



**The Management Commentary on
J.W. Construction Holding S.A in 2012.**



Ząbki, 20 March 2013



The Management Commentary on the Company of Construction Holding S.A.
for the period from 01 January 2012 to 31 December 2012.

1. Introduction

Basic Information

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 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. Key economic and financial figures on J.W. Construction Holding S.A.

Income Statement

Key items of the income statement for the years 2012 and 2011 in thousand of PLN, translated into EUR

Consolidated income statement item	from 01-01-2012 to 31-12-2012		from 01-01-2011 to 31-12-2011	
	TPLN	TEUR	TPLN	TEUR
Net revenues from sales of products, goods and materials	282,961	68,148	333,214	80,484
Costs of products, goods and materials sold	211,798	51,010	253,189	61,155
Gross profit (loss) on sales	71,162	17,139	80,024	19,329
Selling expenses	24,691	5,946	27,865	6,730
Overhead expenses	23,332	5,619	23,858	5,763
Profit (loss) on sales	44,495	10,716	49,505	11,957
Operating profit (loss)	51,883	12,496	52,929	12,784
Gross profit (loss)	11,224	2,703	32,993	7,969
Income tax	3,163	762	7,621	1,841
Net profit (loss)	8,061	1,941	25,372	6,128



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

Consolidated income statement item	from 01-01-2012 to 31-12-2012		from 01-01-2011 to 31-12-2011	
	PLN	% of sales	PLN	Dynamics 2012/2011
Net revenues from sales of products, goods and materials	282,960,791	100%	333,213,676	-15.1%
Costs of products, goods and materials sold	211,798,400	75%	253,189,455	-16.3%
Gross profit on sales	71,162,391	25%	80,024,221	-11.1%
Operating profit	51,883,010	18%	52,928,763	-2.0%
Gross profit	11,223,745	4%	32,992,724	-66.0%
Net profit	8,061,064	3%	25,371,586	-68.2%

In 2012, the Company achieved revenues of PLN 282,96 million, which is lower by 15 % in comparison to the previous year. The level of revenues was influenced by the lower number of transferred units in 2011 in comparison to 2011. Despite a decline in the revenues, the profitability of sold projects maintains a high level.

The Company's income structure in 2012

The main item of income for 2012 are definitely the revenues from sales of premises (87 % of revenues), revenues from sales of services constitute 12% and revenues from sales of goods around 1%, which is presented in the following table.

OPERATING INCOME	from 01-01-2012 to 31-12-2012	% share	from 01-01-2011 to 31-12-2011	% share
Revenues from sales of products	245,606,338.19	87%	289,767,645	87%
Revenues from sales of services	33,556,146.81	12%	39,871,731	12%
Revenues from sales of goods	3,798,305.55	1%	3,574,300	1%
Total income	282,960,790.55	100%	333,213,676	100%

Statement of financial position

The balance of assets, equity and liabilities as at 31 December 2012 and 31 December 2011 in PLN '000 and EUR '000

Issuer's balance sheet item	31-12-2012		31-12-2011	
	TPLN	TEUR	TPLN	TEUR
Total Assets	1,452,050	355,181	1,261,108	285,525
Non-current assets	826,527	202,174	575,207	130,232
Current assets	625,523	153,007	685,901	155,294
Total Equity and Liabilities	1,452,050	355,181	1,261,108	285,525
Equity	521,788	127,633	520,732	117,898
Non-current liabilities	554,927	135,739	341,272	77,267
Current liabilities	375,335	91,809	399,103	90,360



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The structure and dynamics of changes in assets, equity and liabilities as at 31 December 2012 and 31 December 2011 are in PLN '000

Issuer's balance sheet item	31-12-2012		31-12-2011	
	PLN	% of assets	PLN	Change 2012/2011
Total Assets	1,452,049,731.61	100%	1,261,107,535	15%
Non-current assets	826,527,139.72	57%	575,206,739	44%
Current assets	625,522,591.89	43%	685,900,795	-9%
		% of assets		Change 2012/2011
Total Equity and Liabilities	1,452,049,731.60	100%	1,261,107,535	15%
Equity	521,788,333.53	36%	520,731,630	0%
Non-current liabilities	554,926,742.56	38%	341,272,444	63%
Current liabilities	375,334,655.51	26%	399,103,461	-6%

Structure of the balance sheet as at 31.12.2012 is as follows: assets are approximately 57 % of total assets and current assets are approximately 43% of assets. The increase of fixed assets is connected with managing investment projects Czarny Potok and Hanza Tower in Szczecin. In comparison to 2011, the total balance sheet increased by 15%.

Financial Ratios

Liquidity ratios	2012	2011	2010
Liquidity ratios I			
$\frac{\text{total current assets}}{\text{current liabilities}}$	2.2	2.2	2.2
Liquidity ratios II			
$\frac{\text{total current assets- inventories}}{\text{current liabilities}}$	2.1	2.1	2.2
Activity ratios			
Reveivables turnover in days			
$\frac{\text{average trade receivables *) x 365}}{\text{Revenues from sales}}$	64	63	32
Inventories turnover in days			
$\frac{\text{average inventories *) x 365}}{\text{cost of products, goods and services sold}}$	917	826	647
Return ratios			
Net profit margin on sales			
$\frac{\text{Net profit/loss}}{\text{Net profit/loss}}$	2.8%	7.6%	13.8%



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Revenues from sales				
Return on sales				
	$\frac{\text{operating income}}{\text{Revenues from sales}}$	25.1%	24.0%	26.1%
ROA				
	$\frac{\text{Net profit/loss}}{\text{total assets}}$	0.6%	2.0%	6.2%
ROE				
	$\frac{\text{Net profit/loss}}{\text{Equity}}$	1.5%	4.9%	16.0%
Debt ratios				
Payables turnover in days				
	$\frac{\text{average trade payables *) x 365 days}}{\text{cost of products, goods and services sold}}$	150	98	76
Debt ratio				
	$\frac{\text{liabilities and provisions for liabilities}}{\text{total equity and liabilities}}$	64.1%	58.7%	61.1%
Efficiency of shares				
BVPS in PLN				
	$\frac{\text{Equity}}{\text{number of shares}}$	9.65	9.40	8.74
Net profit/loss per share in PLN				
	$\frac{\text{Net profit/loss}}{\text{number of shares}}$	0.15	0.47	1.47

In the current accounting year net profit margin on sales is lower in comparison to the previous year, however it is still on a satisfactory level. The liquidity ratios are on a similar level in comparison to 2011. They prove safe financial flows and at the same time reflect good ability of the Company to serve current liabilities.

3. Significant risk factors and uncertainties

The risks recognised by the Company include interest rate risk, liquidity risk, currency risk, credit 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



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years. The Company also has bonds in the amount of PLN 225 million with floating market rate interest. Significant reductions in base rates in the last year will positively influence the level of financial costs.

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.

Recent decisions of financial market regulators which apply less strict criteria on granting loans may have a positive impact on the willingness and ability to take out loans by Clients.

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

Untypical circumstances having effect on earnings

In 2012 there were no untypical circumstances and events having effect on earnings for the accounting year.

