affect the Company's results:

- Pace of transferring premises onto tenants in ongoing investments, especially possibility of aforementioned transfer in the last quarter of the year on Bernadowo Park phase I investment in Gdynia.
- Maintaining a high rate of sales along with further offer expansion conditioned on:
  - Commencing investments on schedule,
  - Maintaining accessibility of mortgage loans on real estate market,
  - Low level of interest rates - reduced cost of servicing the loan for the Company and the purchaser of flat. It may have a positive impact on the pace of real estate sales,
  - Expanding the offer for new aparthotel units,
  - Pace of depletion of funds from the governmental "Mieszkanie dla Młodych" program.
- Finishing ongoing projects according to plan,
- Economic situation, especially on the real estate market,
- Other one-off events:
  - related to revaluation of real estate. The Company performs revaluation once a year (usually at the end of the year),
  - related to litigation (filed by the Company and against it).

The Company recognizes that an event to affect its financial results is the reconstruction of the office building located at Jerozolimskie Av. 212 into an aparthotel. Repurposing will cause the Company to recognize revenue from the sale of aparthotel units for the period until the of 2017. Bearing the adaptation expenses will cause a value adjustment in Company's books. It is estimated to reduce the Company's profit by 9.000.000 PLN within the next 12 months. As at June 30, 2016, conducted work has reduced Company's profit by 2.000.000 PLN. On the one hand it is going to impair the results, on the other it will generate additional cash flow. Planned revenues far outweigh the costs that are to be incurred.

### **8. Events that occurred after the date of preparation of the condensed interim financial statements, and which could significantly affect the future financial results of the Company**

#### **Loans:**

#### Credit Agreement

## Management Board statement on the J.W. Construction Holding S.A. Group's activity for the first half of 2016.

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On 22 July 2016 the Company entered into a revolving credit regarding co-financing of the "Bernadowo Park phase I" residential development investment in Gdynia in the amount of 33.700.000 PLN. The credit payment date was set at 30 September 2018.

On 22 August 2016 the Company entered into a revolving credit with Plus Bank S.A. for co-financing "Osiedle Kamerata" residential development investment in Gdynia in the amount of 9.700.000 PLN. The credit payment date was set at 31 October 2018.

### Annex to the loan agreement

On 4 July 2016 Issuer's subsidiary - J.W. Construction Sp. z o.o. - signed an annex to the loan agreement in the current account to the amount of 7.000.000 PLN with PKO BP S.A. Under the annex the utilisation and payment dates have been extended. The new payment date is 4 July 2017.

### Loan payment

On 17 August 2016 the Company carried out a payment of entire revolving credit to the amount of 3.000.000 PLN for financing current operations in Bank Polskiej Spółdzielczości S.A.

### **Permits:**

#### Occupancy permit

On 1 July 2016 Group Company operating under name Bliska Wola 4 Sp. z o.o. 1 Limited Partnership received occupancy permit for residential buildings and services - B1 building with underground garage, exits and infrastructure in the region of Ordonia street in Warsaw. The permit is final and binding.

## **9. Description of important risk and threat factors**

The risks recognized by the Group include: interest rate risk, credit risk, liquidity risk, risks associated with administrative decisions, risks associated with competition on the real estate market, risk related to the general macroeconomic situation, and risk related to the support program for the apartment customers.

### **Interest rate risk**

The Company raises funds for the implementation of its projects through loans with variable interest rate. The vast majority of them are incurred for the duration of the construction of a given investment - on average 2 to 3 years. Also, the Company holds variable interest rate bonds. Significant reductions of base rates in the last year are going to have positive impact on the level of financial costs.

### **Credit risk**

A significant part of the Company's customers makes purchases with bank loans. Risks associated with offered loans are secured with insurance of particular debts on behalf of clients. In relation to no customer group is there a significant concentration of credit risk. Furthermore, the Company systematically evaluates payments made and the financial situation of its customers.

### **Liquidity risk**

The Company pays special attention to keeping the balance between financing its investment activities and timely payment of its obligations. Maintaining liquidity is dependent on the credit policy of banks in granting mortgages and investment credits as well. Lack of funding from banks especially along with the requirements of developer act developer and escrow accounts. In the case of developers and individuals it can affect: start of new investments, the demand for housing, timeliness of payments and thus cash flows.

#### **Administrative decisions risk**

The basis for real estate activities are administrative decisions required in connection with present or future projects. The lack of licenses, permits or concessions or failing to obtain them in time may adversely affect the ability to commence, conduct or complete present and new investments by the Company. All of these factors may have an impact on financial flows and overall operations.

#### **Risk associated with competition on the real estate market**

Housing offer of most developers operating in the same markets is to an extent similar in terms of quality and technical parameters of the premises. Therefore, other factors, such as location, variety of offers in terms of structure, adequate promotion of the project developer's image among customers, gain on importance. The Warsaw market, which is the focus of the Group's activities, is characterized by considerable competition from real estate companies. The competition processes have intensified in recent years due to the fact that the supply of flats has been higher than the demand. One must reckon with the fact that there is a risk from other real estate companies acquiring cheaper land, plots of better location or superior offer advertising campaign to the one of the Capital Group. All these elements may result in the slide of housing sales (decrease in number of contracts). As a result, in order to achieve the presumed sales level, the Group will be forced to initiate sales promotion which will contribute to a reduction in cash receipts, lower sales margin, and therefore, lower profits.

