

**REPORT BY THE MANAGEMENT BOARD OF WIKANA S.A.
ON THE OPERATIONS OF WIKANA GROUP
IN THE PERIOD 1 JANUARY - 31 DECEMBER 2013**

CONTENTS:

PART I

I. INFORMATION ABOUT THE GROUP

- 1) Description of the Group
- 2) Share capital
- 3) Authorities of entities within the Group

II. SIGNIFICANT EVENTS HAVING AN IMPACT ON THE OPERATIONS OF GROUP ENTITIES IN 2013

III. SIGNIFICANT EVENTS HAVING AN IMPACT ON THE OPERATIONS OF GROUP ENTITIES FROM THE END OF 2013 TO THE DATE OF THE FINANCIAL STATEMENTS

IV. EXPECTED DEVELOPMENT OF GROUP COMPANIES

V. SIGNIFICANT ACHIEVEMENTS IN R&D

VI. CURRENT AND EXPECTED FINANCIAL SITUATION OF THE GROUP

VII. INFORMATION ON ACQUISITION OF OWN SHARES BY GROUP COMPANIES

VIII. INFORMATION ON GROUP COMPANIES' BRANCHES

IX. INFORMATION ON THE FINANCIAL INSTRUMENTS USED BY GROUP COMPANIES FOR HEDGING RISKS

- 1) Pricing risk
- 2) Credit risk, foreign exchange risk and interest rate risk
- 3) Cash flow risk
- 4) Liquidity risk
- 5) Description of risk factors, along with the Group's exposure levels

X. INFORMATION ON THE FINANCIAL RISK MANAGEMENT OBJECTIVES AND METHODS ADOPTED BY GROUP COMPANIES

XI. SELECTED FINANCIAL RATIOS, ALONG WITH THEIR INTERPRETATION

XII. ON-GOING PROCEEDINGS IN COURTS, ARBITRATION BODIES AND PUBLIC ADMINISTRATION AUTHORITIES

XIII. MAIN PRODUCTS, GOODS OR SERVICES

XIV. SALES MARKETS

XV. SIGNIFICANT AGREEMENTS EXECUTED BY GROUP COMPANIES

XVI. ORGANISATIONAL OR CAPITAL TIES BETWEEN GROUP COMPANIES AND OTHER ENTITIES

XXVII. SIGNIFICANT RELATED-PARTY TRANSACTIONS EXECUTED BY GROUP COMPANIES ON TERMS OTHER THAN MARKET TERMS

XXVIII. EXECUTED OR TERMINATED CREDIT AND LOAN AGREEMENTS

XIX. INFORMATION ON ISSUED LOANS

XX. INFORMATION ON ISSUED AND RECEIVED SURETIES AND GUARANTEES

XXI. USE OF SHARE AND BOND ISSUE PROCEEDS BY GROUP COMPANIES

XXII. DISCUSSION OF THE DIFFERENCES BETWEEN RESULTS PRESENTED IN THE FINANCIAL STATEMENTS AND AND PREVIOUSLY PUBLISHED FORECASTS FOR THE YEAR COVERED BY THE FINANCIAL STATEMENTS

XXIII. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

XXIV. ASSESSMENT OF THE POSSIBILITIES FOR COMPLETING INVESTMENT OBJECTIVES

XXV. ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS HAVING AN IMPACT ON THE OPERATING RESULTS FOR THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

XXVI. DESCRIPTION OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FROM THE VIEWPOINT OF GROUP COMPANIES' GROWTH

XXVII. CHANGES IN MAIN MANAGEMENT PRINCIPLES AT GROUP COMPANIES

XXVIII. AGREEMENTS EXECUTED GROUP COMPANIES AND MANAGEMENT PERSONNEL, PROVIDING FOR COMPENSATION IN THE EVENT OF RESIGNATION OR DISMISSAL

XXIX. REMUNERATION, BONUSES AND EQUITY-BASED CONSIDERATIONS AT GROUP COMPANIES

XXX. TOTAL NUMBER AND NOMINAL VALUE OF SHARES IN GROUP COMPANIES AND RELATED PARTIES HELD BY MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

XXXI. INFORMATION ON AGREEMENTS KNOWN TO GROUP COMPANIES THAT COULD RESULT IN CHANGES IN THE PROPORTIONS OF SHARES HELD BY EXISTING SHAREHOLDERS AND BONDHOLDERS

XXXII. EMPLOYEE SHARE PROGRAMME CONTROL SYSTEM

XXXIII. INFORMATION ON:

- 1) Date of execution by Group companies of agreements with entities authorised to audit financial statements
- 2) Remuneration for the entity authorised to audit the financial statements for the reporting period

PART II

DECLARATION ON APPLICATION OF CORPORATE GOVERNANCE STANDARDS AT THE PARENT COMPANY DURING 2013

1. CORPORATE GOVERNANCE STANDARDS AND SCOPE OF APPLICATION

2. DESCRIPTION OF THE MODUS OPERANDI OF THE GENERAL MEETING AND ITS KEY AUTHORISATIONS, ALONG WITH THE RIGHTS OF SHAREHOLDERS AND THE MEANS OF THEIR EXERCISE

3. AUTHORISATIONS AND MODUS OPERANDI OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BODIES AND OF THEIR COMMITTEES

4. MAIN FEATURES OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS APPLIED IN FINANCIAL REPORTING

5. INFORMATION ON PARTICIPATION OF WOMEN AND MEN AT THE COMPANY'S MANAGEMENT BOARD AND SUPERVISORY BOARD

6. SUPPORT FOR EDUCATIONAL AND SPORTING ACTIVITIES

PART I

I. INFORMATION ABOUT THE GROUP

1) Description of the Group

As at the date of the financial statements, Wikana Group comprised the following entities:

- Parent:
 - Wikana S.A. [the Company]
 - The Company's economic activities comprise primarily property development, carried out through special purpose vehicles, management of Wikana Group and provision of services to Wikana Group companies.
- Subsidiaries:
 - Wikana Bioenergia Sp. z o.o.
 - Operates in the Lublin Province in the renewable energy sector. Wikana Bioenergia Sp. z o.o. is also the general partner in Wikana Bioenergia Sp. z o.o. 01 S.K.A., which operates in the production and trade of energy from renewable sources and whose shareholder is Wikana FIZ.
 - Wikana Project Sp. z o.o.
 - Provides project management services to other Wikana Group entities.
 - Wikana Nieruchomości Sp. z o.o.
 - Provides design and investment-preparation services.
 - As at the date on which the financial statements were prepared, this company was the general partner in the following property-development companies:
 - Wikana Nieruchomości Sp. z o.o. 02 S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 03 Miasteczko S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 04 Osiedle S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 05 Marina S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Komerc S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Krosno S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Legnica S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Alfa S.K.A.
 - Multiserwis S.A.
 - Footwear retail.
 - Towarzystwo Budownictwa Społecznego „Wikana” Sp. z o.o.
 - Provides property management services - for both its own properties and those commissioned by housing cooperatives.
 - Wikana Property Sp. z o.o.
 - Provides sales agency services for Wikana Group entities.
 - As at the date on which the financial statements were prepared, this company was the general partner in the following property-development companies:
 - Wikana Property Sp. z o.o. Beta S.K.A.
 - Wikana Property Sp. z o.o. Delta S.K.A.
 - Wikana Property Sp. z o.o. Podpromie S.K.A.
 - Wikana Property Sp. z o.o. Panorama S.K.A.
 - Wikana Property Sp. z o.o. Zielone Tarasy S.K.A.
 - Wikana Property Sp. z o.o. Krosno S.K.A.
 - Wikana Property Sp. z o.o. ACER S.K.A.
 - Wikana Property Sp. z o.o. ALFA S.K.A.
 - Wikana Property Sp. z o.o. BETULA S.K.A.

- Wikana Property Sp. z o.o. CORYLUS S.K.A.
 - Wikana Property Sp. z o.o. GAMMA S.K.A.
 - Wikana Property Sp. z o.o. JOTA S.K.A.
 - Wikana Property Sp. z o.o. KAPPA S.K.A.
 - Wikana Property Sp. z o.o. LAMDA S.K.A.
 - Wikana Property Sp. z o.o. LARIX S.K.A.
 - Wikana Property Sp. z o.o. MAGNOLIA S.K.A.
 - Wikana Property Sp. z o.o. OMEGA S.K.A.
 - Wikana Property Sp. z o.o. OMIKRON S.K.A.
 - Wikana Property Sp. z o.o. ROSA S.K.A.
 - Wikana Property Sp. z o.o. SIGMA S.K.A.
 - Wikana Property Sp. z o.o. ZETA S.K.A.
- The closed-ended fund Wikana FIZ holds 100% of shares in the following Wikana Group companies:
 - Zielone Tarasy S.A.
 - Wikana Nieruchomości Sp. z o.o. 02 S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 03 Miasteczko S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 04 Osiedle S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 05 Marina S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Komerc S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Krosno S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Legnica S.K.A.
 - Wikana Bioenergia Sp. z o.o. 01 S.K.A.

The Company holds 100% of Wikana FIZ's investment certificates.

2) Share capital

As at 31 December 2013, the Group's share capital amounted to PLN 33 533 000, and its equity was PLN 60 831 000.

Details regarding the equity of each of the companies within the Group are presented in note 38 to the financial statements.

3) Authorities of entities within the Group

a) Wikana S.A.

a. Management Board

During 2013, the structure and composition of the Company's management board were subject to the following changes:

- Sylwester Bogacki – served as President of the Management Board - from 1 January to 31 December.
- Tomasz Grodzki – served as Vice-President of the Management Board, responsible for finance - from 1 January to 10 May.
- Krzysztof Szaliłow – served as Vice-President of the Management Board, responsible for finance - from 10 May to 31 December.
- Tomasz Demendecki – served as Member of the Management Board - from 22 October to 31 December.

From the 2013 year-end to the date on which the financial statements were prepared, the structure and composition of the Company's management board were subject to the following changes:

- On 27 January, Tomasz Demendecki submitted his resignation from the Company's management board, effective 28 January.

