

Management report on the operations of WIKANA Group in 2017

(this document includes the disclosures required of the management report
on the Parent's operations)



Lublin, 20 April 2018

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1 Introduction

1.1 Key information about WIKANA Group

WIKANA Group ("Group") is one of the largest property developers in south-eastern Poland. The Group has so far completed over 50 residential investments, with nearly 2 600 apartments delivered with total area in excess of 150 000 sqm.

The Group's parent is WIKANA S.A., based in Lublin, a company listed on the Warsaw Stock Exchange since 1997 ("Parent," "Company"), which provides holding-company services to companies in the Group and is involved in property development..

The economic activities of Group companies also include the activities of head offices and holdings, except of financial holdings, as well as accounting and bookkeeping, management of real estate on a fee or contract basis, renting of real estate and renewable energy sources.

1.2 Key events in 2017

In 2017, the Group completed and handed over the following property projects:

- building B3, delivered as part of the Sky House investment in Lublin (1 700 sqm of usable flat space),
- building B, delivered as part of the Klonowy Park investment in Lublin (1 600 sqm of usable flat space),
- buildings A4-A5, delivered as part of the Osiedle Marina investment in Lublin (5 000 sqm of usable flat space).

Aside from the above, in 2017 WIKANA Group launched the following development projects:

- three buildings being developed simultaneously as a subsequent phase (B4) of the investment Sky House in Lublin;
- buildings B1, B7, B8 and B2, B3, B6, being developed as two simultaneous phases of the investment Osiedle Marina B in Lublin;
- buildings C, D and O, P, R, S, being developed as two simultaneous phases of the investment Zielone Tarasy in Rzeszów.

Aside from the agreements of significance to the Group's operating activities referred to in point 3.4.1 of this report, the following events taking place in 2017 are deemed by the Company's Management Board as significant:

- adoption on 17 January 2017 by WIKANA PROPERTY Sp. z o.o. ROSA S.K.A. of a resolution on the issue of up to 6 515 secured dematerialised bearer bonds series A, with total par value of up to PLN 6 516 000; allocation of the bonds took place on 23 January 2017 (details: current reports 2/2017 and 4/2017);
- Robert Pydzik's resignation on 27 April 2017 as President of the Company's Management, effective from 30 April 2017; (current report 13/2017);
- adoption on 27 April 2017 by the Company's Supervisory Board of a resolution on the appointment of Agnieszka Maliszewska as Vice-President of the Company's Management Board, effective from 1 May 2017, and appointment of Marta Kruk and Pawel Chólota as

Members of the Company's Management Board, effective from the same date (current report 14/2017);

- on 13 June 2017, a change of the issue terms for series B bonds of WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. was agreed with the sole bondholder, which included especially a change in the buy-back deadline from 30 June 2017 to 31 December 2017 (details: current report 22/2017) and on 29 December 2017, covering a change of the buy-back deadline to 31 December 2018 and an update of provisions concerning collateral (current report 45/2017);
- Marta Kruk's resignation on 27 June 2017 as member of the Company's Management Board effective from the end of 30 June 2017 (current report 23/2017);
- on 22 August 2017 a change of issue terms was agreed with the sole bondholder of the series A bonds of WIKANA PROPERTY Sp. z o.o. ROSA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.) regarding a change of the issue terms for these bonds, in particular a change of the buy-back deadline from 24 August 2017 to 31 December 2017 (details: current report 31/2017) and on 29 December 2017, covering a change of the buy-back deadline to from 31 December 2017 to 31 March 2018 and an update of provisions concerning collateral (current report 46/2017);
- adoption on 19 October 2017 by the Company's Supervisory Board of a resolution on the appointment of Patrycja Wojtczyk as member of the Supervisory Board (current report 39/2017);
- Maciej Węgorkiewicz's resignation on 19 October 2017 as a member of the Supervisory Board (current report 40/2017);
- adoption on 17 November 2017 of a decision to begin a strategic options review across all of the Company's business areas in order to select the optimal variant of further development and implementation of the Company's growth strategy for 2018-2021 (current report 44/2017).

2 Key information about WIKANA Group

2.1 Description of WIKANA Group's operations

As at the date of this report, Wikana Group comprised the following entities:

I. Parent:

- **WIKANA S.A.** ("Parent," "Company") - its core business is property development, consisting of preparing property development projects using its own land bank, to be developed by special purpose vehicles, and management of the Group as well as provision of services to Group companies.

II. Subsidiaries:

- **BIOENERGIA PLUS Sp. z o.o.** (formerly WIKANA BIOENERGIA Sp. z o.o.) - operates in the Lublin Province in the renewable energy sector. At the same time, BIOENERGIA PLUS Sp. z o.o. is the general partner in BIOENERGIA PLUS Sp. z o.o. 01 S.K.A. (formerly 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 the Company.
- **Multiserwis S.A. w likwidacji** - the Group's only entity that carried on retail distribution of footwear; this entity was removed from the Register of Companies at the National Court Register on 5 October 2017.
- **WIKANA AGO Sp. z o.o.** - company formed on 8 May 2017; 100% of shares, with a total value of PLN 5 000.00, were acquired by the Company.
- **WIKANA ERGO Sp. z o.o.** - company formed on 10 May 2017; 100% of shares, with a total value of PLN 5 000.00, were acquired by the Company.
- **WIKANA FORTEM Sp. z o.o.** - a company that is the general partner in WIKANA FORTEM Sp. z o.o. ACER Sp.k. (formerly WIKANA PROPERTY Sp. z o.o. ACER Sp.k., which was formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. ACER S.K.A.)
- **WIKANA MANAGEMENT Sp. z o.o.** - a company that focuses on providing Group companies with the following services: advisory, investment preparation and investment supervision.
- **WIKANA MERITUM Sp. z o.o.** - a company that was, at the date on which these financial statements were prepared, the general partner in the following Group companies:
 - WIKANA MERITUM Sp. z o.o. ALFA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. ALFA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. ALFA S.K.A.),
 - WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. CORYLUS S.K.A.),
 - WIKANA MERITUM Sp. z o.o. LAMDA S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LAMDA S.K.A.),
 - WIKANA MERITUM Sp. z o.o. LARIX S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LARIX S.K.A.),

- WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. MAGNOLIA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. MAGNOLIA S.K.A.),
- WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. PANORAMA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. PANORAMA S.K.A.)

The Company holds a 100% stake in the above companies, with the following exceptions: WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A., WIKANA MERITUM Sp. z o.o. LAMDA S.K.A., WIKANA MERITUM Sp. z o.o. LARIX S.K.A., in which 50% of shares were provided as collateral for bondholder obligations in connection with the series B bond issue by WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A.

- **WIKANA NIERUCHOMOŚCI Sp. z o.o.** w likwidacji - provides design and investment preparation services.
- **WIKANA PRIM Sp. z o.o.** (formerly: PRIM Sp. z o.o.) - a company that had been fully owned by Multiserwis S.A.; on 6 November 2015 100% of shares in this company were sold to the Parent; as at the date on which this report was prepared, the company was the general partner in the following Group companies:
 - WIKANA PRIM Sp. z o.o. BETA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PRIM Sp. z o.o. BETA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. BETA S.K.A.);
 - WIKANA PRIM Sp. z o.o. GAMMA Sp.k. (formerly WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k., which was formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. GAMMA S.K.A.);
 - WIKANA PRIM Sp. z o.o. SIGMA Sp.k. (formerly: WIKANA MERITUM Sp. z o.o. SIGMA Sp.k., which was formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. SIGMA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. SIGMA S.K.A.);
 - WIKANA PRIM Sp. z o.o. ZIELONE TARASY S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY Sp.k., which was formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. ZIELONE TARASY S.K.A.);
- **WIKANA PROJECT Sp. z o.o.** - a company whose shareholders, aside from the Company, include WIKANA PROPERTY Sp. z o.o., based in Lublin, which holds a 4.76% stake; as of 21 November 2017, this company was merged with:
 - WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.
 - WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.
 - WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.
 - WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A.
 - WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.

The merger was carried out pursuant to art. 492 § 1 point 1) of the Polish Commercial Companies Code, i.e. through the transfer of the assets of all of the above companies, i.e. the acquired companies, to the acquiring company, i.e. WIKANA PROJECT Sp. z o.o.

- **WIKANA PROPERTY Sp. z o.o.** - provides sales intermediary services to Group companies; its shareholders aside from the Company include WIKANA PROJECT Sp. z o.o., based in Lublin, which holds 75.06% of shares in this company; at the date on which this report was prepared, the company was general partner in the following companies, formed to carry out property development projects:
 - WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. 04 OSIEDLE S.K.A.);
 - WIKANA PROPERTY Sp. z o.o. ALBA S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. ALBA S.K.A.);
 - WIKANA PROPERTY Sp. z o.o. BETULA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. BETULA S.K.A.),
 - WIKANA PROPERTY Sp. z o.o. JOTA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: 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. KOMERC Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. KOMERC S.K.A.),
 - WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. KROSNO 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. PODPROMIE Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. PODPROMIE S.K.A.);
 - WIKANA PROPERTY Sp. z o.o. ROSA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.);
 - WIKANA PROPERTY Sp. z o.o. SALIX Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. SALIX S.K.A., formerly: WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.).
- **WIKANA SOBA Sp. z o.o.** (formerly: SOBA Sp. z o.o.) - an entity in which the Company purchased a 100% stake with a total value of PLN 5 000.00 on 10 March 2017; on 17 May 2017, the company's general meeting adopted a resolution on a change of the company's name to: WIKANA SOBA Sp. o.o.
- **Towarzystwo Budownictwa Społecznego „Nasz Dom” Sp. z o.o.** (formerly: Towarzystwo Budownictwa Społecznego Wikana Sp. z o.o.) - provides property management services to both own properties and on commission from residential cooperatives.
- **ZIELONE TARASY S.A.** - company operating in the renewables segment.

