



**WIKANA S.A.
SUPERVISORY BOARD REPORT
FOR 2013**

covering:

assessment of the Company's financial statements and management report for 2013, assessment of the Company's Management Board's proposal regarding coverage of the 2013 loss, assessment of WIKANA Group's consolidated financial statements for 2013, i.e. WIKANA Group's consolidated financial statements and management report for the financial year 2013, presentation of the Supervisory Board's report on assessment of the Company's situation in 2013, together with presentation of the Supervisory Board's recommendations regarding draft resolutions for the Ordinary General Meeting.

Lublin, 2014

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Introduction

This report and annual assessment of the Company's situation were prepared pursuant to the following regulations:

- art. 382 § 3 of the Polish Commercial Companies Code,
- art. 395 § 2 of the Polish Commercial Companies Code,
- chapter III sec. 1 point 1) of an annex to the WSE Council's resolution 19/1307/2012 of 21 November 2012, entitled "Best practices for WSE-listed companies,"
- § 30 of the Company's Articles of Association,
- § 17 point 4 of the Supervisory Board Regulations,

and based on:

- a) WIKANA S.A.'s separate financial statements for 2013, consisting of:
 - a balance sheet, drawn up as at 31 December 2013, showing PLN 133 185 000 on both the asset side and the equity and liabilities side,
 - a statement of profit and loss for the financial year from 1 January 2013 to 31 December 2013, showing a net loss of PLN 12 048 000,
 - a statement of changes in equity for the financial year from 1 January 2013 to 31 December 2013, showing a PLN 12 048 000 decrease in equity,
 - a statement of cash flows for the financial year from 1 January 2013 to 31 December 2013, showing a PLN 192 000 decrease in cash,
 - additional information for 2013.
- b) separate management report on the operations of WIKANA S.A. in 2013,
- c) WIKANA Group's consolidated financial statements for 2013, consisting of:
 - a balance sheet, drawn up as at 31 December 2013, showing PLN 273 060 000 on both the asset side and the equity and liabilities side,
 - a statement of profit and loss for the financial year from 1 January 2013 to 31 December 2013, showing a net loss of PLN 19 240 000,
 - a statement of changes in equity for the financial year from 1 January 2013 to 31 December 2013, showing a PLN 19 257 000 decrease in equity,
 - a statement of cash flows for the financial year from 1 January 2013 to 31 December 2013, showing a PLN 2 634 000 increase in cash,
 - additional information for 2013.
- d) consolidated management report on the operations of WIKANA Group in 2013,
- e) opinions and reports of the entity auditing the financial statements for 2013 (separate and consolidated), prepared by CSWP Audyt Sp. z o.o. Sp. k., based in Warsaw 00-336, ul. Kopernika 34,
- f) the Management Board's proposal regarding coverage of the 2013 loss.

I. SUPERVISORY BOARD OPERATIONS DURING THE REPORTING PERIOD

1. Legal basis for the Supervisory Board's operations and competences

WIKANA S.A.'s Supervisory Board operates on the basis of legal regulations, the Company's Articles of Association and the Supervisory Board Regulations.

In accordance with § 30 of the Company's Articles of Association, the Supervisory Board carries out continuous supervision over the Company's operations in all of its business areas. Aside from the matters resulting from the Polish Commercial Companies Code, the Supervisory Board's competences include in particular:

1. Audit of annual separate financial statements,
2. Audit of the management report on the Company's operations,
3. Suspending of some or all members of the Management Board, for significant reasons,
4. Delegating Supervisory Board members for temporary roles at the Company's Management Board,
5. Establishing remuneration principles for Management Board members,
6. Approving the Company's annual and long-term business plans,
7. At the Management Board's request, consenting to the purchase and acquisition of shares in companies and participating in companies,
8. Consenting to the purchase and sale of properties or shares in properties, along with perpetual usufruct rights or shares in perpetual usufruct rights, encumbering properties or shares in properties and perpetual usufruct rights or shares in perpetual usufruct rights with restricted property rights, if the amount of the Company's resulting liabilities or rights in a single transaction, in net amounts, exceeds 1/3 of its share capital,
9. Approving the Company's organisational structure,
10. Other matters provided for in the Articles of Association and the Polish Commercial Companies Code.