4. Development perspectives of the Company

Aims of J.W. Construction Holding S.A

- To start the biggest number of new residential projects offering faster, current cash flow and return on investment in previously purchased plots.
- To intensify works related to the preparation of project documentation and to obtain building permits.
- To strengthen the leader position both among developers in Warsaw and across the country, due to its expansion into other areas of Poland – Tri-City market, Łódź, Katowice, Poznań - on the basis of still owned extensive land bank in Warsaw and above mentioned cities as well,
- Reduction and postponement of commercial and hotel projects, acquisition of partners for implementing these projects is being considered
- Continuing the reduction of fixed costs, including overhead costs, through an internal reorganization of the Company
- Selective acquisition of new locations



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- Active actions toward non-performing assets

The planned Investments in 2013:

In 2013, the Company plans to launch new investments, both in Warsaw and other big agglomerations of Poland, among others in Katowice, Gdynia and Łódź.

The Company plans to launch new residential projects in Białoleka, Warsaw at Aluzyjna and Berensona Street. Simultaneously, there are some works in progress on commencing the investment in Katowice. In Q2 2013, the construction and sale of the stage 1 will begin, the stage will include 149 units. The estate under the name of Millenium will be located in a very attractive area of Katowice.

Moreover, the Company is working on the commencement in 2013 of next residential projects in Katowice at Bałtycka Street, in Łódź at Tymienieckiego Street and in Gdynia at Spokojna Street.

The housing investments planned to be launched in 2013 will include about 960 premises.

The planned housing investments in 2013	City/ District	Number of units/houses:
Osiedle Millenium, stage 1	Katowice	149
Gdynia, at Spokojna Street, stage I	Gdynia	196
Osiedle Aluzyjna I	Warsaw / Bialoleka	30
Osiedle Aluzyjna II	Warsaw / Bialoleka	68
Osiedle Berensona	Warsaw / Bialoleka	263
Katowice, at Bałtycka Street	Katowice	259

The housing investments planned to be launched in 2013/2014 will include about 1,000 premises.

The planned housing investments in 2013	City/ District	Number of units/houses:
Osiedle Zielona Dolina II – at Zdziarska Street	Warsaw / Bialoleka	864
Gdynia, at Sochaczewska/Płocka Street	Gdynia	51
Osiedle Tymienieckiego III	Łódź	108

Market condition:

The analysis of the real estate market and own recognition of the buyers' preferences indicate the usefulness of the current strategy, consisting primarily on meeting the needs of middle-income Customers. According to market analysis, the housing deficit in Poland will continue to maintain through next years.

In Poland, there are still more than 0,6 million lacking flats. Additionally, it should be kept in mind that many units which are already in use, are in a very bad technical condition, what, in the near future, will translate into the actual increase in demand.

The credit policy and the Recommendations S and T which is related to the credit policy, and the volume of granted mortgage loans, will considerably translate into the financial results of the Company achieved in 2012. The restrictive policy dictated by the Polish Financial Supervision Authority resulted in a decline in 2012 in the value of loans by more than 20% in comparison to the previous year (quoted by AMRON - SARFiN).



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Despite the end of the government subsidies for mortgages "Family on its Own" in 2012 and the lack of an alternative assistance program, the Company is not worried about a significant drop in sales. Parallel reduction of interest rates by the Monetary Policy Council and liberalization of so-far very restrictive lending policies may, to some extent, compensate for the end of the Family on Its Own program, and introduction of an attractive project in the Center of Warsaw to the Company's offer will translate into achieved sales results.

Introduced in 2012 so-called The Developer Act, which main aim is to protect the interests of customers purchasing flats and houses from the primary market, implemented a series of new rules, which the developer has had to face to. Adapting to new requirements have translated into an increase in investment costs, However, thanks to nearly 20-year experience of the Company and its established position in the market, the Company is prepared for the changes, which recently have included the property development market .

Business prospects:

The priority for the Company are still development projects that, as opposed to commercial projects, bring a quick return on investment. The Company primarily dedicates its residential offer to middle-income group, hence the planning and implementation of cost-effective investments in attractive locations - tailored to the financial capacity of potential buyers. Taking into account above assumptions and still deteriorating situation in the mortgage market, the Company offers its clients a flexible solution to purchase flats. Within the financing offer, some programs adjusted to the financial capacities of the buyers can be offered. The Company, thanks to its successful cooperation with major banks, have diversified the offer of credits based on preferential terms and dedicated only to the clients of the Company. In addition, there are still pending works on further new programs that will allow the Company to obtain financing for its customers.

The Company intends to continue diversification of its revenues that started in the previous years through participation in the commercial and hotel segment on a national scale. In 2012, the Company commissioned Czarny Potok Hotel Resort & SPA in Krynica Zdrój. Simultaneously, there were some works on "Hanza Tower" investment in Szczecin. It should be noted that the finalization of an agreement on the acquisition of land at Kasprzaka Street will allow the construction of more than 70,000 m² of Usable Space of offices and services in the center of Warsaw.

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

- implementing undergoing housing investment projects and preparing to launch new ones in various areas of Poland
- introducing the sale of office and commercial spaces to the offer
- continuation of hotel activity

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



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Developer activity

In the scope of developer activity, the Company is currently offering premises, which 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 hundred flats with an average area of 50m². Examples of such popular flats are the following investments: Osiedle Światowida (Warsaw-Białoleka), Osiedle Lewandów Park (Warsaw-Białoleka), Villa Campina (Ożarów Mazowiecki).
- Flats with higher standard: flats which are located close to the city centre and in popular districts, situated in buildings with higher architecture standard. The example of such project is for example Górczewska Park- Wola, Warsaw.

Flats are offered both in shell unit and turnkey standard. In the interiors finishing offer there are three basic material options: Silver, Gold, Platinum. Moreover, some interiors finishing programs were introduced: Orange, White, Black, Cappucino which additionally include kitchen furniture and appliances.

In 2012, the front of the works carried out on the implementation of housing investments covered seven projects with a total number 1,799 of premises and 12 single-family houses with a total area of over 88 thousand. m².

In parallel with residential investments, the Company continued to work on commercial projects which were already started: Hanza Tower- an office building in Szczecin, Czarny Potok- a hotel project in Krynica Zdrój, and also a luxurious guest-house in Sopot.

The following investment projects were being implemented in 2012:

No.	Housing investments	Number of units
1	"Osiedle Centrum II", Łódź	252
2	"Villa Campina", Ożarów	376
3	"Villa Campina" - houses, Ożarów	12
4	"Zielona Dolina I" , Warsaw	596
5	"Osiedle Światowida", Warsaw	184
6	"Osiedle Lewandów" build. 3-6, Warsaw	208
7	"Oaza Piątkowo", Poznań	183

No.	Commercial and hotel investments	Usable Space
1	"Czarny Potok" – Krynica Zdrój	20,500
2	"Hanza Tower" - Szczecin	36,328
3	A luxurious guest house - Sopot	2,852



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From the above projects, in 2012, the Company started building works on two residential communities: in Gdynia and Poznań. The construction was finished and occupancy permit was obtained for two commercial investments: in Krynica Zdrój and in Sopot, and also for residential investments: "Villa Campina" in Ożarów Mazowiecki (multi-family buildings and single-family houses), "Osiedle Centrum II" in Łódź, and also for 4 building in "Osiedle Lewandów", Warsaw.