All of the above subsidiaries are subject to consolidation. All of the subsidiaries are fully consolidated.

At the date on which this report was prepared, none of the Group's entities had any branches.

Changes in Group structure and their impact on the Group's operations

The changes in Group structure that took place in 2017 and until the date on which this report was prepared mainly concerned changes in legal form and general partners of certain Group companies and mergers pursuant to art. 492 § 1 point 1) of the Polish Commercial Companies Code, i.e. through the transfer to the acquiring company, i.e. WIKANA PROJECT Sp. z o.o., of the assets of the acquired companies, i.e.:

- WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.
- WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.
- WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.
- WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A.
- WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.

The Company's Management Board notes that the above changes were of a purely organisational nature and were the consequence of the Group's restructuring initiated in 2014, and continued in the following quarters, with the aim of streamlining and improving the Group's effectiveness in accordance with best practices for property developers.

The Company's Management Board also notes that both in the reporting period as well as until the date on which this report was prepared, the Group was not subject to any of the following changes: business combinations, acquisitions or disposals or loss of control over subsidiaries, except as described above. Moreover, in the period being discussed, no control was lost or gained over long-term investments.

Aside from investments in subsidiaries, the Group has a land bank in south-eastern Poland with capacity to build approx. 1 500 residential units, with estimated usable area (both apartments and services) of about 80 000 sqm.

2.2 Description of organisational and management changes at the Company WIKANA Group

In 2017 and until the date at which these financial statements were prepared, no changes to the Group's organisation or management rules took place.

3 Description of the Company's and WIKANA Group's business

3.1 Description of key products and services

According to the articles of association / founding agreements of the Company and its subsidiaries, their economic activities in the period covered by this report were as follows:

- Property development
- Management of real estate on a fee or contract basis
- Renting of real estate
- Production of energy from renewable sources
- Activities of head offices and holdings, except for financial holdings

The Group's main economic activity is property development - from land procurement, through construction permit acquisition and investment supervision, to the delivery of apartments to buyers.

Investment projects are carried out by special purpose vehicles, i.e. subsidiaries established for the purpose of executing specific investment projects. Construction is conducted in a general-contractor system by specialised external building firms. Sales of residential properties are conducted largely via own sales offices.

In addition, the Company provides services, including management and accounting, to other Wikana Group companies.

Separately from the property development business, the Group operates in the renewable energy segment. The Group's companies operating in this segment produce four main products: 1) electricity, 2) thermal energy, 3) PMOZE-BIO - property rights resulting from certificates of origin for electricity produced from agricultural biogas (i.e. blue certificates), 4) PMGM - property rights to certificates of origin for electricity produced in cogeneration based on gaseous fuels or with total installed electric capacity of up to 1 MW. In addition, these companies provide waste recycling services, an area expected to be continued in the near future.

Through select special purpose vehicles, the Group provides real estate space renting in shopping centres in Inowrocław and Kalisz (WIKANA PROPERTY Sp. z o.o. ALBA S.K.A.) and in select commercial facilities located in: Kraków, Gorzów Wielkopolski, Łódź and Milejów (WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k., formerly: WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k.), and property management services - both own and for housing cooperatives (Towarzystwo Budownictwa Społecznego "Nasz Dom" Sp. z o.o.).

Given the fact that the real estate renting business is not a core activity for the Group, the Parent's Management Board might consider an economically-justified divestment process.

Given the uneven scope of revenue sources in this report, sales volumes are not shown for the respective business areas. At the same time, information regarding sales in each operating segment is presented in point 4.1 of this report.

3.2 Sales markets

The Group operates predominantly in property development activities. The Group generates all of its revenue in Poland and does not conduct any export business. In this area, the Company and the Group are not dependent on any of their customers, who are mostly natural persons. The Group's customers are mainly natural persons purchasing residential units.

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 BIOENERGIA PLUS Sp. z o.o. (formerly WIKANA BIOENERGIA Sp. z o.o.), which produces electricity and heat energy. The company generates revenue from the sale of four products: electricity, heat energy, green certificates (PMOZE-BIO) and purple certificates (PMGM). The company sells electricity in accordance with the existing legal regulations. All of its electricity production is sold to PGE Obrót S.A. under a long-term sales contract. Heat energy is sold locally to Okręgowa Spółdzielnia Mleczarska in Piaski under a long-term sales agreement and to BIOWATT S.A. These entities buy up to 60% of the produced heat energy. The remaining part of production is used for own purposes. The sale of property rights is conducted through the TGE power exchange, where the sales price is dependent on property right prices. BIOENERGIA PLUS Sp. z o.o. also has a contract for the sale of a specified volume of property rights (both PMOZE-BIO and PMGM) at a constant price for each year with one of the main energy producers in Poland.

The Group's customers in the real estate renting segment are entities conducting retail activities in shopping centres.

Aside from holding-company services provided to Group entities and transactions to buy and sell property, the Parent pursues property development activities, consisting of preparing property development projects using its own land bank, to be carried out by special purpose vehicles. The Company is not dependent on any of its customers - the recipients of its services are mainly Group companies.

In 2017, none of the Group's customers accounted for more than 10% of consolidated revenue from sales and none of the Group's customers from outside the Group accounted for more than 10% of the Company's revenue from sales.

Property-segment sales by location in 2017 were as follows:

City	Apartments		Service premises	
	Quantity	Usable area	Quantity	Usable area
Lublin	165	9 476	2	73
Rzeszów	62	3 660		
Janów Lubelski	17	1 103		
Tarnobrzeg	15	724		
Zamość	6	239	1	51
Łańcut			2	162
TOTAL	265	15 200	5	286

Property-segment sales in 2017 by investment were as follows:

Investment	Apartments		Service premises	
	Quantity	Usable area	Quantity	Usable area
Klonowy Park B	17	1 103		
Miasteczko Wikana B13	13	2 067		
Misjonarska 12	9	472		
Nova Targowa A	15	724		
Osiedle Cetnarskiego A+LU			2	162
Osiedle Marina A4-5	64	2 963		
Osiedle Marina B1,B7,B8,B2,B3,B6	15	781		
Osiedle Panorama V	1	49		
Sky House B2	10	571		
Sky House B3	14	727		
Sky House B4	40	1 894	2	73
Świerkowa Aleja 6	1	36	1	51
Świerkowa Aleja 7	5	202		
Zielone Tarasy CD	6	248		
Zielone Tarasy HIK	1	105		
Zielone Tarasy LEFN	28	1 702		
Zielone Tarasy OPRS	26	1 556		
TOTAL	265	15 200	5	286

The table below contains a list of property development projects currently under way.

City	Investment	Usable area
Lublin	Sky House B4	3 557
Lublin	Osiedle Marina B1, B7, B8	2 467
Lublin	Osiedle Marina B2, B3, B6	2 503
Rzeszów	Zielone Tarasy C, D	3 104
Rzeszów	Zielone Tarasy O, P, R, S	5 698
Tarnobrzeg	Nova Targowa A	2 467

3.3 Supply markets

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 Group 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 evaluations, among others, their financial condition, resources and experience.

Within its business, the Company incurs the costs of managing the properties in its land bank, preparing property development projects and providing services to Group entities. In none of these instances is it dependent on external entities.

In 2017, none of the suppliers/contractors, except for suppliers/contractors from the Group, accounted for more than 10% of consolidated revenue from sales and none of the suppliers/contractors, except for suppliers/contractors from the Group, accounted for more than 10% of the Company's revenue from sales.

3.4 Information on WIKANA Group's significant agreements

3.4.1 Agreements and transactions in operating activities

In 2017, Group companies were parties to the following commercial agreements, other than agreements transferring ownership of residential units:

- On 6 February 2017, WIKANA PROPERTY Sp. z o.o. BETULA Sp.k., based in Lublin, executed an agreement with Nadsański Bank Spółdzielczy, based in Stalowa Wola, concerning a non-revolving current capital and property development credit facility of PLN 3.7 million for a property development project consisting of the construction of residential multi-family building B together with an underground carpark and land development under the second phase of the Klonowy Park investment in Janów Lubelski (details: current report 6/2017);
- on 10 February 2017 WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k. (currently: WIKANA PRIM Sp. z o.o. GAMMA Sp.k.) executed a construction services agreement with INVEST PARTNER ARKADIUSZ MATUŁA - SPÓŁKA KOMANDYTOWA ("Contractor"), consisting of the development (in two phases) of three residential multifamily buildings (A, B, C), together with underground parking lots, installations and land management, under the fourth stage (B4) of the "Sky House" investment in Lublin; the agreement was subject to a condition precedent consisting of compliance with formalities connected with the provision by the above-mentioned company to the Contractor of a written declaration by 31 March 2017 confirming a lack of barriers to completing a power connection to the subject of the Agreement; the condition was met on 29 March 2017 (details: current reports 7/2017 and 9/2017);
- on 31 March 2017, WIKANA MERITUM Sp. z o.o. LAMDA S.K.A. executed an annex to an agreement pursuant to which it incurred a promissory note obligation of PLN 7 300 000, changing the promissory note redemption date from 31 March 2016, to 30 June 2017 and subsequently an annex changing this date from 30 June 2017 to 31 December 2017 (details: current reports 10/2017 and 28/2017);
- on 31 August 2017, WIKANA FORTEM Sp. z o.o. ACER Sp.k. executed an annex to a construction credit agreement of 27 July 2016 with RAIFFEISEN BANK POLSKA S.A. in order to secure financing for the Miasteczko Wikana B13 investment in Lublin, changing the credit amount and repayment deadline, among other things (details: current report 33/2017);
- On 20 April 2017, WIKANA PRIM Sp. z o.o. GAMMA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k.), based in Lublin, executed a construction and mortgage credit agreement with mBank Hipoteczny S.A., based in Warsaw ("Bank"), amounting to PLN 11 329 000 for the purpose of developing residential multi-family buildings A, B, C, together with underground carpark, installations and land development,

as a subsequent stage (B4) of the Sky House investment in Lublin; in connection with this credit agreement, on 9 June 2017 the Parent, WIKANA PRIM Sp. z o.o. GAMMA Sp.k. and WIKANA PRIM Sp. z o.o. executed a project support agreement pursuant to which the Parent and WIKANA PRIM Sp. z o.o. confirmed to the Bank their financial support for WIKANA PRIM Sp. z o.o. GAMMA Sp.k. for up to PLN 1 143 000 if the investment costs were exceeded, and to support the activities of WIKANA PRIM Sp. z o.o. GAMMA Sp.k. (details: current reports 12/2017 and 20/2017);