2. Composition of the Supervisory Board

During the period from 1 January 2013 to 31 December 2013, the composition of the Supervisory Board of WIKANA S.A. did not change and was as follows:

1. Krzysztof Misiak (Chairperson of the Supervisory Board),
2. Piotr Zawiślak
3. Tomasz Filipiak
4. Agnieszka Buchajska
5. Adam Buchajski

In 2013, the Supervisory Board operated in a five-person composition, therefore was in compliance with the minimum composition provided for by the Polish Commercial Companies Code and the Articles of Association, which enabled the Supervisory Board to perform its functions. In 2013, the Supervisory Board did not delegate any of its members to perform individual audit functions. The Supervisory Board operates in a team-based manner.

3. Activities of the Supervisory Board during the reporting period

3.1.

During the period 1 January 2013 to 31 December 2013, the Supervisory Board adopted a number of resolutions in the course of meetings and by circulation, which included:

1. Establishing a consolidated text of the Company's Articles of Association;
2. Terminating an agreement with DORADCA Zespół Doradców Finansowo – Księgowych Sp. z o.o. and executing an agreement with ECA Seredyński i Wspólnicy Sp. k., covering audit of the Company's separate and consolidated financial statements for 2012;
3. Appointment of Krzysztof Szaliłow as Vice-President of the Management Board;
4. Approval of the Supervisory Board report on assessment of the Company's situation in 2012;
5. Recommendations regarding draft resolutions for the General Meeting;
6. Consenting to the execution of an employment agreement with Krzysztof Szaliłow, Vice-President of the Company's Management Board;
7. Forming the Supervisory Board and assignment of functions to Supervisory Board members;

8. Consenting to a bond issue and establishment of collateral;
9. Consent for Krzysztof Szaliłow to serve as management board member at companies belonging to WIKANA Group;
10. Discussion of the current financial standing of the Company and Group;
11. Establishing a three-person Management Board;
12. Appointment of Tomasz Demendecki as a Member of the Company's Management Board;
13. Establishing the remuneration rules for a Management Board member.

The Supervisory Board issued a positive opinion with regard to the resolutions prepared by the Management Board for the General Meeting.

Aside from the main tasks, the Supervisory Board in the past year analysed the Company's financial results, assessed the Company's financial and economic conditions and its further growth plans.

The Supervisory Board operated mainly through Supervisory Board meetings and adoption of resolutions by circulation, without convening a meeting, which made the Supervisory Board's work and the Company's operations substantially more efficient.

Aside from the members of the Supervisory Board, the meetings were attended by: members of the Company's Management Board, other employees of WIKANA Group companies and persons invited to the Supervisory Board meeting.

All meetings were held in a composition and manner that allowed for resolutions to be adopted.

At each Supervisory Board meeting, the Management Board presented comprehensive information on all significant matters relating to the Company's business such as were included in the agenda.

3.2.

In accordance with the Supervisory Board Regulations, adopted through resolution 30/VI/2010 of WIKANA S.A.'s Ordinary General Meeting of 2 June 2010, an audit committee should operate within the Supervisory Board, consisting of at least one member independent from the Company and entities with significant ties to the Company, having competences in accounting and finance. If the number of Supervisory Board members in a given term does not exceed five, the Supervisory Board may decide that the committee's functions will be performed by the Supervisory Board.

In 2013, due to the fact that the Supervisory Board consisted of five persons, it carried out the Audit Committee's functions in a team-based manner, in accordance with a Supervisory Board resolution of 4 December 2009, adopted pursuant to art. 86 sec. 3 of the Act of 7 May 2009 on statutory auditors and their self-regulation, entities authorised to audit financial statements and on public supervision (Polish Journal of Laws.09.77.649).

In accordance with principle 6 of part III of "Best practices for WSE-listed companies," which states that at least two Supervisory Board members should fulfil the criteria of independence from the Company and entities with significant ties to the Company, the members of Wikana S.A.'s Supervisory Board who fulfil these criteria, in accordance with their declarations, are: Piotr Zawiaślak and Tomasz Filipiak. In addition, the independence criteria with inclusion of principle 1 d) of Annex II of Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board is fulfilled by Krzysztof Misiak - Chairperson of the Supervisory Board.