- On 28 January, Krzysztof Szaliłow submitted his resignation from the Company's management board, effective 28 January.
- On 28 January, the Company's supervisory board appointed Sławomir Horbaczewski as President of the Management Board.
- On 28 January, the Company's supervisory board appointed Sylwester Bogacki as Vice-President of the Management Board.
- On 24 April, Sylwester Bogacki submitted his resignation from the Company's management board, effective 30 April.
- On 24 April, the Company's supervisory board adopted a resolution on appointment of Agnieszka Maliszewska as a member of the Company's management board, effective 1 May 2014.
- On 24 April, the Company's supervisory board adopted a resolution on appointment of Robert Pydzik as a member of the Management Board, effective 1 May 2014.

b. Supervisory Board

During 2013, the structure and composition of the Company's supervisory board remained unchanged, as follows:

- Krzysztof Misiak – Chairperson
- Agnieszka Buchajska – Member
- Adam Buchajski – Member
- Tomasz Filipiak – Member
- Piotr Zawisław – Member

From the 2013 year-end to the date on which the financial statements were prepared, the structure and composition of the Company's supervisory board were subject to the following changes:

- On 31 January, acting pursuant to art. 388 § 3 of the Polish Commercial Companies Code and § 27 sec. 2 of the Company's Articles of Association, the supervisory board adopted a resolution on appointment of Tomasz Dukała as a member of the supervisory board, effective 1 February 2014.
- On 31 January, supervisory board member Piotr Zawisław tendered his resignation from the Company's supervisory board, effective 1 February.

c. General Meeting

Two general meetings were held during 2013:

- An extraordinary general meeting on 2 January, the subject of which was, among others, adoption of a resolution on amendment of § 19 in the Company's articles of association.
- An ordinary general meeting on 29 June, which adopted, among others, resolutions on approval of the separate management report on Company operations for 2012.

b) Wikana Bioenergia Sp. z o.o.

a. Management Board

During 2013, the structure and composition of the company's management board were subject to the following changes:

- Tomasz Grodzki – served as President of the Management Board - from 1 January to 10 May.
- Robert Gajor - served as Vice-President of the Management Board - from 1 January to 12 May, and as President of the Management Board - from 13 May to 31 December.

From the 2013 year-end to the date on which the financial statements were prepared, the structure and composition of the company's management board were subject to the following changes:

- On 28 January, Sylwester Bogacki was appointed as Vice-President of the Management Board, and he resigned on 24 April, effective 30 April.
- On 24 April, Sławomir Horbaczewski was appointed as President of the Management Board, effective 1 May.
- On 24 April, Robert Pydzik was appointed as Member of the Management Board, effective 1 May.

b. Supervisory Board

The supervisory board has not been appointed.

c. General Meeting

Three general meetings were held in 2013:

- An extraordinary general meeting of 1 March, the subject of which was adoption of a resolution on appointment of the statutory auditor authorised to audit the company's financial statements for 2012.
- An extraordinary general meeting of 13 May, which adopted resolutions on, among others, changes in the composition of the company's management board, including establishing a one-person management board.
- An ordinary general meeting on 29 June, which adopted, among others, resolutions on approval of the management report on company operations for the period from 1 January 2012 to 31 December 2012.

From the 2013 year-end to the date on which the financial statements were approved, two extraordinary general meetings were held:

- On 28 January, the general meeting adopted resolutions on, among others, changes in the composition of the company's management board, including establishing a two-person management board.
- On 24 April, the general meeting adopted resolutions on, among others, changes in the composition of the company's management board, including establishing a three-person management board.

c) Wikana Project Sp. z o.o.

a. Management Board

During 2013, the structure and composition of the company's management board were subject to the following changes:

- Tomasz Grodzki – served as President of the Management Board - from 1 January to 10 May.
- Krzysztof Szaliłow - served as President of the Management Board - from 10 May to 20 August.
- Paweł Barwiak - served as President of the Management Board - from 20 August to 31 December.

From the 2013 year-end to the date on which the financial statements were prepared, the structure and composition of the company's management board were subject to the following changes:

- Paweł Barwiak was dismissed as President of the Management Board, effective 7 March.
- Sylwester Bogacki was appointed as President of the Management Board and Robert Gajor as Vice-President of the Management Board, effective 7 March.
- On 24 April, Sylwester Bogacki tendered his resignation as President of the Management Board, effective 30 April.
- On 24 April, Agnieszka Maliszewska was appointed as Member of the Management Board, effective 1 May.
- On 24 April, Ryszard Zając was appointed as Member of the Management Board, effective 1 May.

b. Supervisory Board

The supervisory board has not appointed.

c. General Meeting

Four general meetings were held in 2013:

- An extraordinary general meeting of 22 March, the subject of which was adoption of a resolution on appointment of the statutory auditor authorised to audit the company's financial statements for 2012.
- An extraordinary general meeting of 10 May, which adopted resolutions on, among others, change of the President of the Management Board.

- An ordinary general meeting on 29 June, which adopted, among others, resolutions on approval of the management report on company operations for the period from 1 January 2012 to 31 December 2012.
- An extraordinary general meeting of 20 August, which adopted resolutions on, among others, change of the President of the Management Board.

From the 2013 year-end to the date on which the financial statements were approved, two extraordinary general meetings were held:

- On 7 March, the general meeting adopted resolutions on, among others, changes in the composition of the company's management board, including establishing a two-person management board.
- On 24 April, the general meeting adopted resolutions on, among others, changes in the composition of the company's management board, including establishing a three-person management board from 1 May.

d) Wikana Nieruchomości Sp. z o.o.

a. Management Board

During 2013, the structure and composition of the company's management board were subject to the following changes:

- Sylwester Bogacki – served as President of the Management Board - from 1 January to 31 May.
- Paweł Barwiak - served as President of the Management Board - from 31 May to 20 August.
- Krzysztof Szaliłow - served as President of the Management Board - from 20 August to 31 December.

From the 2013 year-end to the date on which the financial statements were prepared, the structure and composition of the company's management board were subject to the following changes:

- On 28 January, Krzysztof Szaliłow tendered his resignation as President of the Management Board to the general meeting.
- On 28 January, Sławomir Horbaczewski was appointed as President of the Management Board.
- On 28 January, Sylwester Bogacki was appointed as Vice-President of the Management Board.
- On 24 April, Sylwester Bogacki tendered his resignation as Vice-President of the Management Board, effective 30 April.
- On 24 April, Agnieszka Maliszewska was appointed as Member of the Management Board, effective 1 May.
- On 24 April, Robert Pydzik was appointed as Member of the Management Board, effective 1 May.

b. Supervisory Board

The supervisory board has not appointed.

c. General Meeting

Four general meetings were held in 2013:

- An extraordinary general meeting of 22 March, the subject of which was adoption of a resolution on appointment of the statutory auditor authorised to audit the company's financial statements for 2012.
- An extraordinary general meeting of 31 May, which adopted resolutions on, among others, change of the President of the Management Board.
- An ordinary general meeting on 29 June, which adopted, among others, resolutions on approval of the management report on company operations for the period from 1 January 2012 to 31 December 2012.
- An extraordinary general meeting of 20 August, which adopted resolutions on, among others, change of the President of the Management Board.

From the 2013 year-end to the date on which the financial statements were approved, two extraordinary general meetings were held:

- On 28 January, the general meeting adopted resolutions on, among others, changes in the composition of the company's management board, including establishing a two-person management board.

- On 24 April, the general meeting adopted resolutions on, among others, changes in the composition of the company's management board, including establishing a three-person management board from 1 May 2014.

e) Multiserwis S.A.

a. Management Board

During 2013, the structure and composition of the company's management board remained unchanged, as follows:

- Jan Walczuk – served as President of the Management Board - from 1 January to 31 December.

From the 2013 year-end to the date on which the financial statements were prepared, the structure and composition of the company's management board were subject to the following changes:

- On 8 January, the company's supervisory board dismissed Jan Walczuk as president of the management board.
- On 9 January, the supervisory board appointed Monika Karchut as president of the management board.

b. Supervisory Board

During 2013, the structure and composition of the company's supervisory board remained unchanged, as follows:

- Adam Buchajski
- Agnieszka Buchajska
- Magdalena Buchajska
- Sylwester Bogacki
- Robert Gajor

From the 2013 year-end to the date on which the financial statements were prepared, the supervisory board's structure was subject to one change. On 2 February 2014, Agnieszka Buchajska resigned as a member of the supervisory board, effective 3 February.

c. General Meeting

During 2013:

- An extraordinary general meeting was held on 15 March, which adopted resolutions on, among others:
 - Amendments to the Company's Articles of Association,
 - Share capital increase.
- On 17 April, an extraordinary general meeting adopted a resolution on, among others, establishing the supervisory board regulations.
- On 10 August, an extraordinary general meeting adopted a resolution on, among others, approval of the 2012 financial statements.

From the 2013 year-end to the date on which the financial statements were approved, no general meetings were held.

f) Towarzystwo Budownictwa Społecznego „Wikana” Sp. z o.o.

a. Management Board

During 2013, the structure and composition of the company's management board remained unchanged, as follows:

- Sylwester Bogacki – served as President of the Management Board - from 1 January to 31 December.

From the 2013 year-end to the date on which the financial statements were prepared, the structure and composition of the company's management board were subject to the following changes:

- On 1 April, Sylwester Bogacki's position at the company's management board changed to vice-president.
- On 1 April, the company's supervisory board appointed Sławomir Horbaczewski as president of the management board.
- On 24 April, Sylwester Bogacki tendered his resignation as vice-president of the management board, effective 30 April.
- On 24 April, the company's supervisory board appointed Robert Pydzik as a member of the supervisory board, effective 1 May.
- On 24 April, the company's supervisory board appointed Agnieszka Maliszewska as a member of the supervisory board, effective 1 May.

b. Supervisory Board

During 2013, the company's supervisory board comprised as follows:

- Zbigniew Targoński - member
- Włodzimierz Wojciechowski - member until 29 March 2013
- Tomasz Grodzki - member
- Jan Pomorski - member from 29 March 2013

From the 2013 year-end to the date on which the financial statements were prepared, the composition of the company's supervisory board was subject to the following changes:

- On 31 January 2014:
 - Dismissed from the supervisory board were: Zbigniew Targoński and Tomasz Grodzki.
 - Appointed to the supervisory board were: Paweł Barwiak and Ryszard Zajac.
- On 28 March 2014,
 - Paweł Barwiak resigned as a member of the supervisory board.
 - Appointed to the company's supervisory board was Łukasz Kwaśniewski, who was also dismissed as member of the supervisory board on the same day.
 - Paweł Chołota was appointed to the company's supervisory board.
 - Jan Pomorski was appointed as chairperson of the supervisory board.
- On 30 April 2014:
 - Ryszard Zajac was dismissed from the company's supervisory board.
 - Agnieszka Wójcik was appointed to the company's supervisory board.

c. General Meeting

Three general meetings were held in 2013:

- An extraordinary general meeting of 29 March adopted resolutions on, among others, amendment of the composition of the company's supervisory board.
- An ordinary general meeting on 29 June, which adopted, among others, resolutions on approval of the separate management report on company operations for 2012.
- An extraordinary general meeting of 20 August, the subject of which was adoption of a resolution on appointment of the statutory auditor authorised to audit the company's financial statements for 2012.

