

**WIKANA S.A.
ul. Cisowa 11
20-703 Lublin**

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

Independent statutory auditor's opinion

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

Report on audit of financial statements

We audited the enclosed financial statements of WIKANA S.A. ("Company"), based in Lublin, ul. Cisowa 11, comprising:

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

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

The entity's management board is responsible for preparing, based on properly maintained accounting books, and accurately presenting consolidated financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and other binding provisions of law. The entity's management board is also responsible for internal control such as it deems necessary for preparing financial statements that do not contain significant distortions caused by fraud or error.

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

Responsibility of the statutory auditor

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

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

The audit consisted of procedures aimed at obtaining proof for the amounts and disclosures contained in the financial statements. The selection of audit procedures is up to the statutory auditor and depends on an assessment of the risk of significant distortions in the financial statements resulting from fraud or error. In assessing this risk, the statutory auditor considers the performance of internal control as regards preparing and reliably presenting by the entity of its

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financial statements in order to design appropriate audit procedures and not to express an opinion on the performance of the entity's internal control. The audit also covers an assessment of the appropriateness of the adopted accounting principles (policy), rationality of estimated values set by the entity's manager and evaluation of the overall presentation of the financial statements.

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

Opinion

We consider that the audited financial statements:

- a) accurately and clearly depict the entity's asset and financial position as at 31 December 2016 as well as financial result and cash flows for the financial year from 1 January 2016 to 31 December 2016 in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, and the adopted accounting principles (policy),
- b) are prepared on the basis of correctly maintained accounts, and
- c) are in compliance, as to content and form, with requirements specified in the Ordinance of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognising as equivalent information required by the laws of a non-member state (Polish Journal of Laws of 2014, item 133, as amended) and other provisions of law and articles of association applicable to the entity.

Report on other legal requirements and regulations

Opinion on the report on operations

Our opinion on the audit of the financial statements does not encompass the report on operations.

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

In connection with the audit of the financial statements, it was our responsibility to analyse the content of the report on operations and indicate whether the information contained therein takes into account art. 49 of the Accounting Act and whether they comply with information contained in the enclosed financial statements. Our responsibility also included a statement on whether, according to our knowledge about the entity and its surroundings obtained in the course of auditing the financial statements, we identified any significant distortions in the report on operations.

We believe that the information contained in the report on operations takes into account the provisions of art. 49 of the Accounting Act and requirements specified in the Ordinance of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognising as equivalent information required by the laws of a non-member state, and complies with the information contained in the enclosed financial statements.

Moreover, in light of the knowledge about the entity and its surroundings obtained in the course of auditing the financial statements, we did not identify any distortions in the report on operations.

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

Warsaw, 31 March 2017

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

Entity authorised to audit financial statements no. 3355

Lead statutory auditor conducting the audit:

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

Krzysztof Maksymik
Statutory Auditor
register number 11380

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

**Report
on audit of financial statements
WIKANA S.A.**

for financial year from 1 January to 31 December 2016

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I. General part of the report

1. Company data

The company currently trades as WIKANA Spółka Akcyjna.

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

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

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

The Company operates pursuant to:

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

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

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

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

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

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

Shareholder	Number of shares	Votes at general meeting
VALUE FIZ z wydzielonym Subfunduszem 1	13 209 766	66.00%
Palametra Holdings Limited	1 612 000	8.05%
Other	5 193 031	25.95%

At 31 December 2016, share capital amounted to PLN 35 149 000.

The Management Board is the Company's lead managing authority.

At 31 December 2016, the Management Board comprised:

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

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

2. Data identifying the authorised entity and statutory auditor

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

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

The audit was carried out pursuant to an agreement of 15 June 2015, led by lead statutory auditor Krzysztof Maksymik (register no. 11380). The audit was performed at the Company's registered office from 9 June 2017 to the date on which the opinion was issued, with breaks. It was preceded by a review of the financial statements for the first half of 2016.

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

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

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

3. Information on the financial statements for the preceding year

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

The Company's financial statements for the period from 1 January to 31 December 2015 were approved through resolution no. 5/V/2016 of the Ordinary General Meeting of 9 May 2016.

Through resolution no. 9/V/2016, the Ordinary General Meeting decided to allocate the Company's net loss for the financial year from 1 January to 31 December 2015, amounting to PLN 3 159 000, to be covered by future profits.