- On 9 May 2017, WIKANA MERITUM Sp. z o.o. SIGMA Sp.k. executed an agreement with DESERTO Sp. z o.o., based in Przeworsk ("Contractor"), concerning construction works consisting of the development of two residential multi-family buildings (C, D), together with an underground parking lot and associated infrastructure, and an agreement for the performance of construction works consisting of the development of four residential multi-family buildings (O, P, R, S), connected by two underground parking lots, together with internal installations and associated infrastructure, under two subsequent phases of the Osiedle Zielone Tarasy investment in Rzeszów; pursuant to the provisions of the agreement, each of the parties had the right to terminate the agreement, in its unfinished parts, by 10 June 2017: For Contractor: if WIKANA MERITUM Sp. z o.o. SIGMA Sp.k. failed to submit a declaration within the above deadline on having secured financing from an institution providing financing for the subject of the agreements, and for WIKANA MERITUM Sp. z o.o. SIGMA Sp.k.: only after submitting the above declaration; the parties mutually agreed to extend this deadline until such time as WIKANA MERITUM Sp. z o.o. SIGMA Sp.k. secures the aforementioned financing; this financing was obtained by WIKANA MERITUM Sp. z o.o. SIGMA Sp.k. (after a change of name to: WIKANA PRIM Sp. z o.o. SIGMA Sp.k.) by executing a PLN 31.5 million construction and mortgage credit agreement on 24 August 2017 with mBank Hipoteczny S.A., based in Warsaw; on 27 October 2017 WIKANA PRIM Sp. z o.o. SIGMA Sp.k., the Parent and WIKANA PRIM Sp. z o.o. executed a project support agreement pursuant to which the undertook towards the Bank to secure financial support for the project and proper performance of the credit agreement (details: current reports 16/2017, 17/2017, 21/2017, 32/2017 and 41/2017);
- on 30 June 2017, WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY Sp.k., based in Lublin executed an agreement with HEN-BUD Sp. z o.o., based in Lublin, concerning comprehensive performance of construction work consisting of the development of three residential multi-family buildings (B1, B7 and B8) with services and a multi-space underground parking lot, together with internal installations and associated infrastructure as well as three residential multi-family buildings (B2, B3 and B6) with a multi-space underground parking lot, together with internal installations and associated infrastructure, as the first and second phase of the Osiedle Marina B investment in Lublin (details: current reports 26/2017 and 27/2017).
- on 2 October 2017, WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k. - as entity using a developed property in Kraków, ul. Wadowicka 9 in the Podgórze district ("Property"), which is currently owned by PKO Leasing S.A. - executed a preliminary conditional sale agreement with an entity without equity or personal ties ("Agreement"); the Agreement was executed on that condition that WIKANA PROPERTY Sp. z o.o. KOMERC buys the Property from PKO Leasing, however not earlier than eight weeks from the date on which

the last mortgage currently encumbering the Property and not later than 30 June 2018, with the stipulation that if the last mortgage is removed after 7 May 2018 then the agreement will be executed within 56 days from this date; the value of the Agreement is PLN 8 million net (details: current report 35/2017);

- on 5 October 2017, the Company executed an annex to a loan agreement of 31 August 2017 with its majority shareholder, i.e. Value FIZ, based in Warsaw, pursuant to which the amount of the loan was increased from PLN 1.3 million to PLN 4.3 million (details: current report 37/2017);
- on 5 October 2017, WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k. signed a PLN 18.7 million construction and mortgage agreement with mBank Hipoteczny, intended for the development of six multi-apartment buildings: B1, B2, B3, B6, B7 and B8, being developed as two stages of the Osiedle Marina B investment in Lublin; on 27 October 2017 WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k., the Parent and WIKANA PRIM Sp. z o.o. executed a project support agreement pursuant to which the undertook towards the Bank to secure financial support for the project and proper performance of the credit agreement (details: current reports 38/2017 and 42/2017).

In 2017 and until these financial statements were prepared, the Company did not execute agreements or transactions that the Company's Management Board considered to be material, except for the related-party transaction referred to in point 5.7 of the separate financial statements. During the reporting period, the Company focused mainly on providing services to Group companies.

3.4.2 Credit and loan agreements

▪ List of credit facilities, including credit limits

In 2017, Group companies did not terminate any credit agreements. The table below presents existing credit agreements as at the end of 2017.

Lender	Agreement number, agreement date	Issued amount (in PLN 000s)	Amount of liability in PLN 000s	Repayment date	Interest
Deutsche Bank PBC S.A.	KNK/1207991 26.04.2012	4 515	2 748	30.04.2027	Variable
Deutsche Bank PBC S.A.	KNK/1300999 17.01.2013	1 868	743	01.02.2021	Variable
BGK	12001745/233/2000 15.12.2000	1 719	1 560	20.08.2045	Variable
BGK	12001745/83/2002 24.07.2002	2 900	1 970	25.01.2037	Variable
BGK	12001745/152/2002 27.09.2002	4 000	3 504	25.12.2038	Variable
BGK	12001745/64/2003 27.05.2003	7 300	4 122	25.08.2030	Variable
BGK	12001745/1058/2006 05.09.2006	2 454	1 428	25.04.2030	Variable
BGK	12001745/1059/2006 05.09.2006	4 164	2 462	25.07.2030	Variable
BOŚ S.A.	S/94/07/2012/1144/K/INW/EK O/EKO 13.09.2012	7 420	759	16.08.2019	Variable
Raiffeisen Polska S.A.	CRD/46948/16 27.07.2016	9 000	2 244	30.03.2018	Variable
Nadsański Bank Spółdzielczy	473051/03/K/OBD/16 10.11.2016	5 335	1 467	30.09.2018	Variable
mBank Hipoteczny S.A.	17/0015 20.04.2017	11 329	1 212	28.04.2021	Variable
mBank Hipoteczny S.A.	NR 17/0051 24.08.2017	31 495	4 247	28.08.2021	Variable
mBank Hipoteczny S.A.	NR 17/0055 05.10.2017	18 710	0	28.09.2021	Variable
Total		112 209	28 466		

List of loans

The table below presents loans made to Group companies, outstanding in 2017.

Lender	Agreement date	Issued amount in PLN 000s	Amount of liability in PLN 000s	Repayment date	Interest
Agnieszka Buchajska	05.07.2013	300	409	31.12.2018	Variable
	22.05.2013	70	89	31.12.2018	Variable
	31.12.2015	95	108	31.12.2018	Variable
Palametra Holdings Limited (formerly: Renale Management Limited)	13.09.2013	3 530	3 612	31.12.2018	Variable
	04.03.2014	150	186	31.12.2018	Variable
Palametra Holdings Limited (formerly: Ipnihome Limited)	30.10.2012	1 300	1 287	31.12.2018	Variable
	04.03.2014	100	124	31.12.2018	Variable
	31.12.2015	110	125	31.12.2018	Variable
National Fund for Environmental Protection and Water Management	231/2011/Wn03 /OA-MO-KU/P 14.06.2011 as amended	4 062	1 970	20.12.2020	Variable
Sanwil Holding S.A.	21.11.2013	700	799	31.01.2019	Variable
	03.07.2013	357	413	31.12.2018	Variable
	30.12.2013	1 000	1 137	31.01.2019	Variable
	03.07.2012	2 000	2 542	31.12.2018	Variable
VALUE FIZ	31.08.2017	4 300	4 416	31.12.2018	Fixed
Other		-	103		
Total		18 074	17 320		

In 2017, Group companies did not make loans to entities outside the Group or other entities without personal or capital links to the Group.

3.4.3 Related-party transactions

Other related-party transactions

Other related-party transactions as defined in IAS 24

<i>in PLN 000s</i>	Transaction value during the period:		Outstanding balance as at	
	01.01.2017 31.12.2017	01.01.2016 31.12.2016	31.12.2017	31.12.2016
Agnieszka Buchajska	12	9	1	3
Robert Pydzik's related party	25	55	-	50
Pawel Cholota's related party	59	-	-	-
Sale of products and services	96	64	1	53

<i>in PLN 000s</i>	Transaction value during the period:		Outstanding balance as at	
	01.01.2017 31.12.2017	01.01.2016 31.12.2016	31.12.2017	31.12.2016
Agnieszka Buchajska	358	401	49	72
Adam Buchajski	1 200	-	-	-
Agnieszka Maliszewska	134	115	-	12
Robert Pydzik's related party	288	421	-	-
Purchase of products and services	1 980	937	49	84

<i>in PLN 000s</i>	Outstanding balance as at	Transaction value during the period				Outstanding balance as at
	31.12.2016	Issue	Repayment of principal	Accrual of interest	Repayment of interest	31.12.2017
Agnieszka Buchajska	628	9	-	38	(9)	666
Adam Buchajski	43	-	-	-	-	43
Sanwil Holding S.A.	5 187	-	-	308	(605)	4 890
Palametra Holdings Limited	4 894	277	-	39	-	5 210
Ipnihome Limited	117	-	-	8	-	125
VALUE FIZ	-	4 300	-	116	-	4 416
Loans received (principal and interest)	10 869	4 586	-	509	(614)	15 350

<i>in PLN 000s</i>	Transaction value during the period:		Outstanding balance as at	
	01.01.2017	01.01.2016	31.12.2017	31.12.2016
	31.12.2017	31.12.2016		
Ipnihome Limited	-	-	270	270
Adam Buchajski	-	(179)	1 770	-
Krzysztof Misiak	-	(210)	-	-
Agnieszka Buchajska	-	(50)	-	-
FIZ WIKANA	-	(7)	-	-
Zambud	-	(55)	-	1 770
VALUE FIZ*	(7 134)	5 985	2 679	10 271
Other liabilities	(7 134)	5 484	4 719	12 311

* On 22 April 2016, VALUE FIZ purchased a receivable from RDI LLC, which had purchased the receivable from AGIO RB FIZ on 20 April 2016.