From the 2013 year-end to the date on which the financial statements were approved, four general meetings were held:

- An extraordinary general meeting of 31 January adopted resolutions on, among others, amendment of the composition of the company's supervisory board.
- An extraordinary general meeting was held on 28 March, which adopted resolutions on, among others:
 - Appointment of a new supervisory board member,
 - Amendments to the company's articles of association.
- An extraordinary general meeting of 28 March adopted resolutions on, among others, amendment of the composition of the company's supervisory board.

- An extraordinary general meeting of 24 April adopted resolutions on, among others, amendment of the composition of the company's supervisory board, effective 30 April.

g) Wikana Property Sp. z o.o.

a. Management Board

During 2013, the structure and composition of the company's management board remained unchanged, as follows:

- Sylwester Bogacki – served as President of the Management Board - from 1 January to 31 December.

From the 2013 year-end to the date on which the financial statements were prepared, the structure and composition of the company's management board were subject to the following changes:

- On 7 March, Sylwester Bogacki's position at the company's management board changed - from president to vice-president.
- On 7 March, Sławomir Horbaczewski was appointed as president of the company's management board.
- On 24 April, Sylwester Bogacki tendered his resignation as vice-president of the management board, effective 30 April.
- On 24 April, Agnieszka Maliszewska was appointed as a member of the management board, effective 1 May.
- On 24 April, Robert Pydzik was appointed as a member of the management board, effective 1 May.

b. Supervisory Board

The supervisory board was not appointed.

c. General Meeting

There were no general meetings held during 2013.

From the 2013 year-end to the date on which the financial statements were approved, three extraordinary general meetings were held:

- On 7 March, the general meeting adopted resolutions on, among others, changes in the composition of the company's management board, including establishing a two-person management board.
- On 13 March, the general meeting adopted a resolution on amendment of the company's founding act.
- On 24 April, the general meeting adopted resolutions on, among others, changes in the composition of the company's management board, including establishing a three-person management board from 1 May.

h) Zielone Tarasy S.A.

a. Management Board

During 2013, the structure and composition of the company's management board were subject to the following changes:

- Tomasz Grodzki – served as President of the Management Board - from 1 January to 10 May.
- Robert Gajor - served as Vice-President of the Management Board - from 1 January to 21 May, and as President of the Management Board - from 22 May to 31 December.

From the 2013 year-end to the date on which the financial statements were prepared, the structure and composition of the company's management board were subject to changes. On 14 March, the company's supervisory board appointed Sławomir Horbaczewski as vice-president of the management board.

b. Supervisory Board

During 2013, the structure and composition of the company's supervisory board remained unchanged, as follows:

- Adam Buchajski
- Agnieszka Buchajska
- Magdalena Buchajska
- Paweł Barwiak – dismissed from the supervisory board on 13 March
- Sylwester Bogacki

From the 2013 year-end to the date on which the financial statements were prepared, the composition of the company's supervisory board was subject to the following changes:

- On 13 March, Łukasz Kwaśniewski was appointed to the supervisory board.
- On 13 March, Ryszard Zając was appointed to the supervisory board, who was then appointed, through a resolution on 14 March, the supervisory board chairperson.
- On 24 April, Sylwester Bogacki tendered his resignation as supervisory board member, effective 30 April.

c. General Meeting

During 2013, a general meeting was held on, among others, 7 February, and adopted resolutions concerning:

- Transition from a partnership limited by shares to a public limited company.
- Appointment of authorities of the transformed company.

During the period from the 2013 year-end to the date on which the financial statements were prepared, an extraordinary general meeting was held on 13 March, which adopted resolutions on amendment of the composition of the company's supervisory board.

Each partnership limited by shares is represented by the general partner.

II. SIGNIFICANT EVENTS HAVING AN IMPACT ON THE OPERATIONS OF GROUP ENTITIES IN 2013

The significant events having an impact on the operations of Wikana Group entities were communicated by the Company in the form of current reports. The relevant information is also presented in note 41 to the financial statements.

In particular, the Company's management board would like to draw attention to the following events:

- On 17 January 2013, Wikana Nieruchomości Sp. z o.o. ALFA S.K.A. executed two credit agreements with Deutsche Bank S.A., as a result of which the aggregate value of agreements between this bank and WIKANA Group companies during the last 12 months (from 17 January 2013) exceeded 10% of equity.
- On 1 February 2013, Wikana Nieruchomości Sp. z o.o. 05 Marina S.K.A. sold to Wikana Property Sp. z o.o. DELTA S.K.A., formed on 31 January 2013, an on-going investment in Lublin, entitled Sky House.
- On 6 March 2013, Wikana Property Sp. z o.o. DELTA S.K.A. executed a credit agreement with Raiffeisen Bank S.A., the value of which exceeded 10% of equity.
- On 16 April 2013, Wikana Invest Sp. z o.o. executed a lease agreement with ABM GREIFFENBERGER POLSKA Sp. z o.o. (Lessee) concerning facilities at the Wikana Business Park investment, with total surface area of approx. 8 000 sqm, together with 80 parking spaces, the value of which - after conversion using the average exchange rate published by the National Bank of Poland - exceeded 10% of equity.
- On 24 October 2013, in connection with the end of the credit period on 30 September 2013, an investment credit agreement between Wikana Invest Sp. z o.o. and PKO BP S.A. was terminated.

- On 5 November 2013, Wikana Nieruchomości Sp. z o.o. 05 Marina S.K.A. executed a construction works agreement with NORDON Sp. z o.o. concerning a subsequent phase of the Osiedle Marina project in Lublin, as a result of which the aggregate value of agreements between this entity and WIKANA Group companies in the 12 months since 5 November 2013 exceeded 10% of equity.
- On 21 November 2013, Wikana Invest Sp. z o.o. executed a memorandum with HENPOL Sp. z o.o. on termination of significant agreements, the object of which was construction of office buildings and a warehouse under the Wikana Business Park investment in Lublin.
- On 10 December 2013, Wikana Nieruchomości Sp. z o.o. 04 Osiedle S.K.A. executed a construction works agreement with ST INWEST Z. Tarłowski, K. Szczech s.c. under phase VI of the Świerkowa Aleja project in Zamość, as a result of which the aggregate value of agreements executed with this entity in the 12 months from 10 December 2013 executed 10% of equity.
- On 19 December 2013, Wikana S.A. sold its 100% of shares in Wikana Invest Sp. z o.o. to Polska Tektura Sp. z o.o., based in Bydgoszcz.
- On 23 December 2013, Wikana Property Sp. z o.o., as the sole general partner in Wikana Property Sp. z o.o. LAMDA S.K.A., adopted a resolution on allocation of 5 060 series A bonds, issued by the Company.

III. SIGNIFICANT EVENTS HAVING AN IMPACT ON THE OPERATIONS OF GROUP ENTITIES FROM THE END OF 2013 TO THE DATE ON WHICH THE FINANCIAL STATEMENTS WERE APPROVED

The significant events having an impact on the operations of Wikana Group entities were communicated by the Company in the form of current reports. The relevant information is also presented in note 41 to the financial statements.

In particular, the Company's management board would like to draw attention to the following events:

- On 29 January 2014, Wikana Property Sp. z o.o. OMEGA S.K.A. executed an agreement with NORDON Sp. z o.o. concerning comprehensive construction works under a subsequent phase of the Miasteczko Wikana project in Lublin, the value of which exceeded 10% of equity. Through annex no. 1 of 9 April 2014, all of the rights and obligations resulting from this agreement were assumed by Wikana Nieruchomości Sp. z o.o. 03 Miasteczko S.K.A.
- On 19 February 2014, Wikana Property Sp. z o.o. OMEGA S.K.A. adopted a resolution on issue of bonds and establishing the issue terms for interest-bearing 23-month bearer bonds series A, the issue of which commenced the company's bond programme, valued at a total of PLN 15 000 000.
- On 6 May 2014, Wikana Property Sp. z o.o. ACER S.K.A. executed a general contractor agreement with Strabag Sp. z o.o., concerning an investment in Piaseczno.

IV. EXPECTED DEVELOPMENT OF GROUP COMPANIES

The Group expects to continue its current operations in the subsequent reporting periods.

The majority of property development projects will be executed via special purpose vehicles, therefore the Group's consolidated results will play a key role.

For at least the next 12 months, the growth strategy of the Parent, development companies and other entities within the Group will focus on the following directions:

- Intensification of activities aimed at a substantial increase in operating scale, re-commencement or commencement of investments on the Group's land.
- Further operational expansion and reinforcement in markets where the Company is present, i.e. within the following provinces: Lower Silesia, Lublin, Lower Poland, Masovia, Sub-Carpathian.
- Selective market entry - larger urban areas.
- Consistent increase in apartment sales volumes, alongside margin growth.
- Development of residential investments in the 'popular' and 'popular plus' segments.

- Adaptation of the project schedule to current conditions on the property market, with the assumption that optimisation will be continued as regards the Company's expenditures and inflows, as well as the current ratio levels.
- Seeking to ensure an optimal financing structure for the on-going property development projects.
- Rational maximisation of project margins.
- Consistent execution of a customer-centric sales policy.

As regards companies operating in the renewables area, the Group will be aiming to:

- Expand its network of biogas facilities and photovoltaic farm, in order to create attractive value, which is expected to be fully divested in the mid-term.
- Expand R&D operations as regards manufacture of organic fertilisers in order to develop proprietary production technology.
- Conduct R&D activities in the area of processing and recycling communal waste.

As regards companies operating in retail sales, the Parent's Management Board intends to:

- Seek to complete the restructuring process, which is aimed at returning the segment to profitability.
- Prepare and present a plan for the Group's continued presence in the retail segment.

V. SIGNIFICANT ACHIEVEMENTS IN R&D

Given the nature of the business, in general none of the entities within the Group conduct R&D works. Wikana Bioenergia Sp. z o.o. is the exception and carries out the following R&D activities:

- Developing a technology for the manufacture of organic fertiliser. The project is being executed as part of the Innovative Economy Operational Programme, priority: Research and development of modern technologies, Activity 1.4: Support for projects; project title: "Development of an innovative fertiliser, manufactured using fermentation pulp." The project is planned to be completed in 30 June 2015.
- Developing a technology for the condensation of fermentation pulp. The project is being executed as part of the RPO WL / priority Entrepreneurship and innovation; Activity 1.6 Scheme A; project title: "Development of an innovative technology for the processing of fermentation pulp." The project is planned to be completed in 31 December 2014.

VI. CURRENT AND EXPECTED FINANCIAL SITUATION OF THE GROUP

In 2013, the Group recorded a PLN 19 240 000 loss (at consolidated level), at PLN 78 915 000 in operating revenue.

In 2013, the Group's revenue from property development reached PLN 91 746 000. Currently, the Company continues to develop the on-going property projects: in Lublin (Miasteczko Wikana B12, Oranżeria, Osiedle Marina 3, Sky House), Rzeszów (Osiedle Panorama III, Zielone Tarasy II) and Zamość (Osiedle Świerkowa Aleja). In the subsequent reporting periods, additional development projects are expected to be executed in Piaseczno and other towns around Warsaw.