In 2012, the Company received the following decision on permission:

a) Building permission

On 26 April 2012, the Company received the decision on building permission of a group of multi-family buildings with a garage and technical infrastructure in Powstania Wielkopolskiego Street and Powstania Śląskiego Street in Gdynia. The permit is final.

On 12 June 2012, the Company received the decision on building permission of a group of multi-family- service buildings with land development at Tysiaclecia Street in Katowice. The permit is final.

b) Occupancy permits

On 27 January 2012, the Company received the decision on occupancy of a sewage treatment plant located in Ożarów Mazowiecki.

On 27 April 2012, the Company received the decision on building permit of a group of multi-family houses in Ożarów Mazowiecki. The permit is final.

On 04 June 2012, the Company received the decision on occupancy permit of two guest -house buildings in Sopot, at Parkowa Street. The permit is final.

On 20 August 2012, the Company received the decision on the occupancy permit of Czarny Potok -a hotel complex in Krynica Zdrój. The permit is final.

On 14 September 2012, the Company received the decision on building permit of single-family houses in Villa Campina Investment near Ożarów Mazowiecki. The permit is final.

On 07 November 2012, the Company received the final occupancy permit for the multi-family community "Lewandów buildings 3-6 at Lewandów Street in Warsaw. The permit is final.

On 13 November 2012, the Company received a certificate of occupancy of the multi-family housing estate "Łódź Tymienieckiego II" at Tylina Street in Łódź. The permit is final.

c) The investment implementation commencement



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On 15 December 2012, the entry on the completion of the construction of a multi-family housing estate "Green Valley" at Zdziarska Street, Warsaw was made in the Construction Logbook.

On 17 December 2012, the entry on the completion of the construction of a multi-family housing estate "Osiedle Światowida" at Światowida Street, Warsaw was made in the Construction Logbook.

Hotel activity

In 2012, the Company expanded its hotel activity with another venue. Currently, the hotel infrastructure includes 4 stable prosperous Hotels 500 located in Zegrze, close to Warsaw, Tarnowo Podgórne, Stryków, Cieszyn and luxurious, newly built venue - "Czarny Potok Resort & SPA" in Krynica Zdrój.

Revenues from the sale of hotel services in 2012 amounted to PLN 17,389,134. In 2012, there was an increase in revenues from hotel operations in comparison to the previous year by 12%. In 2012, the average number of occupied hotel beds within the whole chain was on the level of 31 % and slightly decreased in comparison to the previous year. 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.

Real estate management activity

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 the proper functioning of the Community Housing. The company has in its resources some of Housing Communities, which have been managed for a number of years. These are e.g Osiedle Łucka -since 2006, Victoria, Radzymin -since 2007, or Górczewska 200 and Bukowińska 8, 12 since 2008.

In 2012, revenues from sales of the Company were as follows:

Revenues from sales of products and services per business segment	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011	change %
	279,162,485.00	329,639,376	-15.3%
- developer activity	255,768,123.93	306,196,995	-16.5%
- hotel activities	17,389,134.49	15,465,402	12.4%
- property management	6,005,226.58	7,976,979	-24.7%

6. Information about the market

Presently the biggest and the main market for the business of the Company is the Warsaw market where more than 80% of sales volume is executed. According to the Company, the Warsaw market is the largest and most



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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, and Łódź.

7. Suppliers and recipients of the Company

The sole supplier, as at 31 December 2012, with a turnover exceeding 10% of its equity is J.W Construction Spółka z o.o with its seat in Ząbki - a subsidiary of the Company.

J. W. Construction Spółka z o.o was founded in 2008 and is equipped with the assets of the Company in a form of Produkcja Budowlana Unit, which was contributed in kind. On November 26, 2012, pursuant to art. 492.1.1 of the Code of Commercial Companies the merger of J. W. Constructio Spółka z o.o with J.W. Construction S.A with its seat in Ząbki occurred. As a result of the merger, all assets of J.W Construction S.A (as the acquired company) were transferred to the assets of J. W. Construction Spółka z o.o (as the acquiring company). Within the merger, J. W. Construction Spółka z o.o became a party to all agreements between the Company and J.W. Construction S.A including contracts on construction works.

It is impossible to distinguish one main contractor among the recipients of the Company. The majority of the recipients of the Company are individual buyers of flats.

8. Significant agreements for the business of the Company

8.1 Construction contracts

The agreements concluded in 2012 with a subsidiary of J.W. Construction Sp. z o.o. (in connection with the acquisition of J.W Construction S.A.) on the implementation of the following investments:

Project's name	Date of the agreement	Subject of the contract
Poznań, at Marcina Jaroczyńskiego Street	12/09/2012	implemenation of housing buildings in general contracting system
Szczecin/ Aleje Wyzwolenia Street	2012-03-03	performance of the diaphragm wall, excavation
Szczecin/ Aleje Wyzwolenia Street	2012-03-03	performance of reinforced concrete construction of multi-purpose building with a garage

The total value of the above agreements exceeds 10% of the Company's equity.

8.2 Insurance agreements

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.



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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	Towarzystwo Ubezpieczeń ALLIANZ	PLN 1,200,000
Business public liability	Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A.	PLN 10,000,000
Third Party Insurance for the hotel activity of Czarny Potok Resort and Spa.	Towarzystwo Ubezpieczeń ALLIANZ S.A.	PLN 10,000,000
Insurance connected with all other risks and accidents connected with implemented contracts including third party liability insurance	Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. Towarzystwo Ubezpieczeń ALLIANZ S.A.	PLN 184,583,333 + Third Party Insurance in the amount of PLN 13,000,000
Property insurance including the assets held in connection with hotel activity.	Towarzystwo Ubezpieczeń ALLIANZ S.A. Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A.	PLN 381,402,925

8.3 Financial agreements concluded and terminated during the accounting year

8.3.1 Loans terminated

Both in 2012 and in the period from the balance sheet date until the date of this Management Commentary for 2012 none of the credit agreements was terminated.

8.3.2 Loans contracted

In 2012, the Company entered into a credit agreement as follows:

On 20.02.2012, the Company concluded the revolving credit agreement with Millenium Bank S.A in the amount of PLN 21.000.000 for financing the investment at Jaroczyńskiego Street in Poznań. The repayment date was set on 31 March 2015.



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On 09.03.2012, the Company concluded an agreement on Nowy Dow investor loan in the amount of PLN 27,558,000 for co-financing the implementation of Lewandów investment buildings 3-6 at Lewandów Street in Warsaw. The repayment date was set on 25 December 2014.

On 16 April 2012, the Company concluded a revolving credit agreement in the amount of PLN 30 million with Bank Polskiej Spółdzielczości S.A dedicated to finance a current activity. The repayment date was set on 15 April 2015.

