

WIKANA GROUP
parent company
WIKANA S.A.
ul. Cisowa 11
20-703 Lublin

**Independent statutory auditor's
opinion and report
on audit of consolidated financial statements
for financial year from 1 January to 31 December 2016**

This document is a translation.

The Polish original should be referred to in matters of interpretation.

INDEPENDENT STATUTORY AUDITOR'S OPINION

for the General Meeting and Supervisory Board of WIKANA S.A.

Report on audit of the consolidated financial statements

We audited the enclosed consolidated financial statements of the WIKANA Group ("Group"), the parent company of which is WIKANA S.A. ("Parent"), based in Lublin, ul. Cisowa 11, comprising:

- consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2016,
- consolidated statement of financial position as at 31 December 2016,
- consolidated statement of cash flows for the financial year from 1 January to 31 December 2016,
- consolidated statement of changes in equity for the financial year from 1 January to 31 December 2016,
- additional information on adopted accounting principles and other explanatory information.

Responsibility of the parent's management board and supervisory board for consolidated financial statements

The parent's management board is responsible for preparing, based on correctly maintained accounting books, the consolidated financial statements and accurately presenting consolidated financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and other binding provisions of law. The parent's management board is also responsible for internal control such as is deemed necessary for preparing consolidated financial statements that are free of any significant distortions caused by fraud or error.

According to the Accounting Act, the parent's management board and members of the parent's supervisory board are obligated to ensure that the financial statements meet the requirements specified in the Accounting Act.

Responsibility of the statutory auditor

We are responsible for expressing an opinion on these consolidated financial statements based on our audit.

This document is a translation.

The Polish original should be referred to in matters of interpretation.

We carried out the audit in accordance with chapter 7 of the Accounting Act and the National Financial Review Standards in the meaning of International Audit Standards, adopted through resolution 2783/52/2015 of the Polish Chamber of Statutory Auditors of 10 February 2015, as amended. These standards require the observance of ethical requirements as well as the planning and conducting of the audit in such manner as to obtain sufficient certainty that the consolidated financial statements are free any significant distortions.

The audit consisted of procedures aimed at obtaining proof for the amounts and disclosures contained in the consolidated financial statements. The selection of audit procedures is up to the statutory auditor and depends on an assessment of the risk of significant distortions in the consolidated financial statements resulting from fraud or error. In assessing this risk, the statutory auditor considers the performance of internal control as regards preparing and reliably presenting by the entity of its consolidated financial statements in order to design appropriate audit procedures and not to express an opinion on the performance of the entity's internal control. The audit also covers assessment of the appropriateness of the adopted accounting principles (policy), rationality of estimated values set by the entity's management board and evaluation of the overall presentation of the consolidated financial statements.

We believe that the evidence obtained by us constitutes sufficient and appropriate basis for us to express an opinion.

Opinion

We consider that the audited financial statements:

- a) accurately and clearly depict the group's asset and financial position as at 31 December 2016 as well as its financial result and cash flows for the financial year from 1 January 2016 to 31 December 2016 in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, and the adopted accounting principles (policy),
- b) are in compliance, as to content and form, with requirements specified in 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 2014, item 133, as amended) and other provisions of law and articles of association applicable to the parent.

Report on other legal requirements and regulations

Opinion on the report on the group's operations

Our opinion on the audit of the consolidated financial statements does not encompass the report on the group's operations.

The parent's management board is responsible for preparing the report on the group's operations in accordance with the Accounting Act and other binding provisions of law. Moreover, the parent's management board and members of the parent's supervisory board are required to ensure that the report on the group's operations meets the requirements arising from the Accounting Act.

In connection with the audit of the consolidated financial statements, it was our responsibility to analyse the content of the report on the group's operations and indicate whether the information

contained therein takes into account art. 49 and 55 of the Accounting Act and whether they comply with information contained in the enclosed consolidated financial statements. Our responsibility also included a statement on whether, according to our knowledge about the group and its surroundings obtained in the course of auditing the consolidated financial statements, we identified any significant distortions in the report on the group's operations.

