

**Current report 50/2016**

**Report date: 23 September 2016**

**Issuer's abbreviated name: WIKANA**

**Subject: Financing secured for subsidiary's property development project**

Legal basis: Art. 17 sec. 1 MAR - confidential information

Report content:

The Management Board of WIKANA S.A. ("Issuer," "Company") announces that on 23 September 2016 a subsidiary of the Issuer - WIKANA PRIM Sp. z o.o. BETA S.K.A., based in Lublin ("WIKANA PRIM BETA"), executed a construction and mortgage loan agreement with mBank Hipoteczny S.A. ("Bank") ("Loan") up to the amount of PLN 17.6 million ("Agreement"), the aim of which is to secure financing for an investment consisting of the construction of two residential multi-family buildings (A4 - A5, "Investment"), being built in Lublin in the vicinity of streets Ks. Ks. L. Zalewskiego and A. Słomkowskiego under a subsequent phase of the Osiedle Marina investment. The Issuer had announced execution of a comprehensive construction services contract under the Investment in current report 45/2016.

Repayment of the Loan will take place in tranches in accordance with an adopted schedule, with a final repayment deadline of 28 August 2021, with the possibility for early repayment of the Loan included in the Agreement. Interest on the Loan is variable and established based on WIBOR 3M plus bank margin. Collateral for the Loan will constitute, among other things: a joint contractual mortgage established up to PLN 35.1 million on the properties that are to be used in the Investment, a declaration by WIKANA PRIM BETA on voluntary submission for execution pursuant to art. 777 § 1, art. 5 of the Polish Civil Procedure Code up to PLN 35.1 million until 30 September 2024 as well as registered pledge agreements established up to the Loan amount on the assets of WIKANA PRIM BETA (including its shares) and shares of its general partner, i.e. WIKANA PRIM Sp. z o.o., based in Lublin ("WIKANA PRIM").

In connection with execution of the Agreement, on the same day a project support agreement was executed between the Issuer, WIKANA PRIM BETA, WIKANA PRIM and the Bank ("Support Agreement"), pursuant to which the Issuer and WIKANA PRIM undertook towards the Bank to providing financial support for WIKANA PRIM BETA of up to PLN 2.1 million in the event that the expected costs of the Investment are exceeded and to supporting WIKANA PRIM BETA's activities. In order to secure the financial support for WIKANA PRIM BETA, the Issuer and WIKANA PRIM jointly submitted for execution pursuant to art. 777 § 1, art. 5 of the Polish Civil Procedure Code for up to PLN 2.1 million until 30 September 2024.

The Agreement does not contain any provisions relating to contractual penalties, and its remaining provisions, including those pertaining to its termination, do not differ from the terms commonly applied to this type of agreement.

The Issuer clarifies that execution of the Agreement is the result of previously announced activities undertaken by the Issuer's Management Board in order to lower finance costs by changing the debt structure, i.e. in particular reducing the share of bonds in favour of loans,

although the Company does not intend to entirely withdraw from the debt market. At the same time, the Issuer clarifies that even though the Agreement has an impact on the Issuer's liabilities, according to the Management Board its liabilities remain at a safe level, especially due to the fact that approx. 50% of total interest-bearing liabilities and approx. 70% of bond liabilities constitute liabilities towards the Issuer's related parties.

Moreover, the Issuer clarifies that the above construction and mortgage loan was taken out following a positive assessment by the Company's Management Board of conditions on the residential market. As at 30 June 2016, the Issuer's offering included property development projects totalling 247 flats, of which 218 were under construction, and consolidated revenue from the sale of property development products reached in H1 2016 approx. PLN 17.5 million. Based on the average value of sold units and assuming that further projects will be completed (approx. 370 units under development currently), the Company's Management Board aims to reach sales of over 300 units in the coming months, expected to generate an additional PLN 60-70 million in revenue.

*Robert Pydzik*  
*President of the Management Board*

*Agnieszka Maliszewska*  
*Member of the Management Board*