On 29 May 2012, the Company concluded a non-revolving credit with Bank Polskiej Spółdzielczości S.A in the amount of PLN 13 million dedicated to finance a current activity. The repayment date was set on 28 May 2015.

On 27 July 2012, the Company concluded the investment loan agreement with Getin Noble Bank S.A in the amount of PLN 20.000.000 for refinancing the investment costs of building 292 residential units in Villa Campina investment in Ożarów Mazowiecki. The repayment date was set on 20 July 2015.

In 2012, the Company repaid the following credits:

On May 30, 2012, the Company fully repaid the overdraft facility granted by BOŚ Bank S.A in the amount of PLN 13 million which was dedicated to finance the current activity.

On 6 November 2012, the Company paid off the investment credit granted by Getin Noble Bank S.A for co-financing the implementation of the "Osiedle Swiatowida" investment at Swiatowida Street in Warsaw.

On 30 November 2012, the Company concluded a working-capital credit with Bank Polskiej Spółdzielczości S.A in the amount of PLN 30 million for financing the purchase of real estate located in Spokojna and Leśna Street, in Gdynia.

On 21 December 2012, the Company repaid in full an investor loan " Nowy Dom" granted by Bank PKO BP to co-finance the implementation of Lewandów investment buildings 3-6 at Lewandów Street in Warsaw.

In 2012, the following changes occurred in credit agreements that were concluded in the previous years:

On 16 April 2012, the Company concluded an Annex to the working capital credit granted by Bank Polskiej Spółdzielczości S.A in the amount of PLN 10 million, dedicated to finance a current activity. By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 26 April 2013.

On 24 April 2012, the Company concluded an overdraft facility agreement with Invest Bank S.A in the amount of PLN 15 million. By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 25 April 2013.



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On 25 May 2012, the Company concluded an Annex to the overdraft credit with PKO BP S.A in the amount of PLN 10 million. By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 27 April 2013.

On 23 August 2012, the Company entered into the Annex to the revolving working capital loan granted by Invest Bank to co-finance the commercial investment of "Łódź Tymienieckiego II" at Tymienieckiego Street in Łódź. By virtue of the Annex, the repayment term of the credit was postponed and set on 30 September 2013.

Detailed information about liabilities under loans as at 31 December 2012 is presented under Note 12 to the financial statements.

8.3.3 Cash loans contracted

During the reporting period none of the financial agreements was terminated.

8.4.3 Cash loans granted

During the reporting period the Company granted the following cash loans:

Borrower	Granted on	Amount and currency	Interest rate	Maturity date
YAKOR HOUSE	06/02/2012	PLN 33.500	WIBOR 3M + margin	31/12/2012
YAKOR HOUSE	07/03/2012	PLN 360.000	WIBOR 3M + margin	31/12/2012
YAKOR HOUSE	08/05/2012	PLN 20,810	WIBOR 3M + margin	31/12/2012
YAKOR HOUSE	25/06/2012	PLN 16.000	WIBOR 3M + margin	31/12/2013
YAKOR HOUSE	01/08/2012	PLN 110.000	WIBOR 3M + margin	31/12/2013
YAKOR HOUSE	19/09/2012	PLN 45.000	WIBOR 3M + margin	31/12/2014
YAKOR HOUSE	26/11/2012	PLN 102.000	WIBOR 3M + margin	31/12/2014
J.W. Construction Bułgaria Sp. z o.o.	23/03/2012	EUR 62,000	WIBOR 3M + margin	31/12/2015
J.W. Construction Bułgaria Sp. z o.o.	13/09/2012	EUR 42.200	WIBOR 3M + margin	31/12/2015

8.4. Agreements between its shareholders which could be significant for the activity of the Company

The Company is not aware of any agreements concluded between its shareholders which could be significant for its activity.

8.5. Issue of securities

On April 27, 2012, the Company issued a total number of 9,500 long-term unsecured bonds with a nominal value of PLN 10,000 each. The total value of the issue is PLN 95,000,000. Interest bonds was determined on a basis of WIBOR 3M plus margin, thus the maturity date was set on 27 April 2015. The bonds were used to finance a part



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of the purchase price of the property located in Kasprzaka 29/31 street with a total area of 81,185.00 m², purchased by the subsidiary operating under the name of J.W. Group limited liability company 1 company limited by shares with its registered office in Ząbki.

Furthermore, the Company in the reporting period made the following uses of bonds issued:

A) bonds issued on June 25, 2010, in the total number of 1,300 units with a par value of PLN 100,000 and a total value of PLN 130 million, when on 26 March 2012, 25 June 2012, 25 September 2012, and 27 December 2012, made a withdrawal of interest

B) bonds issued on June 27, 2012, in the total number of 9,500 units with a par value of PLN 10,000 and a total value of PLN 95 million, when on 27 July 2012 and 26 October 2012, made a withdrawal of interest

The Company held, as at 31.12.2012, bills of exchange amounting to PLN 121.8 million.

8.6. Information about guarantees and warranties granted and received

On April 27, 2012, the Company provided a guarantee for the liabilities of J.W. Group Spółka z o.o 1 SKA (partnership limited by shares) based in Ząbki to VIS Investments SKA (partnership limited by shares) with its registered seat in Warsaw. The subject of a guarantee was a payment of the contract sale price of acquiring the right of perpetual usufruct of land plots with ownership of the buildings erected on them, located in Warsaw in Kasprzaka 29/31 Street. The total area of the property that is the subject of the contract is 81,185.00 m². The value of the guarantee, which is also the purchase price of the property, amounts to PLN 155 million net (PLN 157,614.085 gross). The Company is the sole shareholder of the Buyer and the sole shareholder of the general partner. The guarantee expired to the amount of the sale price upon payment of the price of the property.

On July 5, 2012, the Company provided a guarantee for the liabilities of J.W. Construction S.A based in Ząbki to Powszechna Kasa Oszczędności Bank Polski S.A with its seat in Warsaw for granted working capital of that company in the amount of PLN 7,000,000.

In 2012 the following guarantees were granted by the Company:

Beneficiary of the guarantee	Guarantee value
blank bill*	35,749,082.90
Guarantees to the benefit of TBS "Marki" Sp z o.o.	22,400,000.00
Guarantees to the benefit of ZPM Metalcon Sp z o.o.	800,000.00
Guarantees to the benefit of Deweloper Sp. z o.o.	341,697.97
Guarantees to the benefit of JW. Wronia Sp. z o.o.	75,000,000.00
Guarantees to the benefit of JW. Consulting Sp. z o.o J.W.2 partnership limited by shares	39,653,100.00
Guarantees to the benefit of Capital City of Warsaw	907,800.00

The list of warranties and guarantees granted within the Company, year-to-date as at 31 December 2009, is presented in Note 26 to the financial statements.



8.7 Employee share plan control system

The Company does not have any employee stock ownership plans.