Until handover of apartments, construction costs are accumulated and recognised in financial statements as inventory, while revenue is recognised as deferred revenue.

In 2013, the Group's renewables segment generated PLN 3 398 000 in revenue. In subsequent periods, the Group will continue to bring this segment to profitability.

The retail segment is undergoing restructuring and - as of the date the financial statements were prepared - further activities in this area are required.

The Parent's management board has assessed the Group's expected liquidity situation for the 12 months from the date of the consolidated financial statements.

The main objective of this analysis was specifying the sources for repayment of the Group's current liabilities, resulting from, among others, credit facilities and trade payables (including overdue liabilities).

As at 31 December 2013, the total amount of the Group's liabilities due for repayment in 2014 (i.e. current liabilities), excluding provisions, was PLN 108 441 000.

This item mainly consists of credit facilities and trade payables, as well as deferred revenue (the PLN 40 689 000 in deferred revenue roughly corresponds to the amounts paid by clients based on apartment purchase agreements concerning completed and on-going development projects). Within the total of PLN 112 954 000 in current liabilities, the company will actually have to repay up to PLN 67 752 000, i.e. after subtracting the amount of provisions and deferred revenue, which according to the accounting methodology for development projects (as specified in IAS 18) will be recognised in revenue from apartment sales after delivery to clients. The repayment of these liabilities (deferred revenue) towards apartment buyers would be necessary only in the event of non-performance of the executed apartment sales agreements, e.g. as a result of discontinuing or major delays in construction, which according to the management board will not occur.

As a result of the analysis, the management board has specified the main repayment sources for current liabilities:

- Proceeds from new sale agreements concerning apartments, parking spaces, storage spaces and service facilities, which either are or will be introduced to the Group's portfolio in 2014.
- Proceeds from payments under sales agreements concerning apartments, parking spaces, storage spaces and service facilities in on-going development projects, which were executed prior to 31 December 2013 - and which will be made by clients in accordance with the timetables specified in such agreements.
- Proceeds from lease of space in the Group's commercial properties.
- The divestment process, which covers sale of selected assets under a plan adopted by the management board for optimisation of the asset structure by sale of certain tangible assets of substantial market value (e.g. existing properties or certain non-residential projects).

In addition, the Company's management board is analysing a number of solutions aimed at raising additional capital to ensure the Group's liquidity, to be used to repay financial and trade payables. As such, the following activities are currently at an advanced stage: a share issue (via a private offering), bond issue, new credit facilities, both to re-finance the existing liabilities and to finance property development and renewables projects.

The above list is not comprehensive, and the results of the above activities will be dependent on financial-market conditions and the benefits for the Group.

According to the management board, a visible improvement on the residential property market will make it possible to fulfil apartment sales plans at a level ensuring the uninterrupted continuity of operations, including repayment of the liabilities due.

According to the management board, thanks in part to the restructuring activities commenced at the beginning of 2014 and intensification of apartment sales, there is no threat to the Group's continuing operations over a period of 12 months from the date on which the financial statements were prepared. The management board believes that it will be able to provide the Group with sufficient capital to service its financial and trade payables and to continue operations uninterrupted, including property development projects.

VII. INFORMATION ON ACQUISITION OF OWN SHARES BY GROUP COMPANIES

During the financial year 2013 and until the date on which the financial statements were prepared:

- On 4 February 2013, Wikana Project Sp. z o.o. purchased 50 000 series A shares in Wikana Property Sp. z o.o. DELTA S.K.A.
- On 7 January 2014, Wikana Property Sp. z o.o. DELTA S.K.A. purchased 2 700 000 series C shares in Multiserwis S.A.

VIII. INFORMATION ON GROUP COMPANIES' BRANCHES

As at 31 December 2013, as well as at the date on which the financial statements were prepared, Multiserwis S.A. was the only company to have a branch, which is located in Zamość, ul. Fabryczna.

IX. INFORMATION ON THE FINANCIAL INSTRUMENTS USED BY GROUP COMPANIES TO HEDGE RISK

1) Pricing risk

The Group has executed agreements with contractors where remuneration is precisely specified and allows for completion of the on-going investments in line with budgets adopted by the companies. The pricing risk is on the contractors' side, and their remuneration may only be changed with the company's consent. Still, the Group is exposed to risk related to changes in construction costs and the Group's dependence on construction contractors, as described in point 5) below - "Description of other risk factors, along with the Group's exposure."

2) Credit risk, foreign exchange risk and interest rate risk

Exposure to credit risk and interest rate risk arises in the ordinary course of the Group's business.

There may be foreign exchange risk, connected with changes in the exchange rates of foreign currencies, as well as interest rate risk for the currencies in which mortgages are issued to buyers in order to finalise purchases of residential properties. A weakening of PLN in relation to foreign currencies, in particular CHF, USD and EUR, as well as an increase in the interest rates for these currencies, translating into an increase in the interest on credit, may result in buyers being unable to continue repaying their mortgages or in fewer new buyers being able to obtain such credit. This may lead to a decrease in demand for new apartments and to a higher number of properties repossessed by banks, which then could increase the number of properties available on the market. The above events may have a negative impact on the residential property market and, as a result, on the Group's operations and financial situation.

The balance sheet value of non-current investments and trade and other receivables reflects the maximum level of credit risk.

The Group's non-current liabilities concerning issue of fixed-coupon bonds are not exposed to cash flow risk as a result of interest rate changes. The Group does not hedge against interest rate risk. The Group also does not hedge against foreign exchange risk. Current receivables and payables are not exposed to interest rate risk.

3) Cash flow risk

The Group has executed agreements with contractors and secured financing for its on-going investments, therefore the Group's cash flows in subsequent reporting periods are already determined and allow minimising the cash flow risk.

4) Liquidity risk

The objective of financial liquidity management is protecting the Group from default. This objective is being achieved through systematic projections of debt over a 3-year horizon, and subsequently through arranging appropriate sources of finance.

A detailed liquidity analysis is presented in point VI of this document.

5) Description of risk factors, along with the Group's exposure levels

- **Strategic objective risk**

The Group cannot ensure that its strategic objectives will be met. The market in which the Group operates is subject to changes, the direction and scale of which are dependent on numerous factors. The Group's future situation, and therefore also its revenue and earnings, is dependent on how well its strategy is executed.

Wrong decisions, resulting from incorrect assessment of situation or inability to adapt to the changing market conditions, might have a negative impact on the Group's financial results.

- **Risks associated with property development projects**

The Group's property projects require substantial capital employment and, by nature, are subject to a variety of risks. These risks concern the following in particular: (1) the inability to obtain or the loss of previously obtained permits, authorisations or other administrative decisions such as are essential for use of land and development of property projects in accordance with the Group's plans, (2) delays in commencement or completion of construction, (3) cost overruns, (4) contractor or subcontractor default, (5) contractors' or subcontractors' disputes with employees, (6) insufficient materials or construction equipment, (7) accidents or unforeseen technical difficulties, (8) inability to obtain the permits required to handover a building, or other essential authorisations, as well as (9) changes in the regulations pertaining to use of land. The occurrence of each of the above circumstances may result in delays in completing projects, cost increases or revenue losses, freezing the capital invested in procuring land and in certain situations the inability to complete projects. This may have a negative impact on the Group's operations and financial situation.

- **Risk associated with cost overruns and the Group's dependence on building contractors**

The Group has executed, and will execute, agreements with building contractors to develop property projects in the general-contractor formula. The costs of these projects may be subject to changes as a result of a variety of factors, such as the following: (1) changes in the scope of the project or changes in the architectural design; (2) increases in the cost of construction materials; (3) insufficient availability of skilled workers or increase in employment costs; (4) non-performance of work by contractors within the agreed deadlines or to a standard that is acceptable for the Group; (5) selection of incorrect technology at the initial phase of construction. Each substantial increase in costs or delay in project completion may have a negative impact on the Group's profitability. There is also a risk connected with the general contractors' loss of financial liquidity, which could impact the quality and timely delivery of the works. Loss of financial liquidity may, in extreme circumstances, result in the complete shutdown of works by a contractor, leading to their replacement. All delays and costs connected with replacing a general contractor may have a negative impact on the project's profitability. Despite the fact that the Group strives to limit such risk by maintaining long-term relations with a group of proven construction contractors and has employees that can, if necessary, assume the general contractor's responsibilities, a threat to the continuity and stability of operations - including the loss of liquidity by any of the general contractors developing the projects - may have a negative impact on the Group's operations and financial situation.

- **Risk associated with an increase in operating expenses and other costs**

The Group's operating expenses and other costs may increase without a concurrent increase in revenue. The following factors may lead to an increase in operating expenses and other costs: (1) inflation, (2) increase in taxes and other mandatory fees, (3) changes in legal regulations (including changes relating to workplace health and safety and environmental protection) or government policy, which could increase the costs of compliance with such regulations or policy, (4) increase in financing costs. The above factors may have a significant negative impact on the Group's operations and financial situation.

- **Risk associated with the Group's operations being confined to the residential markets in Lower Silesia, Lublin, Lesser Poland, Masovia and Sub-Carpathian provinces**

Currently, all of the Group's projects are being executed in: Lublin, Janów Lubelski, Zamość, Rzeszów, Krosno and Piaseczno. The Group continuously analyses the property development market in other Polish cities, however, according to the management, the results of expansion into other markets would be incommensurate to the risk related to such decisions. As a result, in the short- and medium-term, the Group's revenue and earnings will be dependent on the situation on the residential markets in which the Group is already present. Any decreases in conditions on those markets may have a negative impact on the Group's operations and financial situation.

- **Risk associated with the ability to introduce additional apartments for sale, procure new land and with pricing**

Further development of the Group's business is primarily dependent on: the ability to commence new investments on the Group's properties, introduce apartments for sale, ability to acquire attractive land for new development projects - at attractive prices - and their appropriate use, and subsequently the Group's ability to sell its apartments on the market in a timely manner and at satisfactory margins. The ability to fulfil the above assumptions mostly depends on conditions in residential markets where the Group operates and on the results of the restructuring programme.

Acquiring land for property projects in the future may be more difficult or costly than before due to the following: (1) strength of the competition on the property market, (2) time-consuming process to acquire administrative permits and other essential decisions, consents and authorisations, (3) lack of local spatial development plans and (4) limited availability of land with appropriate infrastructure.

The profitability of the Group's property development business is also directly dependent on apartment prices in Poland, and particularly in the cities where the Group is present. An oversupply of apartments due to there being too many units available may have a negative impact on apartment prices in markets where the Group operates. In the case of falling apartment prices, the Group cannot guarantee that it will be able to sell all finished apartments at prices ensuring the Group's expected margins.