Parent's related-party transactions

Other related-party transactions as defined in IAS 24

<i>in PLN 000s</i>	Transaction value during the period:		Outstanding balance as at	
	01.01.2017	01.01.2016	31.12.2017	31.12.2016
	31.12.2017	31.12.2016		
Sale of products and services				
TBS "Nasz Dom" Sp. z o.o.	196	211	219	252
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	15	21	32	21
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	138	113	138	39
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.	21	45	-	58
ZIELONE TARASY S.A.	37	41	225	188
Multiserwis S.A. w likwidacji	10	2	-	8
WIKANA PROJECT Sp. z o.o.	383	59	369	72
WIKANA MANAGEMENT Sp. z o.o.	30	27	16	17
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A.	9	15	-	14
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.	41	69	-	109
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.	32	34	40	8
BIOENERGIA PLUS Sp. z o.o.	109	149	75	335
BIOENERGIA PLUS Sp. z o.o. 01 S.K.A.	13	14	62	49
WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k.	173	177	42	84

WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.	32	27	-	52
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A.	76	75	35	15
WIKANA PROPERTY Sp. z o.o.	34	45	140	288
WIKANA PRIM Sp. z o.o. BETA Sp.k.	303	33	251	30
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.	28	42	-	30
WIKANA PROPERTY Sp. z o.o. PODPROMIE Sp.k.	10	10	28	17
WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k.	3 608	10	3 505	18
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A.	59	85	88	30
WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k.	84	5 354	52	5 187
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k.	11	10	28	16
WIKANA MERITUM Sp. z o.o. ALFA Sp.k.	62	86	171	110
WIKANA FORTEM Sp. z o.o. ACER Sp.k.	305	69	339	34
WIKANA PROPERTY Sp. z o.o. BETULA Sp.k.	129	23	53	2 515
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A.	268	227	448	180
WIKANA PRIM Sp. z o.o. SIGMA Sp.k.	1 453	1 676	82	1 597
WIKANA PROPERTY Sp. z o.o. ROSA Sp.k.	77	75	18	34
WIKANA PRIM Sp. z o.o. GAMMA Sp.k.	575	10	26	2
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k.	99	27	80	39
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	69	45	35	3 978
WIKANA MERITUM Sp. z o.o. LARIX S.K.A.	46	92	255	2 158
WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k.	604	484	37	3 286
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.	146	358	33	175
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.	47	41	97	50
WIKANA MERITUM Sp. z o.o.	11	10	31	20
WIKANA PRIM Sp. z o.o.	10	10	25	15
WIKANA SOBA Sp. z o.o.	8	-	8	-
WIKANA AGO Sp. z o.o.	7	-	7	-
WIKANA ERGO Sp. z o.o.	7	-	7	-

Agnieszka Buchajska

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Sale of products and services	9 375	9 901	7 097	21 132
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<i>in PLN 000s</i>	Transaction value during the period		Outstanding balance as at	
	01.01.2017	01.01.2016	31.12.2017	31.12.2016
Purchase of products and services	31.12.2017	31.12.2016	31.12.2017	31.12.2016
TBS "Nasz Dom" Sp. z o.o.	-	1	-	-
WIKANA PROJECT Sp. z o.o.	846	-	846	-
WIKANA MANAGEMENT Sp. z o.o.	294	171	182	28
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	1	-	1	-
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	-	-	-	846
05 MARINA S.K.A.	-	41	-	-
WIKANA PROPERTY Sp. z o.o.	75	72	-	14
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k.	-	4	-	-
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	-	6	-	-
WIKANA MERITUM Sp. z o.o. LARIX S.K.A.	-	(138)	-	-
Agnieszka Buchajska	229	211	-	-
Adam Buchajski	1 200	-	-	-
Purchase of products and services	2 645	368	1 029	888

<i>in PLN 000s</i>	Outstandin g balance as at	Transaction value during the period				Outstandi ng balance as at
Loans issued (principal and interest)	31.12.2016	Issue	Repayme nt of principal	Accru al of interes t	Repayme nt of interest	31.12.2017
BIOENERGIA PLUS Sp. z o.o.	4 584	31	(3 890)	61	(754)	32
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A.	667	75	(20)	24	-	747
BIOENERGIA PLUS Sp. z o.o. 01 S.K.A.	156	5	-	6	-	167
WIKANA PROJECT Sp. z o.o.	-	478	-	16	-	494
WIKANA PROPERTY Sp. z o.o.	1 649	145	(1 625)	24	(183)	10

WIKANA MANAGEMENT Sp. z o.o.	-	420	-	11	-	431
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	-	2 660	(2 660)	26	(9)	17
WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k.	145	-	-	6	-	151
WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k.	3 790	510	(2 500)	16	(1 357)	458
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.	4 219	-	(3 701)	-	(518)	-
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.	-	380	(380)	6	(6)	-
WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k.	69	128	(115)	1	-	83
ZIELONE TARASY S.A.	325	-	-	11	-	336
WIKANA NIERUCHOMOŚCI Sp. z o.o. 02 S.K.A.	-	98	(98)	3	(3)	-
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.	1	-	-	-	(1)	-
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.	-	2 036	(2 036)	28	(16)	12
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.	5	-	-	-	(5)	-
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k.	110	-	-	4	-	114
WIKANA MERITUM Sp. z o.o. ALFA Sp.k.	572	-	-	22	-	594
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A.	9	2 150	(2 000)	10	(9)	160
WIKANA MERITUM Sp. z o.o. LARIX S.K.A.	98	180	-	9	-	287
WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k.	52	301	(353)	7	(4)	3
WIKANA PRIM Sp. z o.o. BETA Sp.k.	1 368	565	(1 010)	71	-	993
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.	2	37	-	-	-	39
WIKANA FORTEM Sp. z o.o.	2	1	-	-	-	3
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k.	653	2 518	(3 168)	46	(30)	20
WIKANA PROPERTY Sp. z o.o. BETULA Sp.k.	666	972	(1 636)	15	(17)	-
WIKANA PRIM Sp. z o.o. SIGMA Sp.k.	74	4 921	(908)	117	(2)	4 202
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	-	115	-	4	-	119
WIKANA PRIM Sp. z o.o. GAMMA Sp.k.	-	71	-	2	-	73
WIKANA MERITUM Sp. z o.o.	-	30	-	1	-	31
WIKANA PROPERTY Sp. z o.o. ROSA Sp.k.	362	1	(361)	2	(2)	2
Loans issued (principal and interest)	19 578	18 828	(26 461)	549	(2 916)	9 579

<i>in PLN 000s</i>	Outstanding balance as at	Transaction value during the period				Outstanding balance as at
	31.12.2016	Incurred	Repayment of principal	Accrual of interest	Repayment of interest	31.12.2017
Loans received (principal and interest)						
WIKANA PROJECT Sp. z o.o.	85	589	(81)	59	(9)	643
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.	147	-	(29)	5	-	123
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.	772	-	(741)	20	(51)	-
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	326	6 515	(6 819)	2	(23)	2
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.	129	-	(114)	2	(15)	-
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k.	69	-	(5)	2	-	66
WIKANA PROPERTY Sp. z o.o. BETULA Sp.k.	-	310	-	2	-	312
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A.	20 319	19 706	(38 741)	1 301	-	2 585
WIKANA FORTEM Sp. z o.o. ACER Sp.k.	1 457	-	(315)	46	-	1 188
WIKANA PRIM Sp. z o.o. GAMMA Sp.k.	27	-	(24)	-	(3)	-
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	2	-	(1)	-	(1)	-
WIKANA PROPERTY Sp. z o.o. ROSA Sp. k.	-	824	(446)	14	-	392
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.	2 119	-	(1 826)	3	(296)	-
Agnieszka Buchajska	384	-	-	86	-	470
Adam Buchajski	43	-	-	-	-	43
Sanwil Holding S.A.	1 284	-	-	76	(148)	1 212
Palametra Holdings Limited	4 894	277	-	39	-	5 210
VALUE FIZ	-	4 300	-	116	-	4 416
Loans received (principal and interest)	32 057	32 521	(49 142)	1 773	(546)	16 662

3.4.4 Sureties and guarantees

In 2017, Group companies neither received nor issued sureties and guarantees for the liabilities of entities from outside the Group. Presented below is information on guarantees and sureties issued to subsidiaries by the Parent.

On 13 September 2012, the Company issued a surety in the form of own promissory note up to PLN 1 526 000 to subsidiary Wikana Bioenergia Sp. z o.o., covering existing and potential

liabilities under an investment credit facility agreement between Wikana Bioenergia Sp. z o.o. and BOŚ S.A. dated 13 September 2012.

On 7 May 2012, the Company established a registered pledge on shares in Wikana Nieruchomości Sp. z o.o. and issued a surety in the form of own promissory note up to PLN 3 226 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Alba S.K.A., covering existing and potential liabilities under an agreement to finance a commercial property between Wikana Nieruchomości Sp. z o.o. Alba S.K.A. and Deutsche Bank PBC S.A. dated 26 April 2012.