8.8 Other relevant agreements

On 29 June 2012, the Company concluded two agreements for sale with the company under the name of J.W. Consulting Spółka z o.o J.W. 3 SKA (Partnership limited by shares) with its seat in Ząbki with a total value of PLN 44,400,719 net (i.e PLN 54,612,883.79 gross) and applied to:

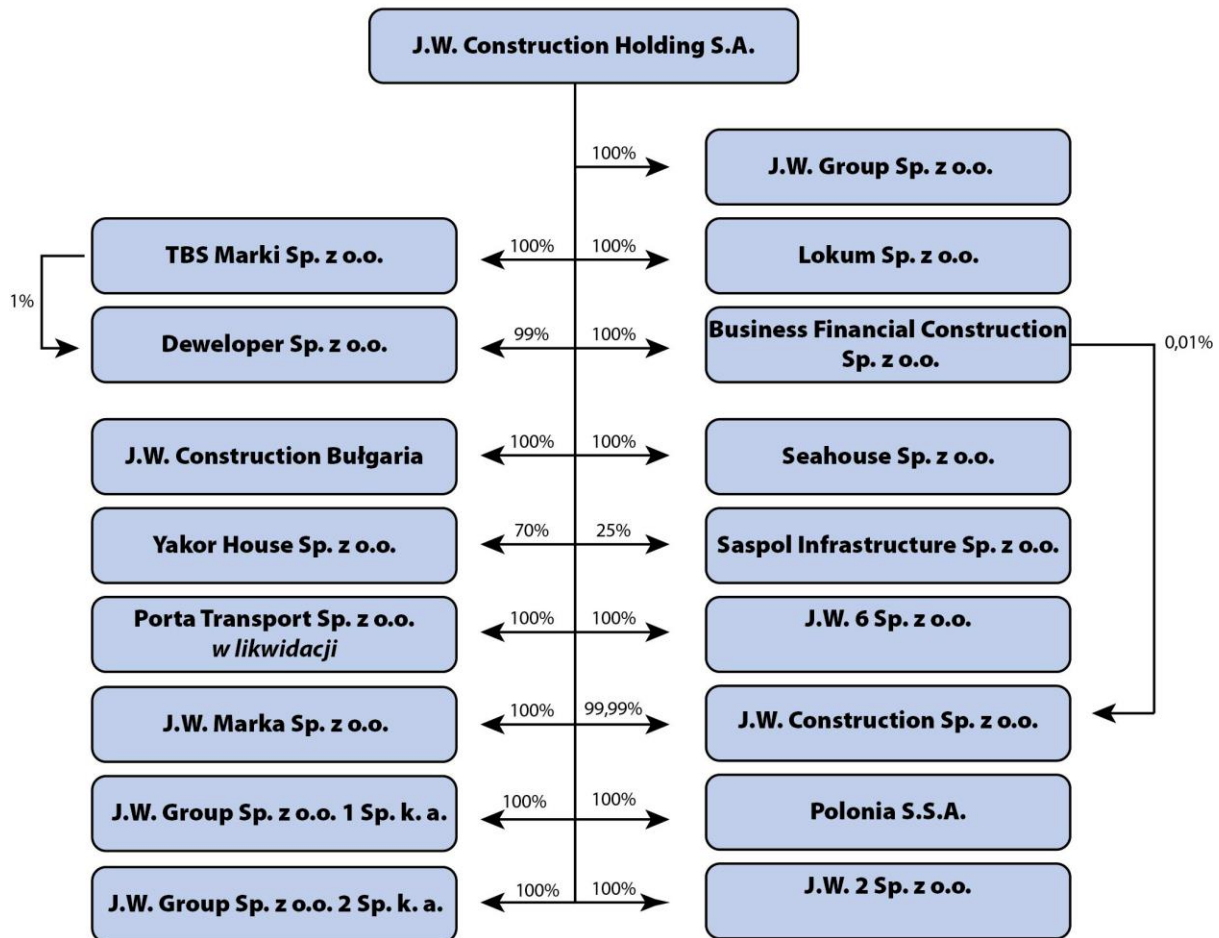
- Sale Agreement of 21/11/2012, regarding the sale of ownership rights to the property located in Sopot, in Parkowa 67/69 Street developed with two guest-house buildings with a total usable area of 2,848.37 m² for the amount of PLN 24,265,946 net (i.e PLN 29,847,113 gross).
- Sale Agreement of 23/11/2012, regarding the sale of ownership rights to 38 plots for detached houses development with a total area of 31,165 m² located in the municipality of Kręczki Kaputy, Ozarów Mazowiecki for the amount of PLN 20,134,773 net (i.e PLN 24,765,770.79 gross).

The above agreements were signed in accordance with binding agreements of 29 June 2012.

On 30 November 2012, the Company sold a property situated in Gdynia, at Powstania Wielkopolskiego/Powstania Śląskiego Street creating a plot of land with the area of 0.4150 ha to a subsidiary operating under the name of J.W. 4 Spółka z o.o. based in Ząbki (at the date of this report, the company has changed the name to Seahouse Spółka z o.o) for the amount of PLN 8,456,000 net (PLN 10,400,880 gross). The building project was sold together with the property. Within the Capital Group of the Company, the buyer will be implementing the housing investment dedicated for sale within a separate project.

9. Organisational and capital relations of the Company with other entities as at 31 December 2012.

Shares in other subsidiaries with description



Shares in other subsidiaries with description

J.W. Construction Sp. z o.o. (formerly JWCH Produkcja Budowlana 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. (full consolidation)

The Company 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



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o.o. amounts to PLN 13,360,000 and is divided into 26,720 shares with a par value of PLN 500 each. TBS Marki Sp. z o.o. was established as a social building society, within the meaning of the Act on Some Forms of Supporting Housing Building Projects. TBS Marki Sp. z o.o. is an investor responsible for implementation of four projects i.e. "Lisi Jar", "Marki V", "Warszawa Białoleka" and "Sochaczew, ul. Piłsudskiego".

Lokum Sp. z o.o.

Lokum Sp. z o.o., a limited liability company domiciled in Warsaw entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 170570 on 20 August 2003. The Company holds 100% of its shares. Share capital of Lokum Sp. z o.o. amounts to PLN 3,778,500 and is divided into 7,557 shares with a par value of PLN 500 each. Lokum Sp. z o.o. is a special purpose vehicle. An investment project – "Willa Konstancin" in Konstancin-Jeziorna was implemented under its structures.

Deweloper Sp. z o.o.

Deweloper Sp. z o.o., a limited liability company domiciled in Siemianowice Śląskie was registered with the register of companies under number KRS 170493 on 22 August 2003. The Company holds 99 % of its shares. Share capital of Deweloper Sp. z o.o. amounts to PLN 50,000 and is divided into 100 shares with a par value of PLN 500 each. The business of Deweloper Sp. z o.o. is road construction.

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. - formerly Ośrodek Wypoczynkowy "Ogoniok"

Yakor House Sp. z o.o., a limited liability company domiciled in Sochi, Russian Republic. The Company holds 70% of its share capital amounting or RBL 10,500,000. Yakor House Sp. z o.o. owns real estate in the territory of Sochi on which it prepares a housing and commercial investment project.

Business Financial Construction Sp. z o.o.