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

II. FINANCIAL ANALYSIS OF THE COMPANY

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

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

	31.12.2016	% of balance sheet total	31.12.2015	% of balance sheet total	31.12.2014	% of balance sheet total
Non-current assets	39 369	48.8	41 016	48.9	44 749	43.7
Current assets	41 382	51.2	42 945	51.1	57 596	56.3
Total assets	80 751	100.0	83 961	100.0	102 345	100.0
Equity	35 149	43.5	38 051	45.3	40 852	39.9
Liabilities	45 602	56.5	45 910	54.7	61 493	60.1
Total	80 751	100.0	83 961	100.0	102 345	100.0
Total equity and liabilities	80 751	100.0	83 961	100.0	102 345	100.0

Item	1.01.2016- 31.12.2016	% of revenue	1.01.2015- 31.12.2015	% of revenue	1.01.2014- 31.12.2014	% of revenue
Revenue from sales	8 026	100.0	16 513	100.0	27 105	100.0
Operating expenses, including:	(8 324)	(103.7)	(19 069)	(115.5)	(29 984)	(110.6)
<i>Cost of sales</i>	(6 933)		(16 515)		(25 310)	
<i>Selling costs</i>	(162)		(575)		(904)	
<i>Administrative expenses</i>	(1 229)		(1 979)		(3 770)	
Result on sales	(298)	(3.7)	(2 556)	(15.5)	(2 879)	(10.6)
Result on other operating revenue and costs	52	0.6	1 259	7.6	(5 991)	(22.1)
Result on financing activities	(2 802)	(34.9)	(1 862)	(11.3)	(4 750)	(17.5)
Gross financial result	(3 048)	(38.0)	(3 159)	(19.1)	(13 620)	(50.2)
Income tax	-	-	-	-	-	-
Net financial result	(3 048)	(38.0)	(3 159)	(19.1)	(13 620)	(50.2)

2. Key financial ratios

	2016	2015	2014
Profitability ratios			
Gross sales profitability	-3.7%	-15.5%	-10.6%
Net return on sales	-38.0%	-19.1%	-50.2%
Return on assets	-3.8%	-3.8%	-13.3%
Liquidity ratios			
Liquidity ratio I	2.4	1.9	1.5
Liquidity ratio II	1.3	0.9	0.7
Turnover ratios			
Receivables turnover in days	876	435	255
Debt ratios			
Payables turnover in days	95	188	195
Debt ratio	56.5%	54.7%	60.1%

3. Commentary

- Non-current assets constituted 48.8% of total assets at the end of the audited period, down from 48.9% at the end of 2015;
- The main item of equity and liabilities is liabilities and provisions for liabilities, the share of which in the balance sheet total went up from 54.7% to 56.5% in the audited period;
- Profitability ratios changed. Gross sales margin was -3.7% in the audited year, compared to -15.5% in the preceding year, while net sales margin declined to -38.0% from -19.1% in 2015, while return on assets reached -3.8% in 2016, the same level as in the preceding year;
- Liquidity ratio I improved in the audited period to 2.4, compared to 1.9 in the preceding year. Liquidity ratio II also improved, reaching 1.3, compared to 0.9 in the year prior;
- Receivables turnover reached 876 days in 2016, compared to 435 days in the preceding year;
- Payables turnover improved to 95 days in 2016, versus 188 days in 2015;
- Debt ratio reached 56.5% and was higher than in the previous year (54.7%).

During the audit of the financial statements, we did not identify anything that would indicate that, as a result of discontinuing or substantially reducing its existing activities, the Company would no longer be able to continue as a going concern at least in the next reporting period.

III. Detailed part of the report

1. Assessment of accounting and internal control system

The Company is in possession of documentation describing its adopted accounting principles in accordance with art. 10 of the Accounting Act.

Accounting books are maintained at the Company's registered office. Accounting records are maintained using Comarch ERP XL software.

In the course of auditing the financial statements, we conducted sample tests to verify the accounting system's validity. The objective of the audit did not include a comprehensive opinion on the operation of this system.

During our work, we did not identify any inconsistencies in accounting books that could have a material impact on the audited financial statements. This particularly concerned the following:

- appropriateness and continuity of the adopted accounting principles (policy), including the correctness of opening the accounting books,
- reliability, completeness and transparency of documenting economic operations and their proper qualification for recognition in accounting books,
- methods for securing access to data and the data processing system,
- completeness, correctness and continuity of records and their matching with accounting evidence and the financial statements,
- proper protection for accounting documentation, accounts and financial statements.

Inventory of assets and equity and liabilities, conducted in the scope, time-frame and frequency specified in the Accounting Act, can be considered as correct, and any identified differences were settled in the accounting books for the audited year.

2. Information on certain significant items from the financial statements

The most important items from the financial statements are described in notes to the Company's financial statements and the report on the Company's operations.

3. Additional information and explanations

Information contained in additional information and explanations to the financial statements, containing a description of significant accounting principles and other explanatory information, is prepared in a complete and correct manner.

4. Statement by the entity's management board

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

Warsaw, 31 March 2017

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