All of the above factors may have a significant negative impact on the Group's operations and financial situation.

- **Risk associated with adverse land conditions**

When procuring land for new property investments, the Group carries out geotechnical analysis. Due to the limited scope of this study, it cannot be excluded that over the course of a project the Group will encounter unforeseen difficulties, which may result in delays or increase in the costs to prepare the land for construction, for example archaeological finds. Such factors may have an impact on the costs or scheduling of a given project and may even prevent completion of a project in its original form. This may have a negative impact on the Group's operations and financial situation.

- **Risk associated with liability for use of land - as regards environmental protection regulations**

In accordance with Polish law, entities using land where dangerous substances or other pollutants are located or where an adverse transformation of land occurred may be obligated to remove these, bear the reclamation costs and pay administrative penalties. The risk that the Group may in the future be required to pay compensation, administrative penalties or reclamation costs resulting from environmental damage to the land it owns or procures cannot be excluded. This may have a negative impact on the Group's operations, financial situation and growth perspectives.

- **Infrastructure risk**

A property development project may be executed in a manner ensuring the legally-required infrastructure, such as internal roads, water connections, etc. Despite positive results of legal and technical analysis, a lack of the essential infrastructure may result in the fact that it will not be possible to execute a project on a given plot of land or, in the event that it be necessary to provide this infrastructure by the Group, that it will be too expensive. There is a risk that due to delays in preparing access to infrastructure, particularly delays resulting from factors that are independent from the Group, there might be a delay in handing over a property project or an unforeseen increase in the cost of accessing infrastructure. Such events may have an impact on project margins. It may also happen that the relevant administrative authorities will require the Group to construct essential infrastructure as part of a property development project, which could have a substantial impact on the cost of construction. Administrative authorities may also request that the investor construct the infrastructure that is essential from the viewpoint of the entire project, but such construction works may be expected by the authorities to constitute the investor's contribution towards the development of local

communities as part of the property development project. This may have a negative impact on the Group's operations and financial situation.

- **IT failure risk**

The Group is not dependent on IT systems, however a failure of its IT system that results from a loss of data may result in temporary difficulties for the Group, particularly as regards contacts with its clients. The Group may not guarantee that its IT systems will be sufficient for its future purposes. The occurrence of IT system failures or inability to meet the Group's future needs could have an impact on the Group's operations and financial situation.

- **Risk connected with ineffectiveness of the land and mortgage register system**

The land and mortgage register system that is currently in use in Poland, especially in the cities where the Group has investments, is ineffective, particularly due to delays with which significant legal events are disclosed in such registers. As a general principle, given the public-trust guarantee nature of land and mortgage registers, a person carrying out a legal activity with binding effects with a person who is authorised as per the content of the land and mortgage register may purchase property or another property right, even in the event that in fact another entity was the owner, unless the buyer knew or could easily have found out about the inconsistency between the register with actual legal state. Given the potential delays in disclosing ownership or usufruct changes in mortgage and land registers and the binding public-trust guarantee of such registers, trade in properties is connected with the risk of purchasing a property from a person who appears in the register but is not authorised. This risk may have a negative impact on the Group's operations and financial situation.

- **Risk resulting from the act on payment guarantees for construction works**

According to the Act of 9 July 2003 on payment guarantees for construction works, a building contractor to whom the company commissions performance of a property development project may at any time request from the company a payment guarantee, in the form of a bank or insurance guarantee, bank letter of credit or surety issued for the contractor, up to the amount of any potential claims for remuneration arising under the agreement and additional work orders. In accordance with the above act, rights to request a payment guarantee cannot be waived or limited through any legal activity, and termination of the agreement based on a request of a payment guarantee is ineffective. The lack of a sufficient payment guarantee constitutes a hindrance in performance of construction works on the part of the company and entitles the contractor to request remuneration based on art. 639 of the Polish Civil Code. This may result in higher costs and delays in development projects, or even their cancellation. This may have a negative impact on the Group's operations, financial situation and results.

- **Risk associated with substantial damages, exceeding insurance compensation**

Buildings constructed as part of the Group's development projects are insured on the basis of insurance agreements executed by the Group's general contractors. In the case of physical damages to the buildings due to fire, flooding or other causes prior to handover of the premises to buyers, the Group may incur damages that might not be entirely covered by insurance payments, especially given the fact that the value of the insured object, estimated in the insurance agreement, may be smaller than the value of that object at the time of damage. In addition, insurance policies do not cover the Group's lost earnings from projects or damages connected with non-performance or delayed performance of agreements with the company's clients. In the event of damages exceeding the insurance limit, the Group may lose the funds invested in such damaged project, as well as the related future revenue. The above events may have a negative impact on the Group's operations, financial situation and results.

- **Risk associated with changes in tax regulations**

The Polish tax system is characterised by a lack of stability. Tax laws are often changed, a lot of the times against the taxpayer. These changes may concern not only increases in tax rates but also the introduction of new, complex legal instruments, expansion of the scope of taxation and even introduction of new tax burdens. Changes in tax laws may also result from the necessity to superimpose new solutions from EU law, resulting

from the introduction of new, or changes of existing, tax regulations. Frequent changes in corporate tax laws and interpretative inconsistencies as regards application of tax regulations by tax authorities may have an adverse effect on the Group, which as a result may have a negative impact on its operations and financial situation.

- **Risk associated with application of tax regulations by tax authorities**

Tax authorities apply laws not only directly based on regulations but also on their interpretations, performed by authorities of higher instance or by courts. Such interpretations are also prone to changes, replacement with other interpretations or are in contravention to other interpretations. To a certain extent, this also concerns court rulings. This creates a lack of certainty in terms of how tax authorities apply the law or the automatic application of the law in accordance with the existing interpretations, which may not necessarily reflect the - often complicated - actual state of affairs in commercial trade. This risk is also increased by a lack of transparency in the many regulations that constitute the Polish tax system. On the one hand, this creates doubts as regards their proper interpretation, while on the other - the necessity to consider more carefully the above-mentioned interpretations. As regards the tax regulations that are based on EU laws and that should therefore be fully harmonised, it should be pointed out that the risk connected with their application is related to an often insufficient level of knowledge of EU laws, which is aided by the fact that they are relatively new in the Polish legal system. This may result in the interpretations of Polish law being in contradiction to EU regulations. A lack of stability in application of tax laws may have a negative impact on the Group's operations and financial situation.

- **Risk associated with potential claims**

In Poland, as a result of post-war nationalisations, numerous properties owned by legal entities and natural persons were acquired by the State Treasury, which in certain cases was against the then-current laws. Despite the fact that an act regulating the re-privatisation process has not yet been enacted in Poland, previous property owners or their successors may currently file requests with administrative authorities concerning annulment of the administrative decisions based on which they lost their properties. The Company's management board, to the best of its knowledge, has not identified any such instances described in this point. In addition, the properties on which the Group's development projects were, are or might be executed are not located in areas covered by the Decree of 26 October 1945 on the ownership and use of land in the Capital City of Warsaw (the Decree on land in Warsaw). To the best of its knowledge, the Company's management board sees no risk that the previous owners of land on which these properties are situated will submit re-privatisation claims, unless the land acquisition based on the Decree on land in Warsaw was done in an illegal manner. Despite the fact that prior to purchasing a property, the Group examines matters connected with the likelihood of claims for return of property being raised, the results of such audits are not conclusive and it may not be excluded that re-privatisation claims relating to the properties owned by the Group will be raised in the future. The risk that such claims raised in the future might have a significant impact on the Group may not be excluded. This may result in an increase in project costs, delays or cancellations, which could have a substantial negative impact on the Group's operations, financial situation and results.

- **Economic and political risk**

The Group operates in Poland, which is considered an emerging market. Investors that invest in shares of companies operating in such markets should be aware of the fact that the economic and political risk present on such markets is higher than in the case of developed markets.

The financial situation of the Polish property development industry, and therefore also the Group's financial situation, is closely connected with economic factors, such as GDP changes, inflation, unemployment, exchange rates and interest rates. Any adverse changes of one or more of the above factors in the future may lead to a decrease in demand for new apartments, which could have a negative impact on the Group's operations and financial situation.

- **Risk associated with lack of spatial development plans**

Parts of the land that the Group is using, or plans to use, for investments, are not covered by valid spatial development plans, which makes it substantially more difficult to obtain construction permits. In particular, in the case of a lack of a spatial development plan, determining the means of development and terms of construction takes place through a decision on construction terms and development conditions. Issue of such decision on development terms is possible only after numerous conditions are met, including that at least one neighbouring plot of land, accessible from the same public road, be developed in a manner enabling to specify requirements for the new development in terms of continuation, parameters, features and indicators of development of land or construction thereon, including the parameters and architectural forms of the buildings that are to be constructed, lines and closeness of the development. A lack of binding spatial development plans may cause significant problems with obtaining construction permits, which could lead to project delays and, in consequence, have a negative impact on the Group's operations and financial situation.

- **Risk associated with discrepancies between land and mortgage registers and land records**

Data in land and mortgage registers for properties is not always compliant with the data disclosed in land and property records, in particular data concerning the numbering and surface area of plots of land, as well as land ownership data. In reality, this may cause the necessity to reconcile such data and - given the time-consuming nature of this procedure - result in delays in establishing separate ownership for premises.

X. INFORMATION ON THE FINANCIAL RISK MANAGEMENT OBJECTIVES AND METHODS ADOPTED BY GROUP COMPANIES

The Group manages all of the financial risk elements described in point IX, which could have a significant impact on its operations. The financial risk management system is organised so that the units responsible for executing the various transactions on the market are separated from the other, independent units evaluating these transactions prior to final approval by the management board, which leads to a decrease in operating and financing costs - i.e. the elements that give rise to financial risk.

XI. SELECTED FINANCIAL RATINGS, ALONG WITH THEIR INTERPRETATION

		31 December 2013	31 December 2012 (restated data)
Return on sales	net profit/revenue from sales*100	-24.38%	-24.88%
Return on equity	net profit*100/equity-net profit	-24.03%	22.60%
net debt	liabilities/equity and liabilities*100	77.72%	72.67%
current ratio	current assets/current liabilities	1.28	1.05

Net revenue covers net revenue from sale of products, materials and goods.

Return on sales decreased in 2013 due to adjustments to the opening balance for 2013 in the balance sheet and the 2013 result.

Return on equity changed due to a loss generated in 2013.

The debt ratio changed in comparison with the previous year. The main reason was an increase in liabilities.

The liquidity ratio changed in comparison with the previous year, as a result of a change in current liabilities.

XII. ON-GOING PROCEEDINGS IN COURTS, ARBITRATION BODIES OR PUBLIC ADMINISTRATION AUTHORITIES

Information regarding on-going proceedings is presented in the financial statements.