In connection with the above, the Supervisory Board fulfilled the Audit Committee's functions through:

1. Performing periodic and annual reviews of the Company's financial statements (separate and consolidated). Prior to the publication of each of the periodic and annual separate and consolidated financial statements of WIKANA S.A., the Supervisory Board held a meeting with members of the Company's Supervisory Board, which included a review and analysis of the financial statements,
2. Presenting recommendations with regard to appointment of the Company's statutory auditors and on their remuneration. The Supervisory Board continuously monitored the statutory auditor's work and examined the Management Board's requests concerning approval for additional work orders for the auditor.
3. Performing reviews of the management accounting system,
4. Issuing opinions on the Company's annual and long-term financial plans. The Supervisory Board analysed the results generated by the Company against forecasts,

5. Discussing all problems or reservations such as may be raised during audit of financial statements, and seeking explanations. The Supervisory Board continuously examined problems notified by the Company's statutory auditor, forming their own opinions and recommendations for the Company's Management Board.

6. Monitoring the independence of the statutory auditor and entity authorised to audit financial statements, including in the case of providing the services referred to in art. 48 sec. 2 of the Act of 7 May 2009 on statutory auditors and their self-regulation, entities authorised to audit financial statements and on public supervision, in particular through obtaining the following:

- declarations confirming the independence of the entity authorised to audit financial statements and the statutory auditors performing financial revision,
- information on the scope of the services referred to in art. 48 sec. 2 of the Act of 7 May 2009 on statutory auditors and their self-regulation, entities authorised to audit financial statements and on public supervision, provided to the Company.

3.3.

In accordance with point 5 of recommendations in Best Practices of Listed Companies, which states that the Company should have a remuneration policy and rules for establishing a remuneration policy, the Supervisory Board continuously and in a team-based approach evaluated the Company's adopted remuneration policy with regard to supervisory board and management board members in terms of form, structure and level of remuneration, with application of Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), complemented by Commission Recommendation of 30 April 2009 (2009/385/EC), despite not having established a Remuneration Committee due to there being only five members on the board.

3.4.

In 2013, the Supervisory Board examined the following matters concerning the operations and business of WIKANA Group companies: it examined information concerning settlement of purchase and sale transactions and discussed, in semi-annual periods, reports on court and administrative proceedings involving WIKANA S.A.

In the course of its work in 2013, the Supervisory Board paid particular attention to the capital expenditures earmarked for purchase of new land properties and to observance of capital market best practices.

As part of its supervisory functions relating to remuneration, the Supervisory Board monitored the level of the Company's expenditure on remuneration, including remuneration for key managers and the Management Board, as well as regularly obtained information on these cost items and the relevant explanations.

The Supervisory Board's activities were documented in the adopted resolutions and minutes from Supervisory Board meetings in 2013.

II. SUPERVISORY BOARD REPORT ON EXAMINING THE COMPANY'S FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE FINANCIAL YEAR, TOGETHER WITH ASSESSMENT OF THE PROFIT ALLOCATION PROPOSAL

1. Assessment of the financial statements of WIKANA S.A. and WIKANA Group for 2013

The audit of the Company's financial statements, in the meaning of the Accounting Act, for the period from 1 January 2013 to 31 December 2013 was carried out by the following audit firm: CSWP Audyt Sp. z o.o. Sp. k., having its registered office in Warsaw.

Pursuant to 382 § 3 of the Polish Commercial Companies Code and the Company's Articles of Association, having examined the guidance for evaluation of the Company's financial statements for the financial year ended 31 December 2013, the Supervisory Board assessed the financial statements for the period from 1 January 2013 to 31 December 2013, consisting of:

- a) consolidated financial statements of WIKANA Group for 2013, consisting of:
 - a balance sheet, drawn up as at 31 December 2013, showing PLN 273 060 000 on both the asset side and the equity and liabilities side,
 - a statement of profit and loss for the financial year from 1 January 2013 to 31 December 2013, showing a net loss of PLN 19 240 000,
 - a statement of changes in equity for the financial year from 1 January 2013 to 31 December 2013, showing a PLN 19 257 000 decrease in equity,
 - a statement of cash flows for the financial year from 1 January 2013 to 31 December 2013, showing a PLN 2 634 000 increase in cash,
 - additional information for 2013.
- b) consolidated management report on the operations of WIKANA Group in 2013,
- c) opinions and reports of the entity auditing the financial statements for 2013 (separate and consolidated), prepared by CSWP Audyt Sp. z o.o. Sp. k., based in Warsaw,
- d) the Management Board's proposal regarding coverage of the 2013 loss.