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



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Construction Sp. z o.o. amounts to PLN 4,347,000 and is divided into 8,694 shares with a par value of PLN 500 each. The business of Business Financial Construction Sp. z o.o. is to serve sales of apartments built by the Company and other companies of the Group.

Polonia S.S.A

Polonia S.S.A a sports joint-stock company domiciled in Warsaw entered in the register of entrepreneurs of the National Court Register entered in the register of entrepreneurs of the National Court Register 173656 on 09 September 2003. The Company holds 100% of its shares. Share capital of Polonia S.S.A. amounts to PLN 1,544,000 and is divided into 5,000 A-class registered shares with a par value of PLN 100 each and 10,440 B-class registered shares with a par value of PLN 100 each.

J.W. Construction Bulgaria EOOD

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 Spółka z o.o. (previously Interim D Sp. z o.o.)

J.W. Marka Sp. z o.o. with its seat in Ząbki entered in the register of entrepreneurs of the National Court Register on 20 December 2010 under KRS number 373684 with its share capital of PLN 155,838,000 divided into 3,116,760 shares with a nominal value of PLN 50.00 each. The Company holds 100 % of shares in J.W. Marka Sp. z o.o. The subject of activity of J.W. Marka Sp. z o.o. is to conduct service activities in the field of advertisement, marketing and lease of trade marks.

J.W. Group Sp. z o.o.

J.W. Group Spółka. z o.o. with its seat in Ząbki entered in the register of entrepreneurs of the National Court Register on 29 April 2008 under KRS number 304684 with its share capital of PLN 50.000 divided into 1.000 shares with a nominal value of PLN 50.00 each. The Company holds 100 % of shares in J.W. Group Sp. z o.o. The Company acquired a 100% share capital of J.W. Group Sp. z o.o on 23 February 2012. The business of J.W. Group Sp. z o.o. is the management of other entities.

J.W. Group Spółka with limited liability 1 Spółka k. a.

J.W. Group Spółka with limited liability 1 Spółka k. a. with its seat in Ząbki entered in the register of entrepreneurs of the National Court Register on 26 March 2012 under KRS number 00000415469 with its share



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capital of PLN 50.000 divided into 50 shares with a nominal value of PLN 1.000 each. The Company holds 100% of shares in J.W. Group Sp. z o.o. 1 Partnership limited by shares. Through J.W. Group Sp. z o.o. 1 Partnership limited by shares the Company intends to implement an investment of Kasprzaka.

J.W. Group Spółka with limited liability 2 Spółka k. a. (full consolidation)

J.W. Group Spółka. z o.o. with its seat in Ząbki entered in the register of entrepreneurs of the National Court Register on 26 March 2012 under KRS number 00000415464 with its share capital of PLN 50.000 divided into 50 shares with a nominal value of PLN 1.000 each. The Company holds 100 % of shares in J.W. Group Sp. z o.o. 2 Partnership limited by shares. Through J.W. Group Sp. z o.o. 2 Partnership limited by shares the Company intends to implement selected investments.

J.W. 2 Spółka z o.o.

J.W.2 Spółka. z o.o. with its seat in Ząbki entered in the register of entrepreneurs of the National Court Register on 11 April 2008 under KRS number 0000303531 with its share capital of PLN 50.000 divided into 1.000 shares with a nominal value of PLN 50.00 each. The Company holds 100 % of shares in J.W. 2 Sp. z o.o., The Company acquired a 100% share capital of J.W. 2 Sp. z o.o on 18 October 2012. Through J.W. 2 Sp. z o.o. the Company intends to implement selected investments.

SEAHOUSE Spółka z o.o.

SEAHOUSE Spółka. z o.o. with its seat in Ząbki entered in the register of entrepreneurs of the National Court Register on 11 July 2008 under KRS number 309998 with its share capital of PLN 8,750,000 divided into 175,000 shares with a nominal value of PLN 50.00 each. The Company holds 100% of shares in SEAHOUSE Sp. z.o.o. Through SEAHOUSE Sp. z o.o, the Company intends to implement the investment in Gdynia at Powstania Wielkopolskiego Street.

J.W. 6 Spółka z o.o.

J.W. 6 Spółka. z o.o. with its seat in Ząbki entered in the register of entrepreneurs of the National Court Register on 17 July 2008 under KRS number 309501 with its share capital of PLN 50.000 divided into 1.000 shares with a nominal value of PLN 50.00 each. The Company holds 100% of shares in J.W. 6 Sp. z o.o., The Company acquired a 100% share capital of J.W. 6 Sp. z o.o on 16 November 2012. Through J.W. 6 Sp. z o.o., the Company intends to implement selected investments.

10. The Company's investments in shares

On 23 February 2012, the Company acquired 50 shares with a nominal value of PLN 1,000 each with a total value comprising 100% of shares in the company under the name of J.W. Group Sp. z o.o with its seat in Ząbki.



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On 26 March 2012, the company under the name of J.W. Group Spółka z o.o. 1 SKA with its seat in Ząbki was registered, where the Company acquired 50 shares with a nominal value of PLN 1,000 each with a total value of PLN 50,000 constituting 100% of share capital.

On 26 March 2012, the company under the name of J.W. Group Spółka z o.o. 2 SKA with its seat in Ząbki was registered, where the Company acquired 50 shares with a nominal value of PLN 1,000 each with a total value of PLN 50,000 constituting 100% of share capital.

On 18 October 2012, the Company acquired 1.000 shares with a nominal value of PLN 50.00 each with a total value of PLN 50,000 comprising 100% of shares in the company under the name of J.W. 2 Spółka z o.o.

On 18 October 2012, the Company acquired 1.000 shares with a nominal value of PLN 50.00 each with a total value of PLN 50,000 comprising 100% of shares in the company under the name of J.W. 4 Spółka z o.o.

On 18 October 2012, the resolution on increasing the share capital of J.W. 4 Spółka z o.o with its seat in Ząbki (currently SEAHOUSE Spółka z o.o) by the amount of PLN 8,700,000 by creating 174,000 new shares with par value of PLN 50 each. The increase was registered on 26 November 2012.

On 16 November 2012, the Company acquired 1.000 shares with a nominal value of PLN 50.00 each with a total value of PLN 50,000 comprising 100% of shares in the company under the name of J.W. 6 Spółka z o.o.

Information about capital investments of the Company is presented in the financial statements – Note 4 and Note 8.

