

WIKANA Capital Group
Business Report of the Management Board
for the Period between January 1, 2015 and June 30, 2015

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1. Rules of Preparing Interim Financial Report

The abridged interim financial report has been prepared for a period of 6 months that ended on June 30, 2015.

The presented abridged interim financial report meets the requirements of International Accounting Standards (IAS) 34 “Interim Financial Reporting” related to interim financial reports, and it does not include all information that has to be included in annual financial reports. The abridged interim financial report should be read along with the annual financial report (a consolidated and an individual one, respectively).

The abridged interim financial report of the WIKANA Capital Group (the “Capital Group”) is published along with the abridged interim individual financial report. In order to fully understand the result and the financial situation of the issuer, the abridged interim individual financial report of WIKANA S.A. (the “Company”) should be read along with the abridged interim consolidated financial report of the Capital Group.

The preparation of a financial report according to IAS requires the usage of defined accountancy estimates. It requires also from the Company’s Management Board the application of its own evaluation while using the adopted accountancy rules by the Capital Group. Issues in relation to which a more thorough evaluation is required, more complicated issues or issues in relation to which the assumptions and evaluations are crucial from the point of view of the financial report, normally did not change in comparison to the end of the year.

The abridged interim financial report has been prepared with the assumption that the Capital Group will continue its activities within 12 months from the end of the reporting period.

Within the reporting period and from the day of preparing this financial report there were no significant premises indicating any threat to the activities continuation.

In 2013 – 2014 there were cases of breaking the credit contract with Bank Gospodarki Żywnościowej S.A. The breach was related to the sales profitability which was supposed to be maintained at the level of 7% or higher, while in 2013 this indicator was equal to minus 10%. Since April 2, 2013 there were delays in the principal repayment. As of November 30, 2013 the whole debt on account of principal and interest repayment was mature. On February 20, 2014 an arrangement was signed with the Bank according to which the debt on account of the granted credit is repaid in monthly installments. As of June 30, 2015 the debt amounted to PLN 426 thousand and is reflected in the financial report as short-term. The Bank has not terminated the contract till the day of signing this report and the Company handles the credit regularly.

In Multiserwis S.A. in 2013 there was a breach of the credit contract stipulations concluded with Bank Pekao S.A. The breach was related to maintaining reserves in the company amounting to PLN 5 500 000 or more. As of December 31, 2013 the reserves value meant for retail sale without consideration to a write down on account of a permanent value loss amounted to PLN 4 411 000. In 2014 an agreement with the Bank was signed according to which the debt on account of the granted credit is repaid on a monthly basis. The indebtedness on account of the above-mentioned credit amounted at the end of the reporting period to PLN 674 thousand and is reflected as short-term. The Bank till the day of signing this report did not terminate this contract and the Group handles the credit regularly.

2. Information on Capital Group

2.1. Capital Group Characteristics

The activities object of companies comprising the Capital Group is, first of all, carrying out development activities – construction and sale of premises. The Capital Group’s activities are focused in South-Eastern Poland. Development projects are carried out usually through special purpose vehicles created especially for this purpose. The construction works are carried out in the general contractors system and are ordered

to specialized external construction companies. The sale is carried out, first of all, through the Company's own sales offices.

Moreover, the Company provides services (inclusive of management and accountancy services) for the benefit of companies constituting the Capital Group.

Within the scope of the renewable energy sources segment the companies have four basic products: renewable energy, heat, green and purples certificates. Moreover, the companies provide a service in the area of waste disposal and carry out research and development works.

What is more, the activities objects of companies constituting the Capital Group are: head-offices and holding activities, exclusive of financial holdings, accountancy, ordered property management, space rental, shoes retail sale and leather products retail sale.

The Capital Group as of the day of preparing this financial report consists of:

1. **Parent entity: WIKANA S.A.** – the Company's activity object is especially development activities carried out through special purpose vehicles, the Capital Group management and provision of services for the benefit of entities constituting the Capital Group.
2. **Related companies:**
 - **Wikana Bioenergia Sp. z o.o.** – carries out activities in Lubelskie Province in the area of renewable energy source production. Simultaneously, Wikana Bioenergia Sp. z o.o. is a general partner of Wikana Bioenergia Sp. z o.o. 01 S.K.A., which carries out activities related to the production and trade of renewable energy, and in which the Company is a shareholder.
 - **Wikana Project Sp. z o.o.** – carries out activities consisting in providing services in the area of project management for the benefit of other Capital Group entities.
 - **Wikana Nieruchomości Sp. z o.o. w likwidacji** – carries out activities in the area of designing services and investment preparation.
 - **Multiserwis S.A.** – carries out retail distribution of shoes. As of the day of preparing this report it is the only Capital Group entity which has two branches: one in Zamość at 1 Fabryczna Street and one in Lublin at 11 Cisowa Street.
 - **Prim Sp. z o.o.** – a company fully dependent on Multiserwis S.A. based in Warsaw.
 - **Towarzystwo Budownictwa Społecznego „Nasz Dom” Sp. z o.o.** (previously: Towarzystwo Budownictwa Społecznego „WIKANA” Sp. z o.o.) – manages property, both its own and ordered by housing associations.
 - **Wikana Property Sp. z o.o.** – its activity object is agency in the sale of products offered by the developer's segment of the Capital Group. As of the day of preparing this report the Company was a general partner of the following Capital Group entities:
 - Wikana Property Spółka z ograniczoną odpowiedzialnością BETA S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością DELTA S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością PODPROMIE S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością SALIX S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością ZIELONE TARASY S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością ACER S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością BETULA S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością GAMMA S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością JOTA S.K.A.