On 17 January 2013, the Company established a registered pledge on shares in Wikana Nieruchomości Sp. z o.o. and issued a surety in the form of own promissory note up to PLN 1 037 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Alba S.K.A., covering existing and potential liabilities under an agreement to finance a commercial property between Wikana Nieruchomości Sp. z o.o. Alba S.K.A. and Deutsche Bank PBC S.A. dated 17 January 2013.

On 27 June 2012, the Company issued a surety in the form of own promissory note up to PLN 3 752 000 to subsidiary Wikana Property Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under an operating lease agreement between Wikana Property Sp. z o.o. Komerc S.K.A. and Bankowy Leasing Sp. z o.o. dated 27 June 2012.

On 16 December 2011, the Company issued a surety in the form of own promissory note up to PLN 4 205 000 to subsidiary Wikana Property Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under a finance lease agreement between Wikana Property Sp. z o.o. Komerc S.K.A. and BFL Nieruchomości Sp. z o.o. dated 16 December 2011.

On 11 June 2012, the Company issued a surety in the form of own promissory note up to PLN 4 789 000 to subsidiary Wikana Property Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under an operating lease agreement between Wikana Property Sp. z o.o. Komerc S.K.A. and Bankowy Leasing Sp. z o.o. dated 11 June 2012.

On 27 June 2012, the Company issued a surety in the form of own promissory note up to PLN 6 726 000 to subsidiary Wikana Property Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under an operating lease agreement between Wikana Property Sp. z o.o. Komerc S.K.A. and Bankowy Leasing Sp. z o.o. dated 27 June 2012.

On 30 October 2015, the Company issued a surety up to PLN 33 000 000 to subsidiary Wikana Meritum Sp. z o.o. Corylus S.K.A., covering existing and potential liabilities connected with series B bonds issued by Wikana Meritum Sp. z o.o. Corylus S.K.A. on 16 October 2015. As at 31 December 2017, bond-related liabilities amounted to PLN 22 000 000.

On 27 July 2016, the Company issued a surety in the form of own promissory note up to PLN 9 000 000 to subsidiary WIKANA FORTEM Sp. z o.o. ACER Sp.k., covering existing and future liabilities under a credit agreement between WIKANA FORTEM Sp. z o.o. ACER Sp.k. and Raiffeisen Bank Polska S.A. dated 27 July 2016.

On 10 November 2016, the Company issued a surety in the form of own promissory note up to PLN 5 335 000 to subsidiary WIKANA PROPERTY Sp. z o.o. JOTA Sp.k., covering existing and future liabilities under a credit agreement between WIKANA PROPERTY Sp. z o.o. JOTA Sp.k. and Nadsański Bank Spółdzielczy dated 10 November 2016.

On 5 December 2016, the Company submitted to enforcement of up to PLN 10 670 000, covering existing and future liabilities under a credit agreement between WIKANA PROPERTY Sp. z o.o. JOTA Sp.k. and Nadsański Bank Spółdzielczy dated 5 December 2016.

On 9 June 2017, the Company provided a commitment of PLN 1 143 282.60 to subsidiary WIKANA PRIM Sp. z o.o. GAMMA Sp.k. covering existing and potential liabilities related to a credit agreement between WIKANA PRIM Sp. z o.o. GAMMA Sp.k. and mBank Hipoteczny S.A. of 20 April 2017.

On 4 August 2017, the Company submitted to enforcement of up to PLN 1 143 282.60, covering existing and potential liabilities under a credit agreement between WIKANA PRIM Sp. z o.o. GAMMA Sp.k. and mBank Hipoteczny S.A. dated 9 June 2017.

On 31 August 2017, the Company executed a debt accession agreement with Raiffeisen Bank Polska S.A. and WIKANA FORTEM Sp. z o.o. ACER Sp.k. as a co-debtor in the meaning of art. 366 of the Civil Code regarding a debt of WIKANA FORTEM Sp. z o.o. ACER Sp.k. resulting from a credit agreement of 27 July 2016 with Raiffeisen Bank Polska S.A.

On 31 August 2017, the Company submitted to enforcement of up to PLN 13 500 000, covering existing and potential liabilities under a credit agreement executed on 27 July 2016 between WIKANA FORTEM Sp. z o.o. ACER Sp.k. and Raiffeisen Bank Polska S.A., changed through annex 1 to the credit agreement of 31 August 2017 and a debt accession agreement of 31 August 2017 between the Company, Raiffeisen Bank Polska S.A. and WIKANA FORTEM Sp. z o.o. ACER Sp.k.

On 27 October 2017, the Company provided a commitment of up to PLN 3 360 717.00 to subsidiary WIKANA PRIM Sp. z o.o. SIGMA Sp.k. covering existing and potential liabilities related to a credit agreement between WIKANA PRIM Sp. z o.o. SIGMA Sp.k. and mBank Hipoteczny S.A. of 24 August 2017.

On 20 November 2017, the Company submitted to enforcement of up to PLN 3 360 717.00, covering existing and potential liabilities under a credit agreement executed on 27 October 2017 between the Company, WIKANA FORTEM Sp. z o.o. SIGMA Sp.k., WIKANA PRIM Sp. z o.o. and mBank Hipoteczny S.A.

On 27 October 2017, the Company provided a commitment of PLN 2 047 373.30 to subsidiary WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k. covering existing and potential liabilities related to a credit agreement between WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k. and mBank Hipoteczny S.A. of 5 October 2017.

On 20 November 2017, the Company submitted to enforcement of up to PLN 2 047 373.30, covering existing and potential liabilities under a credit agreement executed on 27 October 2017 between the Company, WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k., WIKANA PRIM Sp. z o.o. and mBank Hipoteczny S.A.

3.4.5 Agreements concerning insurance, collaboration or cooperation, agreements executed between shareholders and bondholders

Aside from the agreements described in this report, Group companies did not execute other insurance, collaboration or cooperation agreements, except for being party to agreements typical for this type of business.

The Company's Management Board is unaware of any agreements executed between the shareholders and bondholders of the Company and its subsidiaries.

3.4.6 Significant agreements and transactions after the end of the financial year

- On 23 January 2018, WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A. agreed with bondholders a change in the terms of its series A bonds as regards: change in the buy-back deadline from 23 January 2018 to 31 December 2018, change in interest from variable to fixed and an appropriate extension of collateral for the bonds (details: current report 2/2018);
- on 23 February 2018, WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k. - as entity using a developed property in Kraków, ul. Wadowicka 9 in the Podgórze district ("Property"), currently owned by PKO Leasing Spółka Akcyjna ("PKO Leasing") - executed an annex to a preliminary conditional agreement with an entity with no capital or personal ties to WIKANA Group concerning the sale of the Property, pursuant to which, in connection with the cancellation of mortgages established on the Property, the parties to the annex established a new deadline for executing the final agreement, from the initial date of 30 June 2018 to 31 August 2018, on the condition that the Property will be acquired by the Company from PKO Leasing, and the value of the Property sale agreement also slightly changed (details: current report 6/2018);
- on 5 March 2018, WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k. (currently, following a change of general partner, WIKANA PRIM Sp. z o.o. GAMMA Sp.k.) and WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k., acting as substitute investor (jointly referred to as the "Subsidiaries"), submitted a declaration to INVEST PARTNER Arkadiusz Matuła Sp.k. ("Contractor") on withdrawal from the construction services agreement concerning development (in two phases) of three residential multifamily buildings (A, B, C), together with underground parking lots, installations and land management, under the fourth stage (B4) of the "Sky House" investment in Lublin, in the incomplete part of the investment, together with a demand for the Contractor to pay a contractual penalty of approx. PLN 0.94 million in connection with delays in performance of the contract at the Contractor's fault (current report 7/2018);
- on 6 March 2018, the Appeals Court in Lublin issued a ruling on the matter brought by the Company's counterparty, ordering the Company to pay to the counterparty the amount of

PLN 0.87 million plus interest (PLN 0.76 million) and reimbursement of court fees (total of PLN 0.09 million) (current report 8/2018);

- on 30 March 2018, WIKANA PROPERTY Sp. z o.o. ROSA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.) agreed with its sole bondholder a change in the terms of its series A bonds as regards: change in the buy-back deadline from 31 March 2018 to 31 December 2018 and an appropriate extension of collateral for the bonds (details: current report 9/2018);
- on 13 April 2018, WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY Sp.k. (in connection with a change of general partner, currently as: WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k.) and WIKANA MANAGEMENT Sp. z o.o., acting as substitute investor, submitted a declaration to HEN-BUD Sp. z o.o., based in Lublin, ("Contractor") concerning withdrawal from agreements related to performance of construction work consisting of the development of three residential multi-family buildings (B1, B7 and B8) with services and a multi-space underground parking lot, together with internal installations and associated infrastructure as well as three residential multi-family buildings (B2, B3 and B6) with a multi-space underground parking lot, together with internal installations and associated infrastructure, as the first and second phase of the Osiedle Marina B investment in Lublin, as regards incomplete parts of the investment, effective on the declaration's date, together with a demand for the Contractor to pay a contractual penalty of approx. PLN 1.06 million in connection with delays in performance of the above contracts at the Contractor's fault (current report 11/2018).

4 WIKANA Group's financial situation

4.1 Discussion of financial situation

Given the holding nature of the Parent's business supporting and coordinating the activities of its subsidiaries, analysis of financial results and evaluations of the situation and perspectives should be done on a consolidated level. Taking the above into account, commentary regarding the Group's results and situation is presented below.

In 2017, the Group recorded a PLN 1 124 000 profit (consolidated), on PLN 68 930 000 in operating revenue. In 2017, the Group's revenue from property development activities was PLN 55 586 000. Currently, the Group continues to implement the following property development projects: in Lublin (Sky House B4, Osiedle Marina B) and Rzeszów (Zielone Tarasy), and began implementing the first phase of a project in Przemyśl. Further development projects are expected in the subsequent reporting periods in the Lublin and Sub-Carpathian voivodships.