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 Company are arm's length transactions and they are described under Note 27 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 2012, the Company generated profits at a good level. By controlling daily turnovers the Company repays numerous loans incurred for implementation of developer projects. Economic and financial situation is secured in



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the form of inflows from investments which were completed or are planned to hand over in 2013 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. 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 Company in 2012

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

- restrictive policies of banks in terms of lending (Recommendations S and T of which liberalization is to be announced in 2013), which resulted in a marked decline in mortgage loans.
- decline in transaction prices offered on the market (according to the report of AMRON - SARFiN: the average transaction price in Warsaw at the end of December fell to PLN 7,134 per m², which means an increase of PLN 522 in comparison to December 2011).
- reduction of price caps in the government program "Family on its own", which resulted in a value of revenues in 2012.
- a high level of supply in the market (including the completed units).
- stable situation on the market of building material prices;
- formal and legal factors, administrative decisions, licences, permits, etc.
- shortage of new flats amounting to 1.5 – 1.8 million estimated pursuant to various sources and in consequence still unsatisfied housing needs of an active group of clients coming from the baby boom of the 80's;

Internal factors with effect on dynamics of income:

- wide offer including ready flats,
- continually extended offer of apartments (including those ready for immediate move-in),
- constant marketing actions,
- introduction of demonstration flats and houses with i ready interior design,



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- 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

Projections for development of the core business of the Company for 2013 assume that the said factors will prevail in the future. The threat to the market is seen in the fact that access to sources of purchase financing continues to be hampered. The closure of the program "Family on its Own" and the liberalization of Recommendation T and S introduced in the beginning of 2013, may have impact on deferred income. At the same time, estimations regarding the housing shortage require to be optimistic about the prospects of the Company in the future.

16. Changes in the basic principles of managing the enterprise of the Company

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

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 31.12.2012

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.	15.413.713	PLN 0.20	PLN 3,082,742.60	28.51 %

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

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 ("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



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

As at 31 December 2012, the Company was a party to proceedings brought against it in the total amount of PLN 51,800,145.

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 25 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 02 July 2012, the Company concluded an agreement, with BDO Sp. Ltd., a company authorized to perform audits of financial statements, on performing the interim review and audit of financial statements for the year 2012.

The remuneration of the auditor for auditing the unitary financial statements for the financial year ended 31.12.2011 amounted to PLN 140 thousand, of which PLN 50 thousand for an interim unitary review, and PLN 90 thousand for an annual unitary audit of the financial statement. The given amounts are net amounts.

The remuneration of the auditor for auditing the unitary financial statements for the previous year that ended 31.12.2011 amounted to PLN 155 thousand, of which PLN 65 thousand for an interim unitary review, and PLN 90 thousand for an annual unitary audit of the financial statement. The given amounts are net amounts.

23. Statement on corporate governance of J.W. Construction Holding S.A. in 2012

a. Rules of corporate governance of the Company

In 2012 the Company observed 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:

http://www.corp-gov.gpw.pl/assets/library/polish/regulacje/dobre_praktyki_19_10_2011_final.pdf



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

J.W. Construction Holding S.A. did not waive any rules provided under the Best Practices of WSE Listed Companies.

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.

Consistent instructions and procedures connected with data collection, processing and presentation under the Quality Management System

Financial reporting processes are covered with constantly improved, certified Quality Management System. This system is subject to periodic audits by internal and external auditors of quality management system. The last audit took place in July 2012 and ended with keeping the ISO 9001 certificate. The main document describing the rules of handling financial documents is the "Company instruction of circulation and control of documents", as amended, introduced with a resolution of the President of the Company in November 2005. Among the most important documents governing financial records and projections are procedures of "Creating and Managing the Company's Budget".

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



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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 Company, 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 31.12.2012

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 managed by PKO TFI S.A.	Between 5 and 10% of the shares ^x			
Pioneer Open-End Investment Fund owned by Pioneer Pekao TFI SA	Between 5 and 10% of the shares ^{xx}			

^x 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 have to 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.

^{xx} 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 10.008 % of the share capital of the Company entitling to 5.411.843 votes at the General Meeting of the Company representing 9.95% of the total number of votes.

In accordance with applicable law, a shareholder have to 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.

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



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recalling a given Management Board member, or on appointing or recalling the President of the Management Board.

As at 31 December 2012 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 2002 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 2012 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 2002 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.



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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

Due to intention of bonds issue in 2010, the Annual General Meeting adopted the resolution on 18 May 2010 which enables the Company to issue convertible bonds. To date, no convertible bonds were issued, the Company held the program for the issuance of ordinary unsecured bonds, which replaced the convertible bond issue program. However, in accordance with § 5. 6 of the Articles of Association, the Management Board is authorized to increase share capital by issuing new shares with a total nominal value of not more than PLN 1.38 million. The above will be done by converting bonds into shares of series D, which will be made on the basis of written statements of the Bondholders. The Management Board shall report to the registration court each increase in the share capital as specified in the Article. 452 of the Commercial Companies Code. Deadlines for submitting claims to replace the bonds into shares of D series will be determined by the Management Board in a resolution which specifies the conditions of the bonds issue and principles described in detail in the Resolution No. 27 of the Annual General Meeting of 18 May 2010

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. This means that

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.



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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 31/12/2012 the Management Board of the Company was composed of:

Mr. Robert Wojcik - Member of Management Board

Mr. Wojciech Rajchert - Member of Management Board

Mrs. Irmina Łopuszyńska - Member of Management Board

Ms. Magdalena Starzyńska - Member of the Management Board

During 2012 the composition of the Management Board of the Company was changed as follows:

On 01 February 2012, the Supervisory Board appointed Ms. Magdalena Starzyńska to the Management Board as its member.

On July 26, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of dismissal of Ms. Bożena Malinowska from the Management Board.

On 03 December 2012, the Company received a statement from Mr. Tomasz Panabażys - the Member of the Management Board on his resignation from the membership in the Management Board on 03 December 2012.

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.



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When setting 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

Composition of the Supervisory Board

As at 31.12.2012, the Supervisory Board consisted of:

Mr. Józef Wojciechowski - Chairman of Supervisory Board

Józef Oleksy – Vice Chairman of Supervisory Board

Andrzej Podsiadło – Member of Supervisory Board

Jarosław Król – Member of Supervisory Board

Mr. Marek Samarcew Member of Supervisory Board

During 2012 the composition of the Supervisory Board Board of the Company was changed as follows:

-On 22 October, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of :

- dismissal Mr. Andrzej Podsiadło from the Supervisory Board of the Company;
- appointment Mr. Marek Samarcew to the Company's Supervisory Board

On 22 October 2012, the Extraordinary General Meeting passed the following resolutions:

- dismissal Mr. Marcin Michnicki from the Supervisory Board of the Company
- on appointment Mr. Andrzej Podsiadło 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.



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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 26 June 2012 the Annual General Meeting was held, which approved unitary financial statements, consolidated financial statements for 2011, 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.

On 22 October 2012, the Extraordinary General Assembly was held in order to adopt the following resolutions:

- consent to the merger plan agreed between the Company and its subsidiaries; JW Projekt Spółka z o.o with its seat in Ząbki, Architects Polska Spółka z o.o. with its seat in Ząbki, and JWCH Budownictwo Drogowe Spółka z o.o. with its seat in Ząbki, agreed on 31 May 2012 and published in the Court and Economic Monitor 108/2012 and to complete the merger under the terms of the merger plan;
- dismissal Mr. Marcin Michnicki from the Supervisory Board of the Company
- appointment Mr. Andrzej Podsiadło to the Supervisory Board of the Company

On 13 December 2012, there was the Extraordinary General Meeting, which approved a resolution expressing approval for the sale of the Organised Part of the Enterprise in the form of Hotel 500 Zegrze Południowe. In accordance with the resolution of the Extraordinary General Meeting, the sale of the Organised Part of the Enterprise Hotel 500 in Zegrze Południowe by the Company will be conducted through in kind contribution to the Company operating under the name of J.W.6 Spółka z o.o based in Ząbki, which is a 100% subsidiary of the Company, in order to cover the shares acquired by the Company in the increased share capital.