XIII. MAIN PRODUCTS, GOODS OR SERVICES

The Group's main economic activity is property development - from land procurement, through design, construction permit acquisition and project management, to delivery of apartments to buyers. In addition, the Company provides services, including management and accounting, to other Wikana Group companies.

At Wikana Group, investment projects are carried out by special purpose vehicles, i.e. subsidiaries established for the purpose of executing specific investment projects.

Within the renewables segment, companies manufacture four basic products: 1) electricity, 2) heat energy, 3) green certificates, 4) purple certificates. In addition, these companies provide waste recycling services, as area expected to be further developed in the near future.

XIV. SALES MARKETS

The Group operates predominantly in property development services. In this area, the Group is not dependent on any of its customers, who are mostly natural persons.

As part of property development activities, the Group incurs substantial costs on construction services and procurement of land for development projects. Land procurement does not lead to dependence on any one supplier, while in the case of construction works the Company selects general contractors via competitive tender proceedings, and the general contractor is responsible for the entirety of construction works. In the process of selecting contractors, the Group evaluates, among other factors, their financial condition, resources and experience.

In the coming years, of more significance will be relations between suppliers and the Group's subsidiaries, through which it increasingly carries out operations.

In the renewables segment, operational activities are carried out by WIKANA BIOENERGIA Sp. z o.o., which produces electricity and heat energy. The company generates revenues from the sale of four products: electricity, heat energy, green certificates and purple certificates. The company sells electricity in accordance with the binding legal regulations. The buyer of 100% of its production is PGE Obrót S.A. under a long-term supply agreement. Heat energy is sold locally to Okręgowa Spółdzielnia Mleczarska in Piaski under a long-term supply agreement. This entity buys up to 35% of the produced heat energy, while the rest is used for the company's own purposes and for research projects. The sale of certificates is carried out through the Power Exchange (TGE), and the sales price is dependent on market prices.

XV. SIGNIFICANT AGREEMENTS EXECUTED BY GROUP COMPANIES

Detailed information about the significant agreements executed by Group entities during 2013 and from the end of 2013 to the date on which the financial statements were prepared is presented in points II and III of this management report.

XVI. ORGANISATIONAL OR CAPITAL TIES BETWEEN GROUP COMPANIES AND OTHER ENTITIES

As at the date on which the financial statements were prepared, the Company is the parent company for the following subsidiaries:

- Wikana Bioenergia Sp. z o.o., based in Lublin, which has been operating since September 2009 in the Lublin Province, in manufacturing of energy from renewable sources. Wikana Bioenergia Sp. z o.o. is

also the general partner in Wikana Bioenergia Sp. z o.o. 01 S.K.A., which operates in the production and trade of energy from renewable sources and whose shareholder is Wikana FIZ.

- Wikana Project Sp. z o.o., based in Lublin, has been operating since January 2009, mainly in the area of project management services for other Wikana Group companies.
- Wikana Nieruchomości Sp. z o.o., based in Lublin, has been operating since January 2007, in the area of design and investment preparation services. As at the date on which these financial statements were prepared, this company was the general partner in the following property-development companies:
 - Wikana Nieruchomości Sp. z o.o. 02 S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 03 Miasteczko S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 04 Osiedle S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 05 Marina S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Komerc S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Krosno S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Legnica S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Alfa S.K.A.
- Multiserwis S.A., based in Warsaw, has been operating in footwear retail since 2003.
- Towarzystwo Budownictwa Społecznego Wikana Sp. z o.o., based in Lublin, provides property management services to both own properties and on commission from housing cooperatives.
- Wikana Property Sp. z o.o., based in Lublin, has been operating since 2012 and its activities include provision of sales agency services to other Wikana Group companies. As at the date on which the financial statements were prepared, this company was the general partner in the following property-development companies:
 - Wikana Property Sp. z o.o. Beta S.K.A.
 - Wikana Property Sp. z o.o. Delta S.K.A.
 - Wikana Property Sp. z o.o. Podpromie S.K.A.
 - Wikana Property Sp. z o.o. Panorama S.K.A.
 - Wikana Property Sp. z o.o. Zielone Tarasy S.K.A.
 - Wikana Property Sp. z o.o. Krosno S.K.A.
 - Wikana Property Sp. z o.o. ACER S.K.A.
 - Wikana Property Sp. z o.o. ALFA S.K.A.
 - Wikana Property Sp. z o.o. BETULA S.K.A.
 - Wikana Property Sp. z o.o. CORYLUS S.K.A.
 - Wikana Property Sp. z o.o. GAMMA S.K.A.
 - Wikana Property Sp. z o.o. JOTA S.K.A.
 - Wikana Property Sp. z o.o. KAPPA S.K.A.
 - Wikana Property Sp. z o.o. LAMDA S.K.A.
 - Wikana Property Sp. z o.o. LARIX S.K.A.
 - Wikana Property Sp. z o.o. MAGNOLIA S.K.A.
 - Wikana Property Sp. z o.o. OMEGA S.K.A.
 - Wikana Property Sp. z o.o. OMIKRON S.K.A.
 - Wikana Property Sp. z o.o. ROSA S.K.A.
 - Wikana Property Sp. z o.o. SIGMA S.K.A.
 - Wikana Property Sp. z o.o. ZETA S.K.A.
- Wikana FIZ holds 100% of shares in the following Wikana Group companies:
 - Zielone Tarasy S.A.
 - Wikana Nieruchomości Sp. z o.o. 02 S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 03 Miasteczko S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 04 Osiedle S.K.A.
 - Wikana Nieruchomości Sp. z o.o. 05 Marina S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Komerc S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Krosno S.K.A.
 - Wikana Nieruchomości Sp. z o.o. Legnica S.K.A.
 - Wikana Bioenergia Sp. z o.o. 01 S.K.A.

The Company holds 100% of Wikana FIZ's investment certificates.

XVII. SIGNIFICANT RELATED-PARTY TRANSACTIONS EXECUTED BY GROUP COMPANIES ON TERMS OTHER THAN MARKET TERMS

During 2013, as well as in the period until the date on which the financial statements were prepared, no such transactions took place.

XVIII. EXECUTED OR TERMINATED CREDIT AND LOAN AGREEMENTS

Information about significant events concerning credits and loans is presented in point II of this report.

Information regarding the Group's credits, including covenants, and loans is presented in note 26 to the financial statements.

XIX. INFORMATION ON ISSUED LOANS

Information about the loans that the Group has issued is presented in notes 16 and 17 to the financial statements.

XX. INFORMATION ON ISSUED AND RECEIVED SURETIES AND GUARANTEES

Information about sureties and guarantees, both issued and received, is presented in the financial statements.

XXI. USE OF SHARE OR BOND ISSUE PROCEEDS BY GROUP COMPANIES

During 2013, the Group used bond issue proceeds for the following objectives:

- PLN 20 530 000 from issue of series A bonds - to repay financial liabilities
- PLN 7 612 000 from issue of series B bonds - to repay financial liabilities

From the end of 2013 to the date on which the financial statements were prepared, the Group used bond issue proceeds for the following objectives:

- PLN 1 400 000 from issue of series A bonds - to issue a loan to a guarantor
- PLN 1 461 000 from issue of series A bonds - to co-finance a property development investment in Rzeszów
- PLN 3 379 000 from issue of series A bonds - to co-finance property development investments in Lublin and Zamość

XXII. DISCUSSION OF THE DIFFERENCES BETWEEN RESULTS PRESENTED IN THE FINANCIAL STATEMENTS AND PREVIOUSLY PUBLISHED FORECASTS FOR THE YEAR COVERED BY THE FINANCIAL STATEMENTS

The Group did not publish separate financial forecasts for 2013.

XXIII. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

According to the management board, the Group rationally manages financial resources. The Group systematically makes projections of debt over a 3-year horizon, and subsequently arranges appropriate sources of finance.

XXIV. ASSESSMENT OF THE POSSIBILITIES FOR COMPLETING INVESTMENT OBJECTIVES

The Group finances its investments plans mainly using own funds and funds raised through bond issues, as well as credits and advances from clients. Depending on the investment objectives, it arranges adequate sources of finance. The Group has full capacity to fulfil its investment objectives.

In the renewables segment, the companies will be financing projects using grants, own funds and credits and loans. The companies will be executing projects that are co-financed from EU funds. All projects that are expected to be executed have been verified and there are no threats to them in the execution phase.

XXV. ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS HAVING AN IMPACT ON THE OPERATING RESULTS DURING THE REPORTING PERIOD

In 2013, the Group did not record any extraordinary events having an impact on the Group's operating results.

XXVI. DESCRIPTION OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FROM THE VIEWPOINT OF GROUP COMPANIES' DEVELOPMENT

A description of the external and internal factors that are significant from the viewpoint of the group companies' development is presented in point IX sub-point 5) of this report.

XXVII. CHANGES IN MAIN MANAGEMENT PRINCIPLES AT GROUP COMPANIES

In 2013, no significant changes to the main management principles took place at the Group. During the period until the date on which the financial statements were prepared, a restructuring programme was underway, which resulted in, among others, a change in the management principles in many areas.

XXVIII. AGREEMENTS EXECUTED BETWEEN GROUP COMPANIES AND MANAGEMENT PERSONNEL, PROVIDING FOR COMPENSATION IN THE EVENT OF RESIGNATION OR DISMISSAL

No such agreements were executed.

XXIX. REMUNERATION, BONUSES AND EQUITY-BASED CONSIDERATIONS AT GROUP COMPANIES

First and last name, position	Amount of remuneration, bonuses or share-based considerations, paid, due or potentially due, from the Company [PLN 000s]	Amount of remuneration and bonuses for serving in the authorities of subsidiaries, associates and jointly controlled entities [PLN 000s]
MANAGEMENT BOARD		
Sylwester Bogacki President of the Management Board from 1 January 2013 to 31 December 2013	284	46
Tomasz Grodzki Vice-President of the Management Board from 1 January 2013 to 10 May 2013	26	83
Krzysztof Szaliłow Vice-President of the Management	194	28

Board from 10 May 2013 to 31 December 2013		
Tomasz Demendecki Member of the Management Board from 22 October 2013 to 31 December 2013	28	14
SUPERVISORY BOARD		
Krzysztof Misiak Chairperson of the Supervisory Board from 1 January 2013 to 31 December 2013	30	0
Agnieszka Buchajska Member of the Supervisory Board from 1 January 2013 to 31 December 2013	30	0
Adam Buchajski Member of the Supervisory Board from 1 January 2013 to 31 December 2013	30	0
Tomasz Filipiak Member of the Supervisory Board from 1 January 2013 to 31 December 2013	30	0
Piotr Zawiślak Member of the Supervisory Board from 1 January 2013 to 31 December 2013	30	0

There were no profit-based payments made to management personnel.