Until apartments are handed over via notarial deeds, construction costs are accumulated and recognised in financial statements as inventory, while revenue is recognised as deferred revenue.

In 2017, the Group's renewables segment generated PLN 5 319 000 in revenue. In the subsequent reporting periods, the Group will continue to bring this segment to profitability.

With regard to the retail segment, a decision was made in the first quarter of 2016 to initiate a process to dissolve the one subsidiary that operated in this segment. This company was removed from the Register of Companies at the National Court Register on 5 October 2017. Thus, in 2017 the Group did not generate revenue in this segment.

According to the Company's Management Board, no atypical events took place in the reporting period and until these financial statements were prepared such as could have a material impact on the Group's operating results for the financial year 2017.

The Parent's Management Board 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 2017, the total amount of the Group's liabilities due for repayment in 2018 (i.e. current liabilities), excluding provisions, was PLN 87 021 000. This item mainly consists of credit facilities and trade payables, as well as deferred revenue (the PLN 16 301 000 in deferred revenue roughly corresponds to the amounts paid by clients based on apartment purchase agreements in completed and on-going development projects). Within the total of PLN 92 126 000 in current liabilities, the Group will actually have to repay up to PLN 70 720 000, 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 the sale of apartments after delivery to clients.

Repayment of these liabilities (deferred revenue) towards apartment buyers would be necessary 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 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 2018,
- 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 2017 - and which will be made by clients in accordance with the timetables specified in such contracts,
- proceeds from lease of space in the Group's commercial properties,
- divestment process, which covers sale of selected assets under a plan adopted by the Company's Management Board for optimisation of the asset structure by sale of certain non-current 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.

Works are also under-way to obtain bank credit to finance property developments and bond issues from which proceeds will be used to refinance existing liabilities and finance property development 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, favourable conditions on the residential property market will make it possible to fulfil apartment sales plans at a level ensuring the uninterrupted continuing of operations, including repayment liabilities.

According to the Management Board, thanks in part to the 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 these 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.

The Group finances its investments plans mainly using own funds and funds raised through bond issues, as well as borrowings 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 finance projects using grants, own funds and credits and loans. All projects that are expected to be executed are verified and there are no threats to them in the execution phase other than typical risk.

4.2 Use of proceeds from securities issues

In 2017, the Group spent PLN 6 516 000 from the issue of series A bonds by WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A., allocated on 23 January 2017, to make loans to Group entities.

From the end of 2017 to the date on which these financial statements were prepared, the Group did not issue bonds.

During the financial year 2017 and until the date of these financial statements, none of the Group's companies issued equity.

4.3 Significant off-balance-sheet items

The Company and the Group do not have off-balance-sheet items.

4.4 Financial forecasts

The Parent's Management Board did not publish financial forecasts for 2017.

4.5 Rules for preparing financial statements and basis for publication

This Management Report on WIKANA Group's operations is prepared in accordance with § 91 and § 92 of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information [...]. Pursuant to § 83 sec. 7 of the Ordinance, the Management Board report on WIKANA Group's operations in 2017 and the Management Board report on WIKANA S.A.'s operations in 2017 are prepared in the form of a single document, which is why this report contains disclosures required in the report on the Parent's operations, as referred to in § 91 sec. 1 point 4 of the Ordinance.

The Parent's and the Group's financial statements presented in the reports for 2017 are prepared in accordance with International Financial Reporting Standards, as approved by the European Union ("IFRS"). IFRSs cover standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

The annual reports, which include the above financial statements and this management report on operations, are prepared pursuant to § 82 sec. 1-2 of the Ordinance of the Minister of Finance on current and periodic information [...].

5 WIKANA Group's growth perspectives, risks and threats

5.1 WIKANA Group's strategy

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, including commencement of new investments on the Group's land,
- reinforcement of leading position on the property development market, further operational expansion and reinforcement in markets where the Company is present,
- consistent increase in apartment sales volumes, alongside margin growth,
- adaptation of the project schedule to current and foreseeable 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,
- acquiring land for new property projects.

5.2 WIKANA Group's growth perspectives and factors

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

- Activities of head offices and holdings, except for financial holdings
- Property development
- Management of real estate on a fee or contract basis
- Renting of real estate
- Production of energy from renewable sources
- Accounting and bookkeeping activities

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

As regards the Group's companies operating in the renewables segment, the Group will aim to maximise revenue from an operational bio-gas plant in Piaski as well as asset optimisation in the renewables segment.

The expected development of the Group and specific Group companies will be correlated with the Group's growth strategy.

5.3 Operational risk

Managing financial risk

- **Pricing risk**

The Group has 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. Pricing risk is on the contractors' side, and their remuneration may only be changed with the Group'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 the point "Description of risk factors, along with the Group's exposure levels."

- **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 to repay 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 on 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.

- **Cash flow risk**

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

- **Liquidity risk**

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

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, are 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 might have a negative impact on the Group's operations and financial situation.

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

The Group has executed, and will execute, agreements with construction contractors to execute property development 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 Company; (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 shut-down 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 executing projects - may have a negative impact on the Group's operations and financial situation.

- **Risk associated with higher operating expenses and other costs**

The Group's operating expenses and other costs may increase, without a corresponding 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 local residential markets**

Currently, all of the Group's projects are being executed in: Lublin, Janów Lubelski and Tarnobrzeg. The Group continuously analyses the property development market in other Polish cities, however, according to the Management Board, the results of expansion into other markets are incommensurate to the risk inherent in such decision. As a result, in the short- and medium-term, the Group's revenue and earnings will be dependent on the situation in the residential markets in which the Group is already present. Any decreases in conditions in 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 apartment 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 in particular 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 on the markets where the Group operates. In the case of a decrease in 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 a geotechnical analysis. Due to the limited scope of this analysis, it cannot be excluded that over the course of a project the Group will encounter unforeseen difficulties, which may result in delays or an increase in the costs to prepare the land for construction, such as 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 might 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 on 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 Group not being able 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 Group companies 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 might 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 might 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 a Group 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. A lack of 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 might have a negative impact on the Group's operations, financial situation and results.

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

The 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 damage to 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 apartment buyers. 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 might 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 the 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 so called 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 thus 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 investing in 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 of land. 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.

The Group manages all of the financial risk elements described above, 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 Company's Management Board, which leads to a decrease in operating and financing costs - i.e. the elements that give rise to financial risk.

6 Statement on application of corporate governance standards

Pursuant to § 91 sec. 5 point 4) in connection with § 92 art. 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 (i.e. of 27 June 2013, Polish Journal of Laws of 2014, item 133, as amended), the Company's Management Board declares that in 2016 WIKANA Spółka Akcyjna, based in Lublin, (hereinafter also "Issuer," "Company"), as an exchange-listed company, was subject to the corporate governance rules contained in Appendix to Resolution 26/1413/2015 of the Warsaw Stock Exchange Council of 13 October 2015: "Best practices for WSE-listed companies 2016" ("Best Practices"). The content of this document is available at the WSE's corporate governance website: <https://www.gpw.pl/dobre-praktyki>

WIKANA S.A. takes every effort to apply the corporate governance rules described in "Best Practices for WSE-listed Companies 2016" and attempts to apply all recommendations relating to best practices and guidelines for management boards, supervisory boards and shareholders.

The Company's Management Board pays much 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 conduct in ethically-correct conduct and are an expression of good customs. The Company does not apply corporate governance standards that are beyond those which are provided for in Polish law.

6.1 Indication of the corporate governances standards that WIKANA S.A. decided not to apply, along with justification

In 2017, just as in 2016, the Issuer did not apply one recommendation:

- **IV.R.2.** If justified given the shareholding structure or shareholder expectations and as long as the company is able to provide the technical infrastructure necessary to effectively conduct the general meeting using electronic communications, it should enable shareholders to participate in the general meeting using such electronic communications, in particular through:
 - 1) broadcast of general meetings in real time,
 - 2) two-way communication in real time, by way of which shareholders can make verbal statements during general meetings without being physically present at the meeting location,
 - 3) exercise of voting rights in the course of the general meeting, either in person or through an attorney.

Commentary from the Company: The Company's existing shareholding structure does not justify common availability of real-time broadcasts for general meetings. According to the Issuer, the application of the above principle carries risk of technical and legal nature, which might 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.

and the following three corporate governance rules:

- **I.Z.1.16.**

The company maintains a corporate website where it publishes in a readable format and in a separate place, aside from legally-required information, information regarding planned general meeting broadcasts - no later than 7 days prior to the general meeting date.

Commentary from the Company: The Company does not broadcast its general meetings because its existing shareholding structure does not justify common availability of real-time broadcasts for general meetings. According to the Issuer, the application of the above principle carries risk of technical and legal nature, which might have an impact on the correct and uninterrupted conduct of general meetings. In addition, application of the above principle would cause the Issuer to incur substantial costs.

- **V.Z.6.** The company specifies in its internal regulations the criteria and circumstances in which a conflict of interest may arise as well as rules for proceeding in the event of an actual or potential conflict of interest. The company's internal regulations take into account, among other things, means for preventing, identifying and resolving conflicts of interest as well as rules for excluding members of the management board or supervisory board from participating in examining cases involving an actual or potential conflict of interest.

Commentary from the Company: At present, the Company does not have a separate procedure for conflicts of interest and rules for proceeding when a conflict of interest arises, however this rule is currently being analysed, based on which the relevant procedure will be prepared, as indicated by the Management Board's initial intentions.