In our opinion, the information contained in the report on the group's operations takes into consideration art. takes into account the provisions of art. 49 and 55 of the Accounting Act and requirements specified in 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, and complies with the information contained in the enclosed financial statements.

Moreover, according to our knowledge about the group and its surroundings obtained in the course of auditing the consolidated financial statements, we did not identify any significant distortions in the report on the group's operations.

In connection with the audit of the financial statements, it was also our duty to analyse the parent's declaration on the application of corporate governance standards, which constitutes a separate part of the report on the group's operations. In our opinion, the parent's declaration contains the information required by secondary regulations issued pursuant to art. 60 sec. 2 of the Act of 29 July 2005 on Public Offerings and the Terms for Introducing Financial Instruments to Organised Trading and on Public Companies (Polish Journal of Laws of 2016, item 1639, as amended). This information is in compliance with the information contained in the consolidated financial statements.

Warsaw, 31 March 2017

**BDO Sp. z o.o.
ul. Postępu 12
02-676 Warsaw**

Entity authorised to audit financial statements no. 3355

Lead statutory auditor conducting the audit:

Acting on behalf of BDO Sp. z o.o.:

Krzysztof Maksymik
Statutory Auditor
register number 11380

dr André Helin
President of the Management Board
Statutory Auditor register number
90004

Report
on audit of annual consolidated financial statements of
WIKANA GROUP
drafted by WIKANA S.A.

for financial year from 1 January to 31 December 2016

This document is a translation.
The Polish original should be referred to in matters of interpretation.

I. General part of the report

1. Information about the parent

WIKANA Group's ("Group") parent company is WIKANA S.A. ("Parent").

The parent's registered office is in Lublin, ul. Cisowa 11.

According to the register entry and Articles of Association, the parent's primary economic activities are:

- Activities of head offices and holdings, except for financial holdings
- Property development
- Renting of real estate

The parent operates pursuant to:

- The Company's Articles of Association, drafted in the form of notarial deed on 13 January 1994 (Rep. A no. 552/94), as amended,
- Polish Commercial Companies Code,

On 20 January 2003, the Company was entered into the National Court Register at the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Department, Registry Section, under KRS number 0000144421.

The Company has tax identification number NIP: 6910019382 and REGON: 390284802.

As at 31 December 2016, the parent's share capital amounted to PLN 40 030 000 and was divided into 20 014 797 shares with a nominal value of PLN 2 each.

In 2016 and until the audit was concluded, no changes to share capital took place.

As at 31 December 2016, according to Management Board information, the Company's shareholders were as follows:

Shareholder	Number of shares	Votes at general meeting
VALUE FIZ z wydzielonym Subfunduszem 1	13 209 766	66..00%
Palametra Holdings Limited	1 612 000	8.05%
Other	5 193 031	25,95%

At 31 December 2016, the parent's equity amounted to PLN 35 149 000.

The group is managed by the parent's Management Board.

At 31 December 2016, the parent's Management Board comprised:

- Robert Pydzik - President of the Management Board
- Agnieszka Maliszewska - Member of the Management Board

During the audited period and until the audit was concluded, the Management Board composition did not change.

2. COMPOSITION OF THE GROUP

The parent's separate financial statements for the financial year ended 31 December 2016 were audited by BDO Sp. z o.o. and received an unqualified opinion.

WIKANA Group consisted of the following (direct and indirect) subsidiaries as of 31 December 2016:

Entity name	Authorised auditor	Type of audit opinion	Consolidation method
Bioenergia Plus Sp. z o.o. (formerly Wikana Bioenergia Sp. z o.o.)	BDO Sp. z o.o.	No opinion by report date	Full
WIKANA PROJECT Sp. z o.o.	not applicable	Not subject to audit	Full
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	not applicable	Not subject to audit	Full
Multiserwis S.A. w likwidacji	BDO Sp. z o.o.	No opinion by report date	Full
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.	not applicable	Not subject to audit	Full
ZIELONE TARASY S.A.	BDO Sp. z o.o.	No opinion by report date	Full
WIKANA PROPERTY Sp. z o.o. KOMERC Sp.K. (formerly WIKANA PROPERTY Sp. z o.o. KOMERC S.K.A.)	not applicable	Not subject to audit	Full
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 SKA (formerly WIKANA PROPERTY Sp. z o.o. 02 S.K.A.)	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.	not applicable	Not subject to audit	Full
Bioenergia Plus Sp. z o.o. 01 SKA (formerly WIKANA BIOENERGIA Sp. z o.o. 01 S.K.A.)	not applicable	Not subject to audit	Full
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A.	not applicable	Not subject to audit	Full
WIKANA PRIM Sp. z o.o. BETA S.K.	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.	not applicable	Not subject to audit	Full
Towarzystwo Budownictwa Społecznego „Nasz Dom” Sp. z o.o.	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o.	not applicable	Not subject to audit	Full
WIKANA MERITUM Sp. z o.o. PANORAMA Sp.K. (formerly WIKANA MERITUM Sp. z o.o. PANORAMA S.K.A.)	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. PODPROMIE S.K.A.	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY S.K.A.	not applicable	Not subject to audit	Full

WIKANA PROPERTY Sp. z o.o. SALIX Sp.K. (formerly WIKANA PROPERTY Sp. z o.o. SALIX S.K.A.)	not applicable	Not subject to audit	Full
WIKANA FORTEM Sp. z o.o. ACER Sp.K. (formerly WIKANA PROPERTY Sp. z o.o. ACER S.K.A.)	not applicable	Not subject to audit	Full
WIKANA MERITUM Sp. z o.o. ALFA Sp.K. (formerly WIKANA MERITUM Sp. z o.o. ALFA S.K.A.)	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. BETULA Sp.K. (formerly WIKANA PROPERTY Sp. z o.o. BETULA S.K.A.)	not applicable	Not subject to audit	Full
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A.	BDO Sp. z o.o.	Unqualified	Full
WIKANA PROPERTY Sp. z o.o. GAMMA S.K.A.	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. JOTA Sp.K. (formerly WIKANA PROPERTY Sp. z o.o. JOTA S.K.A.)	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	not applicable	Not subject to audit	Full
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A.	not applicable	Not subject to audit	Full
WIKANA MERITUM Sp. z o.o. LARIX S.K.A.	not applicable	Not subject to audit	Full
WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.K. (formerly WIKANA MERITUM Sp. z o.o. MAGNOLIA S.K.A.)	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.	not applicable	Not subject to audit	Full
WIKANA PROPERTY Sp. z o.o. ROSA Sp.K. (formerly WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.)	BDO Sp. z o.o.	Unqualified	Full
WIKANA MERITUM Sp. z o.o. SIGMA Sp.K. (formerly WIKANA MERITUM Sp. z o.o. SIGMA S.K.A.)	not applicable	Not subject to audit	Full
WIKANA MANAGEMENT Sp. z o.o.	not applicable	Not subject to audit	Full
WIKANA MERITUM Sp. z o.o.	not applicable	Not subject to audit	Full
WIKANA PRIM Sp. z o.o.	not applicable	Not subject to audit	Full
WIKANA FORTEM Sp. z o.o.	not applicable	Not subject to audit	Full

Not all of the consolidated entities have the same balance sheet date as the parent. WIKANA FORTEM Sp. z o.o. ACER Sp.K., WIKANA MERITUM Sp. z o.o. ALFA Sp.K. (formerly WIKANA MERITUM Sp. z o.o. ALFA S.K.A.), WIKANA PROPERTY Sp. z o.o. BETULA Sp.K. (formerly WIKANA PROPERTY Sp. z o.o. BETULA S.K.A.), WIKANA MERITUM 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 Sp.K. (formerly WIKANA PROPERTY Sp. z o.o. JOTA S.K.A.), WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A., WIKANA MERITUM Sp. z o.o. LAMDA S.K.A., WIKANA MERITUM Sp. z o.o. LARIX S.K.A., WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.K. (formerly WIKANA MERITUM 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 Sp.K.