According to the Supervisory Board, the financial statements reliably and clearly present all of the information relevant to assessment of the Company's and Group's financial and asset situation, as well as their financial results for the period from 1 January 2013 to 31 December 2013. The financial statements were prepared correctly in all significant aspects, i.e. in accordance with the adopted accounting policy, resulting from International Accounting Standards, International Financial Reporting Standards and the associated interpretations, published in the form of EC regulations, and in the scope not regulated by these standards - appropriately to the requirements of the Polish Accounting Act and the secondary legislation issued on the basis thereof, and on the basis of correctly maintained accounts. It is in compliance with the legal regulations and the provisions of the Company's Articles of Association having an impact on the content of financial statements. It presents data in accordance with the Accounting Act and the requirements of the Ordinance of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognising as equivalent information required by the laws of a non-member state.

The Supervisory Board has examined the opinions of the independent statutory auditor - CSWP Audyt Sp. z o.o. Sp. k., based in Warsaw – along with the Company's separate financial statements, the Group's consolidated financial statements, together with reports supplementing the opinions from audit of the Company's separate financial statements and the Group's consolidated financial statements for the period 1 January 2013 to 31 December 2013, in the scope of their compliance with the accounts and documentation.

2. Opinion and report of the entity authorised to audit financial statements

WIKANA S.A.'s Management Board hired CSWP Audyt Sp. z o.o. Sp. k., based in Warsaw, to audit its separate financial statements.

The Supervisory Board examined the opinions and reports of the statutory auditor concerning the separate financial statements. Based on these opinions and reports of the entity auditing the financial statements for 2013, the financial statements - including figures and written explanations:

- reliably and clearly present all of the information relevant to assessment of the audited entity's financial and asset position as at 31 December 2013, as well as its financial result for the period from 1 January 2013 to 31 December 2013,
- were prepared in all significant aspects in accordance with the above-mentioned accounting policy and on the basis of correctly maintained accounts,
- are in compliance with the Ordinance of the Minister of Finance of 18 October 2005 on the scope of information disclosed in separate financial statements and consolidated financial statements such as are required in the prospectuses of issuers based in Poland, for which the Polish accounting standards apply,
- are in compliance with the legal regulations and the provisions of the Company's Articles of Association having an impact on the content of financial statements.

3. Assessment of the Management Board report on the operations of WIKANA S.A. and WIKANA Group for 2013

The Supervisory Board has examined the Management Board report on the operations of WIKANA S.A. for 2013 and the Management Board report on the operations of WIKANA Group for 2013, and has taken into consideration the opinions and reports issued by the entity auditing the 2013 financial statements.

The Supervisory Board concludes that the management reports are complete and compliant with the requirements of art. 49 sec. 2 of the Ordinance of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognising as equivalent information required by the laws of a non-member state (Polish Journal of Laws no. 33, item 259, as amended), and that the information contained therein, derived from the audited financial statements, is in compliance. WIKANA S.A.'s Supervisory Board has examined and positively assessed the Company's further growth plans.

4. Supervisory Board recommendation on coverage of the 2013 loss

The Supervisory Board has examined the resolution of WIKANA S.A.'s Management Board on coverage of the 2013 loss and approves the coverage of the entire loss using future profits.

III. ASSESSMENT OF THE COMPANY'S SITUATION. ASSESSMENT OF THE COMPANY'S INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

1.

Pursuant to point 1 of chapter III of "Best practices for WSE-listed companies," WIKANA S.A.'s Supervisory Board presents the contents of the assessment of WIKANA S.A.'s situation in 2013, as performed by the Company's Supervisory Board.

The assessment covers the period from 1 January 2013 to 31 December 2013.

Based on an analysis of the financial data provided by the Company's Management Board, including the 2013 financial statements, Wikana S.A.'s Supervisory Board has concluded that the Company's Management Board is undertaking numerous activities aimed at optimising financial results, restructuring and full integration of the entire group's business and internal processes.