- **VI.Z.4.** In its report on operations, the company places a report on its remuneration policy, including at least the following:
 - 1) overall information regarding the company's remuneration system,
 - 2) information on the terms and amount of remuneration for each member of the management board, broken down into fixed and variable components, with indication of the key parameters for establishing the variable components of remuneration and rules for paying out severance and other payments related to terminating employment, commission or other similar legal relation - separately for the company and each entity within the group,
 - 3) information on any non-financial components of remuneration available to specific members of the management board and key managers,
 - 4) indication of significant changes taking place in the last financial year as regards the remuneration policy, or the lack thereof,
 - 5) assessment of the remuneration policy from the viewpoint of achieving its objectives, in particular long-term growth in value for shareholders and the stability of the company's operations.

Commentary from the Company: Given strong competition on the market and the fact that remuneration issues, according to the Company, constitute a business secret, the existing method of presenting remuneration-related data in reports on operations will be continued in accordance with the existing binding provisions of common law.

6.2 Internal control and risk management system

The Company's Management Board is responsible for the internal control system and the process of preparing separate and consolidated 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. The Parent's Management Board is also responsible for the requirement to prepare periodic reports.

As at 31 December 2017, 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 apply to the Company and certain subsidiaries, i.e.: ZIELONE TARASY S.A. and TBS „Nasz Dom” 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 Group's main capital management objective is capital optimisation, alongside compliance with external capital requirements.

The financial statements of each company are prepared by the chief accountant.

Financial statements are prepared in accordance with legal regulations and the Group'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 Company's separate financial statements is selected by the Company's Supervisory Board 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.

6.3 Shares and shareholders

6.3.1 Share capital structure

The Company's share capital amounts to PLN 40 029 594.00 and is divided into: 16 766 559 ordinary bearer shares series G, with nominal value of PLN 2.00 each, and 3 248 238 ordinary bearer shares series H, with nominal value of PLN 2.00 each.

6.3.2 Own shares

At the date on which this report was prepared, the Company and Group entities held no shares in the Company.

6.3.3 Shareholding structure

In the period from the publication of the most recent quarterly report, i.e. 16 November 2017, to the date on which this report was published, the Company's shareholding structure was not subject to changes.

At 31 December 2017, the Company had two shareholders directly or indirectly controlling over 5% of the Company's shares, i.e.:

- **VALUE FIZ z wydzielonym Subfunduszem 1, based in Warsaw**, with 13 209 766 shares of WIKANA S.A., constituting 66.00% of the Company's share capital and entitling to 13 209 766 votes at the Company's General Meeting, which constituted 66.00% of total votes;
- **Palametra Holdings Limited, based in Mriehel**, with 1 612 000 shares in the Company, which constituted 8.05% of the Company's share capital and entitled to 1 612 000 votes at the Company's general meeting, i.e. 8.05% of total votes.

Table: Major shareholdings at 31 December 2017

Shareholder	Number of shares / votes	Share in capital / votes
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%
Total	20 214 797	100.00%

The above table also reflects major shareholdings at publication of this report.

6.3.4 List of shares of Group entities held by management and supervisory personnel

The following table presents a breakdown of shares of Group entities held by the Company's management and supervisory personnel.

Table: The following table presents shares of WIKANA S.A. held by members of the Management Board and Supervisory Board.

	TOTAL NUMBER OF WIKANA S.A. SHARES	TOTAL NOMINAL VALUE (PLN)
MANAGEMENT BOARD	0	0
SUPERVISORY BOARD, including:	524 815	1 049 630
BUCHAJSKI ADAM	524 815	1 049 630
TOTAL:	524 815	1 049 630

The above table also reflects the total numbers of shares of the Company held by management and supervisory personnel as at the date on which these financial statements were prepared. Management personnel and other supervisory personnel hold no shares in the Company. Management and supervisory personnel hold no shares in the Company's subsidiaries.

6.3.5 Restrictions attached to securities

6.3.5.1 Restrictions in the exercise of voting rights

The shareholders participating in the General Meeting have the same number of votes as the number of shares they hold, with stipulation that if a shareholder exceeds 66% of the total number of votes, then this shareholder's share of votes decreases to 66%.

6.3.5.2 Restrictions on the transfer of securities

Currently, the only restrictions on the transfer of rights to the Company's securities result from art. 159 in connection with art. 156 sec. 1 point 1 letter a) of the Act on Trade in Financial Instruments of 29 July 2005, regarding closed periods.

6.3.6 System of control of any employee share scheme

The Company does not have employee shares.

6.4 Special control rights

At 31 December 2017, the Company had no securities with special control rights. No shareholder holds any special control rights toward the Company resulting from the Articles of Association.

6.5 WIKANA S.A. governing bodies

6.5.1 Management Board

The Company's Management Board consists of between one and five people and is appointed by the Supervisory Board, which also establishes the number of Management Board members. The Management Board term is three years, and it is a joint term.

In a multi-person Management Board, the Company may be represented by:

- two cooperating members of the Management Board,
- a Management Board member and commercial representative.
- commercial representative having independent proxy.

In a single-person Management Board, the Company may be represented by the sole member of the Management Board.

6.5.1.1 Composition

During 2017, the structure and composition of the Company's Management Board were subject to the following changes:

- On 27 April 2017, Robert Pydzik tendered his resignation as President of the Company's Management, effective from 30 April 2017;
- On 27 April 2017, the Company's Supervisory Board adopted a resolution on the appointment of Agnieszka Maliszewska as Vice-President of the Company's Management Board, effective from 1 May 2017, and appointment of Marta Kruk and Paweł Chołota as Members of the Company's Management Board, effective from the same date;
- On 27 June 2017, Marta Kruk submitted her resignation as member of the Company's Management Board effective from the end of 30 June 2017;

At the balance sheet date and at the date on which this report was prepared, the Company's Management Board was as follows:

- Agnieszka Maliszewska – Vice-President of the Management Board
- Paweł Chołota – Member of the Management Board.

6.5.1.2 Management Board competences and authority

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

According to the Company's Articles of Association, the Management Board's operations are led by the President of the Management Board. Detailed authorisations of the President of the Management Board are specified in the Management Board Regulations.

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.

Rules for the management board of WIKANA S.A. are published on the Company's website, which fulfils rule I.Z.1.1. of "Best Practices for WSE-listed Companies 2016" ("The company maintains a corporate website and publishes in readable format and separate location, aside from legally-required information, the key corporate documents [...]").

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,
- 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.

The Company's Management Board has no authority to issue equity.

6.5.1.3 Management Board remuneration

Aside from base salaries and social security contributions to ZUS (pension benefit contributions), the Group pays out remuneration to the management pursuant to agreements for provision of services and remuneration for serving on the Management Board.

Management Board remuneration

	01.01.2017
in PLN 000s	31.12.2017
Robert Pydzik (until 30.04.2017)	8
Agnieszka Maliszewska	24
Marta Kruk (from 01.05.2017 to 30.06.2017)	41
Paweł Cholota (from 01.05.2017)	81
Management Board remuneration	154

Management Board remuneration for serving on the management board or supervisory board of subsidiaries

	01.01.2017
in PLN 000s	31.12.2017
Robert Pydzik (until 30.04.2017)	32
Agnieszka Maliszewska	79
Marta Kruk (from 01.05.2017 to 30.06.2017)	35
Paweł Cholota (from 01.05.2017)	116
Management Board remuneration	262

Contracts executing with management personnel do not provide for compensation in the event of resignation or dismissal for valid cause or when dismissal or resignation occurs due to the Issuer's merger via acquisition.

6.5.2 Supervisory Board

The Supervisory Board consists of between five and seven members, who are appointed by the General Meeting for five-year terms, with the stipulation that whenever there are no more than five Supervisory Board members, the Supervisory Board can appoint one member.

Supervisory Board members are appointed for a joint term.

6.5.2.1 Composition

During 2017, the structure and composition of the Company's Supervisory Board was subject to the following changes:

- on 19 October 2017, the Company's Supervisory Board adopted a resolution on the appointment of Patrycja Wojtczyk as member of the Supervisory Board;
- on 19 October 2017, Maciej Węgorkiewicz resigned as member of the Company's Supervisory Board.

From the 2017 year-end to the date on which these financial statements were prepared, the structure and composition of the Company's Supervisory Board were subject to the following changes:

- On 23 January 2018, Joanna Grzelczak resigned as member of the Company's Supervisory Board, effective 31 January 2018;
- On 31 January 2018, the Company's Supervisory Board adopted a resolution on the appointment of Paweł Rybojad as member of the Supervisory Board from 1 February 2018;

At the date of this report, composition of the Company's Supervisory Board was as follows:

- Marcin Marczuk - Chairperson of the Supervisory Board
- Krzysztof Misiak – Deputy Chairperson
- Adam Buchajski - Member
- Piotr Rybojad - Member
- Patrycja Wojtczyk - Member

6.5.2.2 Supervisory Board competences and authority

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:

- Assessment of annual separate financial statements,
- Assessment of the management report on the Company's operations,
- 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 II.Z.10.2 of "Best Practices of WSE-Listed Companies," ("Aside from legally-required activities, the supervisory board prepares and presents to the general meeting once a year a report on the supervisory board's activities [...]") the Supervisory Board on 31 May 2017 prepared and approved the WIKANA S.A. Supervisory Board Report for 2016, 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. The report was submitted to the Ordinary General Meeting on 28 June 2017.

In addition, pursuant to principle II.Z.11 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"), 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.

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, Deputy Chairperson, Management Board Members, 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 the Supervisory Board Regulations (which are available on the Company's website), which fulfils principle I.Z.1.1 of "Best Practices for WSE-listed Companies 2016" ("The company maintains a corporate website and publishes in readable format and separate location, aside from legally-required information, the key corporate documents [...]").

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

6.5.2.3 Audit Committee

The Company fulfils the criteria specified in art. 128 sec. 4 point 4 of the Act on Statutory Auditors, Audit Firms and Public Oversight (Polish Journal of Laws of 2017, item 1089, as amended, hereinafter the "Act"), which is why it has entrusted the audit committee's functions related to the performance of audit committee obligations as specified in the Act as well as the Accounting Act of 29 September 1994 and Regulation 537/2014 to the Company's Supervisory

Board.