(formerly WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.), WIKANA MERITUM Sp. z o.o. SIGMA Sp.K.
(formerly WIKANA MERITUM Sp. z o.o. SIGMA S.K.A.) prepared their financial statements for the
financial year from 1 October 2015 to 30 September 2016.

The consolidated financial statements include financial data from consolidated entities as at 31
December 2016 and for the period ended 31 December 2016.

The audit of the Group's consolidated financial statements covered selected items from the
financial statements of entities not being subject to a separate audit.

3. Data identifying the authorised entity and statutory auditor

The audit of WIKANA Group's consolidated financial statements for 2016 was carried out by BDO Sp. z o.o., based in Warsaw, ul. Postępu 12, an entity authorised to audit financial statements, entered onto the list of the National Chamber of Statutory Auditors in Poland under no. 3355.

The statutory auditor was selected by the parent's Supervisory Board pursuant to written resolution 18/VI/2015 of 11 June 2015.

The audit was carried out pursuant to an agreement of 15 June 2015, led by lead statutory auditor Krzysztof Maksymik (register no. 11380).

The audit was performed at the parent's registered office from 9 January 2017 to the date on which the opinion was issued, with breaks. It was preceded by a review of the consolidated financial statements for the first half of 2016.

We declare that BDO Sp. z o.o., its management board and statutory auditor along with the team auditing the financial statements meet the conditions to issue an impartial and independent opinion on the audited financial statements - in accordance with art. 56 sec. 3 and 4 of the Act on statutory auditors and their self-regulation, entities authorised to audit financial statements and on public supervision (Polish Journal of Laws of 2016, no. 1000, as amended).

The parent's management board provided all of the declarations requested by the statutory auditor as well as explanations and information necessary to perform the audit.

The audit was not in any way limited in scope, and the statutory auditor was not restricted in selected the appropriate audit methods.

4. Information on consolidated financial statements for the preceding financial year

The basis for the opening balance in accounting books were the Group's consolidated financial statements for the period from 1 January to 31 December 2015, which were audited by BDO Sp. z o.o., with an unqualified opinion.

The Group's consolidated financial statements for the period from 1 January to 31 December 2015 were approved through resolution no. 7/V/2016 of the Ordinary General Meeting of 9 May 2016.

The Group's consolidated financial statements for 2015 were filed with the National Court Register on 3 June 2016.

II. Financial analysis of the Group

What follows is a selection of figures from the consolidated statement of financial position and consolidated statement of comprehensive income as well as basic financial ratios, in comparison with the previous years.

1. Key figures from the consolidated statement of financial position and consolidated statement of comprehensive income (in PLN 000s)

	<u>31.12.2016</u>	% of balance sheet total	<u>31.12.2015</u>	% of balance sheet total	<u>31.12.2014</u>	% of balance sheet total
Non-current assets	98 088	48.1	98 544	50.6	101 717	45.7
Current assets	105 643	51.9	96 101	49.4	121 021	54.3
Total assets	<u>203 731</u>	100.0	<u>194 645</u>	100.0	<u>222 738</u>	100.0
Total equity	45 336	22.3	42 305	21.7	42 225	19.0
Total liabilities	158 395	77.7	152 340	78.3	180 513	81.0
Total equity and liabilities	<u>203 731</u>	100.0	<u>194 645</u>	100.0	<u>222 738</u>	100.0