Registration of the merger



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On 31 October 2012, the District Court for the City of Warsaw, XIV Commercial Division of the National Court Register registered the merger of the Company (as a merging company) with its subsidiaries: JW Projekt Spółka z o.o with its seat in Ząbki, Architects Polska Spółka z o.o. with its seat in Ząbki, and JWCH Budownictwo Drogowe Spółka z o.o. with its seat in Ząbki (as acquired) The merger was in accordance with art. 492 § 1. A Code of Commercial Companies by transferring all the assets of merged companies to the Company.

25. Significant events after the balance sheet date

Occupancy permits

On 12 March 2013, the Company received the occupancy permit for the multi-family real estate "Osiedle Światowida" at Światowida Street in Warsaw. The permit is not final.

On 14 March 2013, the Company received the occupancy permit for the multi-family real estate " Zielona Dolina" at Zdziarska Street in Warsaw. The permit is not final.

Credit Agreements

On 21 January 2013, the Company signed the Annex to the overdraft facility agreement with Millenium Bank S.A . By virtue of the Annex, the repayment term of the credit was postponed and set on 22 January 2014.

On 29/01/2013, the Company concluded an investment credit agreement in the amount of PLN 10,955,252 with PKO BP for refinancing the construction costs of unsold flats built within the development of Lewandów Park II real estate in Warsaw. The repayment date was set on 31/12/2014.

On 15/02/2013, the Company concluded the Annex to the revolving loan granted by Millennium Bank S.A to co-finance the investment at Jaroczyńskiego Street in Poznań. Pursuant to the Annex, the amount of the given credit was reduced from PLN 21 milion to PLN 20 milion and the final repayment date with credit use period were postponed. The final repayment date is set on 30/06/2015.

Changes in the Board

On 07 February 2013, the Company received a statement from Mr. Robert Wójcik - the Member of the Management Board on his resignation from the membership in the Management Board on 09 February 2013.



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The issue of Bonds

On 24 January 2013, the Board of the Company passed a Resolution, on the basis of which it changed conditions of issuance of the Company's bonds, issued pursuant to the Resolution of 26 April 2012, in the number of 9,500 units with a par value PLN 10,000 each and a total value of PLN 95 million marked in a system of KDPW PLJC0000043, the above-mentioned issuance was mentioned by the Company in the current report no 14/2012 of 27 April 2012 in the following scopes: (i) the maturity of the bond, which was changed from 27 April 2015 to 25 January 2016, (ii) supplementing interest table with three new interest periods falling respectively on the date from 24 April 2015 to 24 July 2015, from 24 July 2015 to 23 October 2015 and from 23 October 2015 to 25 January 2016; (iii) the interest by an increase margin by 0.75% binding from 25 January 2013, the Company obtained the approval of all bondholders to change the above mentioned terms of the issue.

On 25 January 2013, the Company issued a total number of 1,057 pieces of secured bonds with a par value PLN 100,000 each and a total value of PLN 105,700,000, of which the issue price corresponds to the par value, and the interest rate was based on WIBOR 3M plus margin (the "Bonds"), with a final maturity of 25 January 2016. The purpose of the Bonds issue was a partial debt repayment of repayment of the Series A bonds issued by the Company pursuant to the Resolution No. 1 of the Management Board of 18 June 2010, registered in the The National Depository for Securities S.A in Warsaw under ISIN code of PLJWC0000035. The bonds were paid with series A Bonds. In consequence of the Bonds issuance, 1057 series A bonds marked with ISIN code of PLJWC0000035 were deregistered from depository of securities held by the National Depository for Securities S.A, 243 bonds of the above-mentioned series remained. The bonds entitle bondholders to be given a redemption installment in the amount of 10% of a par value on 25 April 2014 and 25 April 2015. The redemption installment, referred to above, reduces the amount of the redemption of the Bonds attributable to pay on the final maturity date. Interest is paid quarterly. The bonds are secured by the establishment of:

(1) joint mortgage in the amount of PLN 135,000,000 on:

(a) real estate ownership right built with an office building located in Warsaw, in Aleje Jerozolimskie 216 Street, entitled to the Company. The property is comprised of a plot of land No. 62/2 with an area of 3,999m², for which the District Court for Mokotów Warsaw XIII Division of Land Registry maintains land and mortgage register No. WA1M/00149632/9 (a value of the above-mentioned property is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 36,365,800 net) (the Company provides a collateral);

(b) right of perpetual usufruct of property, entitled to the Company, which consists of a parcel of land located in Krynica-Zdrój at Czarny Potok Street with 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 built on the property and are under separate ownership, for which the District Court in Nowy Sącz, X Branch Land Registry in Muszyna maintains the Land and Mortgage Register No. NS1M/00007069/8 (a value of the above-mentioned property is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 200,268,000,000) (the Company provides a collateral);



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(c) undeveloped real estate ownership right entitled to the company of Lokum Spółka z o.o with its seat in Warsaw (a subsidiary):

(i) comprising of plots of land No. 86/2 i 86/4, with a total area of 15,066 m², located in Konstancin - Jeziorna, at Bielawska Street, for which the District Court in Piaseczno, IV Land Registry maintains the Land and Mortgage Register No. WA11/00006117/5 and

(ii) comprising of a plot of land with No. 84/27 with an area of 29m² located in Konstancin-Jeziorna at Bielwska Street, for which the District Court in Piaseczno, IV Land Registry maintains the Land and Mortgage Register No. WA11/00006116/8,

(which the value is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 4,212,000) (Lokum Spółka z o.o provides a collateral); and


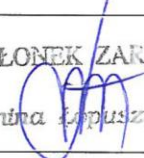
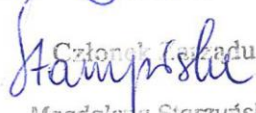
(2) property mortgage in the amount of PLN 75,000,000 which ownership right is entitled to the Company and which is located in the municipality of Ożarów Mzaowiecki, in the area of Sochaczewska and Żyzna Street, consisting of plots of land with a total area of 141,497 m², for which the District Court in Pruszkow, VI Land Registry maintains Land and Mortgage Register No. WA1P/00105675/5 (a value of the above-mentioned property is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 86,152,000) (the Company provides a collateral).

The mortgages were written in favour of bondholders, whose rights and obligations of the encumbrancer are performed by Biedecki Biedecki and Partners Legal Advisers, as an administrator of the mortgage.



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Podpisy Członków Zarządu

Wojciech Rajchert Członek Zarządu	Podpis CZŁONEK ZARZĄDU  Wojciech Rajchert
Irmina Łopuszyńska Członek Zarządu	Podpis CZŁONEK ZARZĄDU  Irmina Łopuszyńska
Magdalena Starzyńska Członek Zarządu	Podpis Członek Zarządu  Magdalena Starzyńska

Ząbki, 20 March 2013.