#### **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**

The problem of affordability of one's own home is perceived by the state to be a social one, and should be solved with an active participation of government institutions. To this end, in recent years the state has used a system of solutions to promote the development of housing and increase the possibility of purchasing the apartment by an average citizen. 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 owner. Ability to take advantage of the program depends on meeting certain conditions, lying on the side of a buyer (age, apartment size, financial structure of the purchase, length of the loan period) as well as the developer (price of 1square meter, useable area. The program is to last until 2018 and the total amount of funds provided by it is 3.6 billion PLN. The program is financed from the budget. The resources are likely to be depleted already in 2017. As an effect, demand for apartments, especially among people with lower income, may drop.

### **10. The effects of changes in the organizational structure including mergers, acquisitions or disposals of Group entities, long-term investments, division, restructuring and discontinued operations**

#### **As a result of the adopted resolutions equity capital was raised in the following subsidiaries:**

- In J.W. Marka Spółka z o.o. with headquarters in Żąbki capital was increased by the amount of 30,820,450 PLN (19.40 % of the existing share capital) by an in-kind contribution by the Issuer of shares in another company of the Group.;
- In J.W. Construction Spółka z o.o. with headquarters in Żąbki capital was increased by the amount of 12,745,500 PLN (47 % of the existing share capital) by an in-kind contribution by the Issuer of shares in another company of the Group;
- Dana Invest Spółka z o.o. with headquarters in Żąbki capital was increased by the amount of 1,060,850 PLN (10% of the current share capital) through the cash contribution made by the Issuer.

Two Limited Liability companies(subsidiaries) have been transitioned into limited partnerships, in whose profit the Issuer has a 48% stake. The remaining percent share of the profit belongs to other subsidiaries of the Issuer. It has an impact on the financial results of the Company due to a shift of inflow of profit generated by limited partnerships, which can be paid to the Issuer in form of dividends from subsidiaries - other partners of the limited partnerships.

### **11. Management Board's stance on realizing formerly published results forecast for the given year in light of the results presented in the interim statement**

## Management Board statement on the J.W. Construction Holding S.A. Group's activity for the first half of 2016.

The Board of J.W. Construction Holding SA does not publish financial forecasts neither for the Company nor the Group.

### 12. Shareholders holding directly or indirectly significant stakes in the Company

As at August 30, 2016.

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 %
Funds managed by Towarzystwo Funduszy Inwestycyjnych PZU S.A.	Between 5 and 10 % of the shares <sup>*</sup>			

<sup>\*</sup>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. . At the Annual General Meeting on 29 June 2016 Investment Funds Managed by TFI PZU SA registered 8,531,060 shares, representing 9.60% of the share capital and entitling to 8,531,060 votes at the General Meeting constituting 9.60% of the total number of votes at the General Meeting.

Mr Józef Wojciechowski controls EHT S.A domiciled in Luxembourg.

### 13. Shares of the Issuer or the rights to them (options) held by persons managing and supervising the Issuer on a certain day, separately for each person

Shares held by members of the Management Board and Supervisory Board of the Company:

As at 30 August, 2016.

Shareholder	Function	Number of shares held
Józef Wojciechowski	President of Supervisory Board	23.917.739
Laura Michnowicz	Member of Supervisory Board	2.200.000

### 14. Litigation over 10% of the Issuer's equity

As at June 30, 2016 the Company was a party to the lawsuit brought in its name the value of which is 108,9m PLN. 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 20 May 2016, in connection with judgement of second instance court dismissing the Company's plea, a cassation appeal was filed to the Supreme Court.

Company believes that the claim has valid merits because the city acting in a dual role, that is, on the one hand in the sphere of dominion as the owner of the plot and a party to perpetual usufruct, and on the other in the sphere of empire as the administrative authority empowered to enact local zoning plan. As a result, the Company is put in an unfavorable legal and financial situation.

As at June 30, 2016, the value of court actions against the Company does not exceed 10% of the Company share capital.

The Company believes that an event that could affect the financial results for the third quarter of 2016 will be the verdict of the Court of Appeal in Warsaw, the second instance, which may be delivered in September 2016 (the appeal hearing was set for 14 September 2016), brought by the Capital City of Warsaw against the Company for payment of annual fees for perpetual use of plot 2/6 located in Warsaw at Górczewska street. The claim of the Capital City of Warsaw amounts to 14,123,786.25 PLN and includes lease payments for years 2009-2013. The Company believes the claim is unfounded, since the plot, according to the local land development plan, has been

allocated for the construction of N-S Route, and therefore the Company cannot use the land in question for business purposes. At the same time the Capital City of Warsaw refuses to purchase the plot.

**15. Information about related transactions**

Information on transactions with related parties are included under "Note 30. Transactions with related companies" of the financial statements.





**16. Information on granted and received sureties and guarantees**

In the reported period the Company did not grant any sureties or guarantees value of which would equal 10% of its equity.

**17. Other significant information in the assessment of the Company's staff, assets, financial results, and information relevant for assessing the feasibility of Company's liabilities.**

No other events than those included in the Financial Statements and Management Board Statement have taken place.

Podpisy Członków Zarządu

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

Ząbki, 30 sierpnia 2016 r.

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