XXX. TOTAL NUMBER AND NOMINAL VALUE OF SHARES IN GROUP COMPANIES AND RELATED PARTIES HELD BY MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

The ownership of shares in the Parent by management board and supervisory board members as at the date on which the financial statements were prepared was as follows:

	Number of shares	%
Sylwester Bogacki	0	0.00
Tomasz Grodzki	0	0.00
Krzysztof Szaliłow	0	0.00
Tomasz Demendecki	0	0.00
 Tomasz Misiak	 0	 0.00
Agnieszka Buchajska (*)	5 952 844	3.55
Adam Buchajski (**)	82 767 218	49.36
Tomasz Filipiak	0	0.00
Piotr Zawiślak	0	0.00

(*) together with subsidiary - Renale Management Limited.

(**) together with subsidiary - Ipnihome Limited.

Supervisory board members did not hold shares in related parties.

XXXI. INFORMATION ON AGREEMENTS KNOWN TO GROUP COMPANIES THAT COULD RESULT IN CHANGES IN THE PROPORTIONS OF SHARES HELD BY THE EXISTING SHAREHOLDERS AND BONDHOLDERS

Entities within the Group are not aware of any such agreements.

XXXII. EMPLOYEE SHARE PROGRAMME CONTROL SYSTEM

The Group has not implemented any employee share programmes.

XXXIII. INFORMATION ON:

1) Date of execution by Group companies of agreements with entities authorised to audit financial statements

The Parent executed an agreement with CSWP Audyt Sp. z o.o. S.k. on 3 February 2014.

2) Remuneration for the entity authorised to audit the financial statements for the reporting period

Audit of annual and review of semi-annual separate and consolidated financial statements of the Company and Wikana Group - PLN 105 000 for 2013.

PART II

DECLARATION ON APPLICATION OF CORPORATE GOVERNANCE STANDARDS AT THE PARENT COMPANY DURING 2013

Pursuant to § 91 sec. 5 point 4) 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 of 2009 no. 33, item 259, as amended), and complying with the responsibilities resulting from Resolution No. 1013/2007 of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (the "WSE") of 11 December 2007 on establishing the scope and structure of reports on application of corporate governance standards by listed companies in connection with § 2 of Resolution No. 1014/2007 of the Management Board of the WSE of 11 December 2007 on partial waiver of the requirement to publish reports on application of corporate governance standards effective on the WSE's main market and in connection with § 2 of Resolution No. 718/2009 of the Management Board of the WSE of 16 December 2009 on disclosure by listed companies of reports on application of corporate governance standards, and based on art. 49 sec. 2 point 8 of the Accounting Act of 29 September 1994, the Management Board of WIKANA S.A., based in Lublin, provides hereby a declaration on application of corporate governance standards at the Company in 2013, which contains information that is required by the above regulations.

1. Corporate governance standards and scope of application

1.1. Declaration by the Company's Management Board

In 2013, the Company [Company, Issuer] - as a listed company - was subject to corporate governance standards contained in an Annex to WSE Council's Resolution No. 19/1307/2013 "Best Practices of WSE-Listed Companies" (the "Best Practices"), adopted on 21 November 2013 by the WSE's Council.

The content of this document is available at the WSE's corporate governance website (<http://www.corp-gov.gpw.pl/>).

The Company makes every effort to apply the corporate governance standards outlined in "Best Practices of WSE-Listed Companies."

Across all of its operations, the Company attempts to apply all recommendations relating to best practices and guidelines for management boards, supervisory boards and shareholders.

The Company's management board pays a lot of attention to applying corporate governance standards in its management processes, which are understood as a set of regulations necessary to maintain appropriate relations between the interests of all entities and natural persons involved in the Company's operations. Corporate governance standards largely serve as an example of ethically-correct conduct and are an expression of good customs.

The Company does not apply corporate governance standards that are beyond those provided for in Polish law.

1.2. Indication of the scope in which the Issuer did not apply the set of corporate governance standards contained in "Best Practices of WSE-Listed Companies," with indication of the excluded provisions and justification for such exclusion

In 2013, the Issuer did not (fully or in part) apply the following corporate governance standards:

- 1) As regards part II of "Best Practices of WSE-Listed Companies"

In reference to principle 1.9a) of "Best Practices of WSE-Listed Companies," which states as follows: *The company maintains a corporate website and publishes, aside from the legally-required information, minutes from general meetings, in audio or video format.*

According to the Company, performance of information obligations in accordance with the binding provisions of law, in particular by publishing the relevant current reports and placing the relevant information on its website, ensures that shareholders have access to all material information concerning general meetings.

2) As regards part IV of "Best Practices of WSE-Listed Companies"

In reference to principle 10 from part IV of "Best Practices of WSE-Listed Companies," point 10, which states as follows: *"The company should ensure that shareholders may participate in general meetings using electronic means of communications, which consist of: 1) real-time transmission of general meetings, 2) two-way communications in real time, whereby shareholders may make verbal statements during the general meetings from another location."*

According to the Issuer, application of the above principle carries risk of a technical, as well as legal, nature, which may have an impact on the correct and uninterrupted execution of general meetings. In addition, application of the above principle would cause the Issuer to incur substantial costs.

At the same time, the Issuer does not exclude the possibility of applying the above principles in the future.

As regards the non-application of these principles, contained in Part II sec. 1 point 9a and Part IV sec. 10 of "Best Practices of WSE-Listed Companies," the Company released current report 1/2013 of 2 January 2013.

2. Description of the modus operandi of general meetings and the main associated authorisations, along with shareholder rights and the means of exercising them

The modus operandi of general meetings and the main associated authorisations, along with shareholder rights and the means of exercising them are regulated by:

- Polish Commercial Companies Code,
- Articles of Association,
- Regulations of the Company's general meeting,
- Corporate governance principles adopted by the Company.

Both the Company's Articles of Association and the General Meeting Regulations are published on the Company's website, which fulfils principle 1 in part II of "Best Practices of WSE-Listed Companies" (*the Company maintains a corporate website and publishes legally-required information: 1) main corporate documents, in particular the articles of association and regulations of the company's authorities*).

General meetings may be ordinary or extraordinary.

An ordinary general meeting should take place no later than within six months from the end of the financial year.

An Extraordinary General Meeting is convened by the Management Board to examine matters requiring immediate decisions:

- at the Management Board's own initiative,
- at the Supervisory Board's request,
- at a written request of shareholders representing at least one-twentieth of share capital.

A general meeting is convened in the mode specified in art. 395 § 1 and art. 398 of the Polish Commercial Companies Code, in a manner specified in art. 402¹, 402² and 402³ of the Polish Commercial Companies Code and in the Act of 29 July 2005 on Public Offerings [...].

Resolutions adopted by the General Meeting are valid regardless of the number of shares represented at the meeting, unless the Polish Commercial Companies Code states otherwise.

The following activities require a General Meeting resolution:

- Examining and approving the Management Board report on Company operations, Supervisory Board reports, annual financial statements, votes of approval for members of the Company's authorities,
- Issuing rulings concerning claims for rectification of damage caused in the formation of the Company or in the course of management or supervision,
- Consenting to the disposal or lease of the Company's enterprise or an organised part thereof and establishment of limited property rights thereon,
- Issuing convertible bonds or bonds with pre-emptive rights,
- Purchasing own shares in the events specified in art. 362 § 1 point 2 of the Polish Commercial Companies Code,
- Distribution of profit or coverage of loss;
- Amending the Company's Articles of Association,
- Establishing Supervisory Board remuneration rules;
- Increasing or decreasing the share capital,
- Establishing the "ex-dividend date" and "dividend payment date,"
- Other matters provided for in the Articles of Association and the Polish Commercial Companies Code.

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, do not require a General Meeting resolution.

In accordance with principle 1 point 3 of part III of "Best Practices of WSE-Listed Companies," the supervisory board examines and issues opinions on matters that are to be the subject of general meeting resolutions, which are first provided to the management board for examination in the form of draft resolutions for the general meeting. A negative opinion or a lack of opinion from the supervisory board does not constitute a hindrance in adopting a resolution by the general meeting.

The general meeting regulations currently in place at the Company, adopted through general meeting resolution 13/X/2010 of 7 October 2010, state in particular that shareholder correspondence pertaining to general meetings that is sent by shareholders should allow for such shareholders to be identified and for their shareholder authorisations to be verified. Documents sent to the Company in electronic form should be scanned to PDF.

According to the general meeting regulations, a general meeting may be cancelled only if there are extraordinary obstacles to it taking place. However, in a situation where a general meeting was cancelled at the request of authorised entities or if the general meeting agenda contains items included at the request of authorised entities, cancellation requires consent from the entities making the request. No general meetings were cancelled in 2013.

A power of attorney to participate in the Company's general meeting and exercise voting rights must be issued in writing or in electronic form. A power of attorney in electronic form does not require a secure electronic signature, verified by a valid qualified certificate. That a power of attorney has been issued should be communicated to the Company using electronic communications, via an email sent to the address indicated in the general meeting notice, while making every effort to ensure that verification of the power of attorney's validity is possible. A power of attorney sent to the Company in electronic form should be scanned to PDF. The Company takes appropriate steps to identify the shareholder and attorney in order to verify the validity of a power of attorney issued in electronic form. Such verification may consist of a return question by telephone or email to the shareholder and the power of attorney in order to confirm the fact that the power of attorney has been issued.

As regards the means and mode of voting, the general meeting regulations state that an ordinary share entitles to one vote at the general meeting, with consideration given to par. 26 sec. 1 of the Articles of Association (i.e. considering that the shareholders participating in a general meeting have a number of votes that is equal to the number of shares they own, with stipulation that if a shareholder exceeds 66% of the total number of votes, that shareholder's share in the total number of votes is reduced to 66%). Shareholders may vote differently under each of the shares they own.

Voting is open, with the stipulation that secret voting is reserved for appointments and for voting on dismissal of members of the Company's authorities or liquidators, on suing them for a breach of responsibilities, as well as on personal matters. As regards appointment of returning committee members, the general meeting may waive the secrecy of voting. General meeting resolutions are adopted with an absolute majority, unless the Articles of Association or the Polish Commercial Companies Code state otherwise. An absolute majority of votes means more than half of all votes cast. Votes cast include votes 'for,' 'against,' and 'abstained.'

There were two general meetings in 2013. Both of them were convened through notices published on the Company's website and in a current report.

The general meetings took place at the Company's registered office, which fulfils principle 7 in part II of "Best Practices of WSE-Listed Companies" (*the company establishes the location and date of the general meeting in a manner that allows the largest possible number of shareholders to participate*).

Both of the general meetings were attended by the president and vice-president of the management board, who were prepared to provide technical responses to the questions posed during the meeting, which is in compliance with principle 6 in part II of "Best Practices of WSE-Listed Companies" (*management board members should participate in general meetings so as to facilitate provision of technical answers to questions posed during the general meeting*).