Taking into consideration the current economic situation and the numerous changes (including personnel-related) that have taken place at Wikana Group, as well as at the Company itself, the Supervisory Board considers the Company's financial statements and management practices to be satisfactory, and did not identify any issues that would indicate that the goodwill recognised in assets has lost economic value.

The Supervisory Board underscores, however, that in the future it will pay particular attention to the restructuring activities proposed by the new Management Board, including in particular the continuation of cost optimisation processes.

The Supervisory Board further notes that cooperation between the Management Board and Supervisory Board is good and that the Supervisory Board regularly receives information and data enabling it to perform effective supervision over the operations of Wikana S.A. and Wikana Group.

2.

The Management Board is responsible for the Company's internal control system and its functioning in the process of preparing financial statements.

The Company continuously monitors changes resulting from laws and external regulations having effect on the reporting requirements of listed companies and prepares diligently ahead of their implementation.

The developed internal control system, currently in use, applies to accounting documentation.

The internal control system also covers approvals for the Company's cost documents, which are subject to a two-step verification and approval.

The applied system allows the Company to supervise and continuously monitor the level of its liabilities.

After accounts for a given month are closed, the management and members of the Management Board receive reports analysing the key financial data important to the Company.

Financial data constituting the basis for financial statements and periodic reports is taken from the Company's accounting and financial system, where all transactions are recorded in accordance with the Company's adopted accounting principles and the International Accounting Standards.

Annual and interim financial statements are subject to independent audit and review by a statutory auditor, appointed through a Supervisory Board resolution.

Internal control at the Company is intended to:

- eliminate room for fraud and protect the Company's financial data,
- properly secure the Company's stored data and documents,
- safeguard the Company's financial interests in relations with banks, counterparties and other external entities,
- prevent unauthorised persons from accessing the Company's computer system,
- adapt the system to the applied internal control procedures and their impact on the validity of the collected data,
- the completeness, correctness and timeliness of entering accounting documents to the Company's financial and accounting system,
- observance of the adopted financial procedures.

The Supervisory Board has assessed the internal control system and risk management system as sufficient.

IV. SUMMARY. CONCLUSIONS FOR THE GENERAL MEETING

1. As a result of the assessment of the presented documentation, i.e.:

- separate management report on the operations of WIKANA S.A. in 2013,
- consolidated management report on the operations of WIKANA Group in 2013,
- WIKANA S.A.'s separate financial statements for 2013,
- WIKANA Group's consolidated financial statements for 2013,
- proposal for the allocation of the 2013 profit,
- Management Board report on Company operations in the period from 1 January 2013 to 31 December 2013,

and having examined the opinion and report of the statutory auditor for the financial year ended 31 December 2013,

the Supervisory Board has considered the above financial statements to be in compliance with the accounts and documents, as well as with the actual state of affairs, and recommends that the General Meeting approve them.

2. As a result of the assessment of the presented documentation, i.e.:

- the separate management report on the operations of WIKANA S.A. in 2013 and consolidated management report on the operations of WIKANA Group in 2013,
- the Management Board's proposal regarding coverage of the 2013 loss,
- the separate financial statements for 2013 and consolidated financial statements for 2013,
- the Management Board report on WIKANA Group's operations for the period from 1 January 2013 to 31 December 2013,

and having examined the opinion and report of the statutory auditor for the financial year ended 31 December 2013,

the Supervisory Board has considered the above financial statements to be in compliance with the accounts and documents, as well as with the actual state of affairs, and recommends that the General Meeting approve them.

3. The Supervisory Board recommends granting a vote of approval to the members of the Management Board for 2013, i.e.:

- a) to Sylwester Bogacki, President of the Management Board during the period from 1 January 2013 to 31 December 2013,
- b) to Tomasz Grodzki, Vice-President of the Management Board during the period from 1 January 2013 to 10 May 2013,
- c) to Krzysztof Szaliłowow, Vice-President of the Management Board during the period from 10 May 2013 to 31 December 2013,
- d) to Tomasz Demendecki, Member of the Management Board during the period from 22 October 2013 to 31 December 2013.