	<u>1.01.2016- 31.12.2016</u>	% of revenue	<u>1.01.2015- 31.12.2015</u>	% of revenue	<u>1.01.2014- 31.12.2014</u>	% of revenue
Revenue from sales	73 256	100.0	93 135	100.0	72 946	100.0
Operating expenses, including:	(63 391)	(86.5)	(86 564)	(92.9)	(73 314)	(100.5)
<i>Cost of sales</i>	(55 313)		(77 110)		(60 333)	
<i>Selling costs</i>	(2 713)		(3 309)		(4 491)	
<i>Administrative expenses</i>	(5 365)		(6 145)		(8 490)	
Result on sales	9 865	13.5	6 571	7.1	(368)	(0.5)
Result on other operating revenue and costs	2 011	2.7	2 883	3.1	(17 267)	(23.7)
Result on financing activities	(8 273)	(11.3)	(8 330)	(8.9)	(12 909)	(17.7)
Gross financial result	3 603	4.9	1 124	1.2	(30 544)	(41.9)
Income tax	(878)	(1.2)	(1 048)	(1.1)	(401)	(0.5)
Net financial result on continuing operations	<u>2 725</u>	3.7	<u>76</u>	0.1	<u>(30 945)</u>	(42.4)
Result on discontinued operations	125	0.2	-	-	-	-
Net financial result	<u>2 850</u>	3.9	<u>76</u>	0.1	<u>(30 945)</u>	(42.4)

2. Key financial ratios

	2016	2015	2014
Profitability ratios			
Gross sales profitability	13.5%	7.1%	-0.5%
Net return on sales	3.9%	0.1%	-42.4%
Return on assets	1.4%	0.0%	-13.9%
Liquidity ratios			
Liquidity ratio I	1.1	1.3	1.6
Liquidity ratio II	0.2	0.3	0.3
Turnover ratios			
Receivables turnover in days	13	8	17
Debt ratios			
Payables turnover in days	50	48	91
Debt ratio	77.7%	78.3%	81.0%

3. Commentary

- Non-current assets constituted 48.1% of total assets at the end of the audited period, down from 50.6% at the end of 2015;
- The main item of equity and liabilities is liabilities, the share of which in the balance sheet total went down from 78.3% to 77.7% in the audited period;
- Profitability ratios improved. Gross sales margin was 13.5% in the audited year, compared to 7.1% in the preceding year, while net sales margin increased to 0.1% from 3.9% in 2015, while return on assets reached 1.4% in 2016, compared to 0.0% in the preceding year;
- Liquidity ratio I declined in the audited period to 1.1, compared to 1.3 in the preceding year.
- Receivables turnover reached 13 days in 2016, compared to 8 days in the preceding year;
- Payables turnover improved to 50 days in 2016, a decline from 48 days in 2015;
- Debt ratio reached 77.7% and was lower than in the previous year (78.3%).

III. Detailed part of the report

1. Basis for preparation of consolidated financial statements

WIKANA Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union.

2. Completeness and accuracy of consolidation documentation

Consolidated documentation is prepared in accordance with requirements specified in the Ordinance of the Minister of Finance of 25 September 2009 on detailed rules for preparing consolidated financial statements by entities other than banks, insurance firms and reinsurance firms (Polish Journal of Laws of 2017, item 676).

In the course of the audit, we did not identify any inconsistencies in consolidation documentation that could have a material impact on the audited consolidated financial statements and were not removed, including as regards meeting the requirements that consolidation documentation should fulfil.

3. Rules and methods of measuring assets and liabilities and equity

Entities covered by the Group's consolidated financial statements apply harmonised accounting principles and measurement methods for specific asset and equity and liability items.

4. Description of the components of the consolidated financial statements

The structure of the Group's assets, equity and liabilities is presented in the consolidated financial statements for the financial year ended 31 December 2016.

Data presented in the Group's consolidated financial statements is in compliance with the consolidation documentation.

5. Additional information and explanations

Information contained in the additional information to the consolidated financial statements, containing a description of the significant accounting policies and other explanatory information, was presented fully and accurately in all material respects.

6. Statement by the parent's management board

The parent's management board submitted a written statement regarding the complete recognition of data in accounting books, recognition of conditional liabilities, as well as all significant events taking place after the balance sheet date.

Warsaw, 31 March 2017

**BDO Sp. z o.o.
ul. Postępu 12
02-676 Warsaw**

Entity authorised to audit financial statements no. 3355

Lead statutory auditor conducting the audit:

Acting on behalf of BDO Sp. z o.o.:

Krzysztof Maksymik
Statutory Auditor
register number 11380

dr André Helin
President of the Management Board
Statutory Auditor register number
90004