In addition, invited to the general meetings were members of the Company's supervisory board, which is in compliance with principle 3 in part III of "Best Practices of WSE-Listed Companies" (*supervisory board members should participate in general meetings so as to facilitate provision of technical answers to questions posed during the general meeting*).

3. Authorisations and modus operandi of the Company's management board and supervisory board, as well as their committees

3.1. Management Board

The Management Board's competences include all matters not reserved for the General Meeting or Supervisory Board.

The Management Board's operations are led by the President of the Management Board.

The modus operandi of the management board, the scope of mutual relations and the means of cooperation are regulated by the Management Board Regulations of 2011 and the Company's Articles of Association. Both of these documents are available on the Issuer's website.

The Management Board Regulations are published on the Company's website, which fulfils principle 1 in part II of "Best Practices of WSE-Listed Companies" (*the Company maintains a corporate website and publishes legally-required information: 1) main corporate documents, in particular the articles of association and regulations of the company's authorities*).

Management Board resolutions are adopted with an absolute majority. In the case of a tie, the President of the Company's Management Board has the decisive vote.

The Management Board is required to manage the Company's matters with the highest due care required in commercial trade, in accordance with the binding provisions of law, commonly accepted customs and with observance of the Articles of Association and resolutions of the General Meeting and Supervisory Board.

The Management Board's competences include all matters not reserved for the General Meeting or Supervisory Board.

The Management Board is particularly required to:

- Develop and execute the Company's strategy and business plans,

- Develop and execute the growth, HR, commercial, financial, quality management and operational policies,
- Submit, in a timely fashion, all notifications binding on the Company to the Register Court,
- Prepare the Company's financial statements,
- Convene the Company's general meetings,
- Participate in supervisory board meetings, if so requested,
- To provide the general meeting and supervisory board with comprehensive explanations and information, along with presenting the requested documents and other materials,
- Act with particular care in executing transactions with shareholders and other persons whose interests have an impact on the Company's interests, and to ensure that such transactions are executed on market terms,
- Represent the Company in contacts with shareholders pursuant to internal authorisations, and ensure protection of the rightful interests of all shareholders within the boundaries specified by law and good customs,
- Apply a proper information policy at the Company, in a manner that is in compliance with internal regulations, to observe the general binding provisions of laws and to abstain from activities that could constitute infringement or abuse of law,
- Maintain contacts with the media.

3.2. Supervisory Board

The Supervisory Board consists of between five and seven members, who are appointed by the General Meeting for a five-year term. The Supervisory Board is appointed for a joint term. Whenever the number of Supervisory Board members does not exceed five, the Supervisory Board may appoint one other member of the Supervisory Board. Supervisory Board members are appointed for a joint term. Supervisory Board members exercise their rights and fulfil their obligations in person only.

The competences of the Supervisory Board are as follows:

- Audit of annual separate financial statements,
- Audit of the management report on the Company's operations in 2013,
- Suspending of some or all members of the Management Board, for significant reasons,
- Delegating Supervisory Board members for temporary roles at the Company's Management Board,
- Establishing remuneration principles for Management Board members,
- Approving the Company's annual and long-term business plans,
- At the Management Board's request, consenting to the purchase and acquisition of shares in companies and participating in companies,
- 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,
- Approving the Company's organisational structure.
- Other matters provided for in the Articles of Association and the Polish Commercial Companies Code.

In accordance with principle 1 points 1 and 2 in part III of "Best Practices of WSE-Listed Companies," the supervisory board on 13 June 2013 prepared and subsequently, on 29 June 2013, provided to the general meeting a supervisory board report on the Company's operations in 2012, which comprised, among others: a concise assessment of the company's situation, with consideration given to an assessment of the company's internal control system and risk management system, along with an assessment of the supervisory board's operations.

In addition, pursuant to principle 1 point 3 in part III of "Best Practices of WSE-Listed Companies," prior to each general meeting the supervisory board examined and issued opinions on the matters that were to be the subject of general meeting resolutions, and to this end a supervisory board meeting was held on 29 June 2013 and opinions on resolutions were obtained by circulation on that day or the next.

For Supervisory Board resolutions to be valid, a majority of its members must be present and all of its members had to have been invited. Resolutions are adopted with an absolute majority of votes by the supervisory board members who are present at the meeting, and in the case of a tie the supervisory board chairperson has the decisive vote. Supervisory Board members may participate in adopting resolutions by casting votes in writing through another member of the Supervisory Board. Voting in writing is not applicable in the case of items introduced to the agenda in the course of a Supervisory Board meeting. Such resolution is valid if all Supervisory Board members were notified of the content of the draft resolution. Adopting resolutions in the above manners does not apply to the appointment of the Supervisory Board Chairperson and Deputy Chairperson, as well as the removal or suspension of those persons.

Supervisory Board meetings and adoption of resolutions by the Supervisory Board may also take place in a manner whereby Supervisory Board members participate in the meeting and resolution adopting using electronic communications, provided that all members of the Supervisory Board have been informed about the content of the draft resolutions. In this mode, the Supervisory Board may not adopt resolutions on appointment of the Supervisory Board Chairperson, Deputy Chairperson and Secretary, on appointment, removal or suspension of Management Board members and on matters specified in art. 382 § 3 of the Polish Commercial Companies Code.

A detailed description of the modus operandi of the supervisory board is presented in the Company's Articles of Association and Supervisory Board Regulations (available on the Company's website), which fulfils principle 1 in part II of "Best Practices of WSE-Listed Companies" (*the Company maintains a corporate website and publishes, in addition to legally-required information, the following: 1) main corporate documents, in particular the articles of association and regulations of the company's authorities*).

The Supervisory Board Regulations were updated through adopting a new text of the Regulations by a general meeting resolution of 2 June 2010.

3.3. Appointed committees

As indicated above, the Company's supervisory board consisted of five people in 2013. In accordance with the binding provisions of law, if the supervisory board has five members, it can appoint an audit committee or itself exercise the audit committee's tasks, indicated in the Act of 7 May 2009 on statutory auditors and their self-governance, on entities authorised to audit financial statements and on publish oversight (the Act on statutory auditors). Given the five-person composition of the supervisory board, the audit committee's tasks, indicated in the Act on statutory auditors, are performed by the entire supervisory board.

The statutory activities in this regard particularly concern monitoring the following:

- financial reporting process,
- effectiveness of the internal control, internal audit and risk management systems,
- performance of financial revision functions,
- 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 on statutory auditors, such as for example accounting and tax book-keeping services, tax advisory.

In addition, in performing the audit committee's tasks, the supervisory board examines written information from the entity authorised to audit financial statements regarding important matters that concern financial audit, including in particular material deficiencies in the entity's internal control system in the area of financial reporting, threats to the independence of the entity authorised to audit financial statements, along with the activities undertaken to limit such threats.

4. Description of the main features of the Company's internal control system and risk management system in the area of financial reporting

The Company's management board is responsible for the internal control system and the process of preparing financial statements and periodic reports.

The Parent's management board is responsible for the internal control system and the process of preparing consolidated financial statements and periodic reports. The Parent's management board is also responsible for the requirement to prepare periodic reports.

The Company's risk management system is multi-step.

The Company's most important roles are fulfilled by the management board and supervisory board.

As at 31 December 2013, the internal control and management systems at WIKANA Group subsidiaries were the responsibility of the respective management boards because no supervisory boards were appointed. This does not concern the subsidiaries Multiserwis S.A., Zielone Tarasy S.A. and TBS WIKANA Sp. z o.o., which have supervisory boards that fulfil oversight responsibilities in accordance with the Polish Commercial Companies Code and the supervisory board regulations that are adopted at those companies.

WIKANA Group consistently implements the overriding objectives of its risk management policy, pertaining primarily to the external and internal limits, as well as to risk optimisation and mitigation in the form of a continuous monitoring process. The risk management process is strictly connected with the capital management process. The Company's main capital management objective is capital optimisation, alongside compliance with external capital requirements.

The financial statements of all WIKANA Group companies are prepared by the chief accountant. The finance director also participates in preparing the Company's financial statements.

Financial statements are prepared in accordance with legal regulations and the Company's adopted accounting principles, and are continually verified by the companies' management boards, which are responsible for the accuracy and compliance of financial reporting.

The financial data that is the basis for financial statements is taken from the accounting and financial system, in which accounting events are recorded in accordance with the accounting policy of each of the companies within WIKANA Group, based on International Accounting Standards and International Financial Reporting Standards.

The Company's Management Board 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.

Audits and assessments of financial statements are conducted by a statutory auditor who audits the annual financial statements (separate and consolidated) and reviews the semi-annual financial statements (separate and consolidated).

The financial statements of WIKANA Group companies are first approved by the respective management boards and subsequently verified by an independent statutory auditor. The statutory auditor carrying out audit of the Parent's separate financial statements and WIKANA Group's consolidated financial statements is selected by the Company's Supervisory Board from amongst a number of well-known audit firms.

At those WIKANA Group companies without a supervisory board, the statutory auditor is appointed by the general meeting from amongst a number of well-known audit firms.

The finance director and heads of departments prepare periodic reports for the management board concerning key financial data and operating indicators across operating segments.

Having been audited, financial statements are sent to members of the Company's supervisory board, which carries out its own assessment.

5. Information on participation of women and men in the Company's management board and supervisory board

Presented below is information on the participation of women and men in the Company's management board and supervisory board in 2013. During the financial year, the women-to-men ratio at the Company's management board or supervisory board did not change, and therefore the Company did not report any changes.

Management Board

As at:	Number of women	Number of men
31 December 2013	0	from 1 January 2013 to 22 October 2013: 2 from 22 October 2013: 3

Supervisory Board

As at:	Number of women	Number of men
31 December 2013	1	4

6. Support for educational and sporting activities

The Company pursues its business mission and growth strategy with consideration given to the needs and expectations of various stakeholder groups. The Company pursues these objectives not only on a strictly business basis but also through organising and supporting educational and sporting events. The Company is aware of its impact on the local market and the necessity to be involved in a number of non-business areas.

In 2013, the Company co-organised a contest for all students majoring in "Architecture and Urban Planning" at the Lublin Technology University, Building and Architecture Faculty, titled "Design the interior of a WIKANA apartment," which consisted of arranging a residential unit at one of Wikana Group's on-going property investments. The top three contestants received a paid internship at the Company's design department.

Throughout 2013, the Company continued to act as name sponsor for the men's basketball team WIKANA START S.A. LUBLIN.

In 2013, the Company also executed a sponsorship agreement with the KASZOWSKI Krynica-Zdrój ice hockey team.

Lublin, 26 May 2014

.....

Sławomir Horbaczewski - President of the Management Board

.....

Robert Pydzik - Member of the Management Board

.....

Agnieszka Maliszewska - Member of the Management Board