Pursuant to art. 129 sec. 1 of the Act, at least one audit committee member has knowledge and skills in accounting and auditing financial statements.

According to statements submitted to the Company, the following Supervisory Board members have such knowledge: Marcin Marczyk, Krzysztof Misiak, Adam Buchajski, Patrycja Wojtczyk.

Pursuant to art. 129 sec. 3 of the Act, a majority of the audit committee members, including the chairperson, is independent of the Company, i.e. fulfils the criteria specified in art. 129 sec. 3 points 1) - 10) of the Act. According to statements submitted to the Company, the following Supervisory Board members meet the independence criteria referred to in the preceding sentence: Marcin Marczyk (Supervisory Board Chairperson), Piotr Rybojad and Patrycja Wojtczyk.

Pursuant to art. 129 sec. 5 of the Act, at least one audit committee member has knowledge and skills in the industry in which the public-interest entity operates. According to statements submitted to the Company, all members of the Company's Supervisory Board have knowledge and skills in the Company's industry.

In 2017, the Supervisory Board performed audit committee tasks, as specified in art. 130 of the Act, including: in accordance with art. 130 points 5 and 6 of the Act, it has developed and adopted a policy for selecting audit firms for statutory auditors of the Company's and Group's financial statements and a policy for providing non-audit services by the audit firm auditing the Company and Group and by the audit firm's related parties and members of the audit firm's network, and adopted the "Regulations for the Audit Committee at the Supervisory Board of WIKANA S.A." as well as recommendations from the Audit Committee for the Company and the auditor, intended to ensure the reliability of the Company's and Group's financial reporting process.

6.5.2.4 Supervisory Board remuneration

	01.01.2017
in PLN 000s	31.12.2017
Adam Buchajski	30
Krzysztof Misiak	30
Patrycja Wojtczyk (from 19.10.2017)	6
Maciej Węgorkiewicz (from 01.07.2016)	24
Joanna Grzelczak (from 28.09.2016)	30
Marcin Marczyk (from 28.09.2016)	30
Supervisory Board remuneration	150

6.5.2.5 Information on pension liabilities and similar benefits for former management and supervisory personnel

In the financial year 2017 and until these financial statements were prepared, the Group did not have any liabilities related to pensions and similar benefits for former management and supervisory personnel or former members of administrative bodies and liabilities incurred in connection with such pensions.

6.5.2.6 Diversity at corporate organs

The Company has not introduced a diversity policy, however the Company's Supervisory Board and Management Board take every effort to ensure that the Company hires competent people with appropriate qualifications as well as professional experience and education that corresponds to the Company's needs.

6.6 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.

WIKANA S.A.'s Articles of Association and Regulations for the Company's general meetings are published on the Company's website, which fulfils rule I.Z.1.1. of "Best Practices for WSE-listed Companies 2016" ("The company maintains a corporate website and publishes in readable format and separate location, aside from legally-required information, the key corporate documents [...]").

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. 421, 422 and 423 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 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.

Pursuant to principle II.Z.11 of "Best Practices of WSE-Listed Companies 2016," prior to each General Meeting the Supervisory Board examines and issues opinions on the matters that are to be the subject of general meeting resolutions.

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 2016.

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 on each share that 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 the votes cast. Votes cast include votes 'for,' 'against,' and 'abstained.'

The Company's General Meetings are called by publication on the Company's website and via current report at least 26 days prior to the General Meeting date.

So far, general meetings took place at the office of the Company's Management Board, which fulfils rule IV.Z.1 of "Best Practices for WSE-Listed Companies 2016" ("The company establishes the general meeting place and time in a manner ensuring that the largest number of shareholders attends.").

General Meetings were attended by at least one Management Board member, who was prepared to provide technical responses to questions posed during the meeting, and in addition members of the Company's Supervisory Board are invited to General Meetings, which is in compliance with principle IV.Z.11 of "Best Practices of WSE-Listed Companies 2016" (management board members should participate in general meetings so as to facilitate provision of technical answers to questions posed during the general meeting).

6.7 Rules on amending WIKANA S.A.'s articles of association

Pursuant to § 25 sec. 1 of the Company's Articles of Association, amendment of the Company's Articles of Association requires a General Meeting resolution. Pursuant to art. 430 § 1-5 of the Polish Commercial Companies Code:

- Amendment of the articles of association requires a general meeting resolution and a register entry;
- Amendments of the articles of association are submitted by the Management Board to the register court. Submission of the amendment may not take longer than three months from the date on which the relevant resolution is passed by the general meeting, with consideration given to art. 431 § 4 and art. 455 § 5;
- The register must be updated with the amendment and with the amended data referred to in art. 318 and art. 319;
- Registration of amendments to the articles of association is done pursuant to art. 324 and art. 327;
- The general meeting may authorise the supervisory board to establish a consolidated text of the articles of association or introduce other editing changes, as specified in the general meeting resolution.

7 Other information

7.1 Proceedings before court, competent authority for arbitration proceedings or public administration authority

According to the Issuer's best knowledge, on the date on which these financial statements were prepared, the Issuer and its subsidiaries were parties to on-going proceedings in court, arbitration body or public administration authority in aggregate worth PLN 9 189 000, of which:

- PLN 5 410 000 constituted the total value of proceedings concerning receivables due to the Company and its subsidiaries. The highest-value proceeding was instigated by the Company on 17 March 2014 against ABM Greiffenberger Polska Sp. z o.o., based in Lublin. On 23 December 2014, the Company modified the suit's legal basis, demanding a refund from the sued company of PLN 4 189 000. The claim is viewed as justified.
- PLN 3 779 000 constituted the total value of proceedings concerning the Company's and its subsidiaries' liabilities. The highest-value item in this group is a lawsuit received on 6 March 2014 by the Company for the payment of PLN 455 000 towards a commercial company which the Company is not disclosing in order not to deteriorate the Company's lawsuit situation. The claim is viewed as unjustified.

7.2 Entity authorised to audit financial statements

The entity authorised to audit the Company's financial statements for 2017 is BDO Sp. z o.o., with which the Company executed an agreement on 14 August 2017.

Fees for tasks carried out in 2017 are as follows:

- PLN 33 000 for audit of the Company's separate financial statements for 2017,
- PLN 35 000 for audit of the Group's consolidated financial statements for 2017,
- PLN 35 000 for other services.

The entity authorised to audit the Company's financial statements for 2016 received the following fees:

- PLN 29 000 for audit of the Company's separate financial statements for 2016,
- PLN 39 000 for audit of the Group's consolidated financial statements for 2016,
- PLN 34 000 for other services.

The above amounts are net of VAT.

7.3 Environmental protection considerations

Information regarding environmental protection is not of significance from the viewpoint of assessing the Group's situation due to the fact that the Group's activities have negligible impact on the natural environment.

In connection with its operating activities, the Group is obligated to take into consideration environmental protection requirements in areas it conducts operations, including protection of soil, grasslands, natural shape of terrain and aquatic resources, however so far no circumstances materialised such as would result in significant liabilities for the Group or compensation due to environmental protection.

7.4 Employment

The following table presents information about the Group's employment as at 31 December 2017.

Table: Employment at the Group as at 31 December 2017

	WIKANA Group	WIKANA S.A.
Employment contract	48	16
Contract of mandate	6	2
Contract for specific work	0	0
White collar workers	42	16
Blue collar workers	6	0
Women	31	13
Men	17	3

7.5 Achievements in research and development

Given the nature of the business, in general none of the entities within the Group conduct R&D works. For all of 2017, just as in 2016, BIOENERGIA PLUS Sp. z o.o. was the exception as it had an R&D department which prepared the assumptions and parameters for implementing production technology for innovative fertiliser for commercial use.

7.6 Support for educational and sporting activities

The Group pursues its business mission and growth strategy with consideration given to the needs and expectations of various stakeholder groups. The Group pursues these objectives not only on a strictly business basis but also through organising and supporting educational and

sporting initiatives. 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 2017, the Company was a sponsor of the following events organised at the Culture Meeting Centre in Lublin:

- Cykl Pionierzy – Salon POLITYKI – 20 October - 17 November 2017,
- Festiwal Reportażu i Podróży KONTYNENTY 18 – 19 November 2017,
- Targi Dobrego Stylu EAST&ART – December 2017

and was a sponsor of the 1st Chess Tarnobrzeg Mayor's Cup, organised by the City of Tarnobrzeg, Tarnobrzeg History Museum, Tarnobrzeg Chess Club and Tarnobrzeg Culture House.

8 Statement by the Management Board of WIKANA S.A.

8.1 Statement by the Management Board of WIKANA S.A. on accuracy of the financial statements

The Management Board of WIKANA S.A. declares that, to the best of its knowledge, the Parent's and the Group's annual financial statements for 2017 and comparative data were prepared in accordance with the binding accounting principles and they present the Company's and the Group's financial situation, asset position and financial results in a credible, reliable and transparent manner.

The Management Board of WIKANA S.A. further declares that the annual management report on the Company's and the Group's operations contains an accurate depiction of the Company's and the Group's development, achievements and situation, including a description of the main threats and risks.

8.2 Statement by the Management Board of WIKANA S.A. on the entity authorised to audit financial statements

The Management Board of WIKANA S.A. declares that the entity authorised to audit financial statements, which audited the Company's and the Group's annual financial statements for 2017, was selected in accordance with the law. The Management Board of WIKANA S.A. further declares that this entity and its statutory auditors performing the audit met the conditions to issue an impartial and independent opinion on the audited annual financial statements in accordance with the existing regulations and professional standards.

Agnieszka Maliszewska
/Vice-President of the Management Board/

Paweł Chołota
/Member of the Management Board/

Lublin, 20 April 2018