- Wikana Property Spółka z ograniczoną odpowiedzialnością KAPPA S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością MAGNOLIA S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością OMEGA S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością OMIKRON S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością ROSA S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością ALBA S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością 02 S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością 03 MIASTECZKO S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością 04 OSIEDLE S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością 05 MARINA S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością KOMERC S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością KROSNO S.K.A.
- Wikana Property Spółka z ograniczoną odpowiedzialnością LEGNICA S.K.A.

The Company owns 100% of shares of the above-mentioned companies, except for: Wikana Meritum Spółka z ograniczoną odpowiedzialnością ALFA S.K.A., Wikana Meritum Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A., Wikana Meritum Spółka z ograniczoną odpowiedzialnością LAMDA S.K.A., Wikana Meritum Spółka z ograniczoną odpowiedzialnością LARIX S.K.A., Wikana Property Spółka z ograniczoną odpowiedzialnością PANORAMA S.K.A., in which 5% of shares was assigned to an entity not belonging to the Capital Group and not related financially or personally to the Capital Group entities.

- **Wikana Fundusz Inwestycyjny Zamknięty [Wikana FIZ]** – as of the day of preparing this report it owned 100% of shares of the following Capital Group companies:
 - Zielone Tarasy S.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością 03 MIASTECZKO S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością 04 OSIEDLE S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością KROSNO S.K.A.

The company owns 100% of Wikana FIZ investment certificates.

- **Wikana Meritum Sp. z o.o.** – a company which, as of the day of preparing this report, was a general partner of the following Capital Group companies:
 - Wikana Meritum Spółka z ograniczoną odpowiedzialnością ALFA S.K.A.
 - Wikana Meritum Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A.
 - Wikana Meritum Spółka z ograniczoną odpowiedzialnością LAMDA S.K.A.
 - Wikana Meritum Spółka z ograniczoną odpowiedzialnością LARIX S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością SIGMA S.K.A.
 - Wikana Property Spółka z ograniczoną odpowiedzialnością PANORAMA S.K.A.
- **Wikana Management Sp. z o.o.** – a company whose activities focus basically on providing services in the area of project management for the benefit of other Capital Group companies.

All the above-mentioned related companies are consolidated, except for Prim Sp. z o.o. based in Lublin. All consolidated companies are consolidated fully.

2.2. Initial Capital

As of June 30, 2015 the Company's initial capital amounted to PLN 40 030 000 and the equity capital – to PLN 37 679 000.

During the reporting period covered by this report both the amount and the structure of the Company's initial capital remained unchanged.

After the reporting period covered by this report till the date of preparing this report both the amount and the structure of the initial capital remained unchanged.

2.3. Composition of WIKANA S.A.'s Management Board and Supervisory Board

1. Management Board

In the period covered by this report the structure and composition of the Company's Management Board remained unchanged.

As of the date of preparing this report the composition of the Company's Management Board was as follows:

- Mr. Robert Pydzik – President of the Management Board.
- Ms. Agnieszka Maliszewska – member of the Management Board.

On June 11, 2015 the Company's Supervisory Board, acting on the basis of Article 388, section 1 of the Code of Commercial Companies and section 29, paragraph 2 of the Company's Articles of Association as well as Article 368, section 4 of the Code of Commercial Companies, and sections 31 and 33 paragraph 1 of the Company's Articles of Association, adopted a Resolution on electing the Company's Management Board for the next term (according to section 33, paragraph 1 of the Company's Articles of Association: "The Management Board is elected for three years and its term is a joint term"). According to this Resolution it was established that during the term of 2015 – 2018 the Company's Management Board shall be composed of the following two persons:

- Mr. Robert Pydzik – President of the Management Board.
- Ms. Agnieszka Maliszewska – member of the Management Board.

The Resolution became effective on June 30, 2015, after the condition under which it was adopted has been fulfilled, i.e. the adoption by the Ordinary General Meeting of the Company's financial report for the 2014 business year.

2. Supervisory Board

In the reporting period covered by this report the composition of the Supervisory Board was subject to the following changes:

- as of February 16, 2015 the Supervisory Board, acting on the basis of Article 388, sections 2 and 3 of the Code of Commercial Companies and section 29, paragraph 3 of the Company's Articles of Association, in relation to section 27, paragraph 2 of the Company's Articles of Association, accepted Mr. Jakub Leonkiewicz as its member;
- as of February 17, 2015 Mr. Tomasz Filipiak resigned of the function of a Supervisory Board member;
- as of March 17, 2015 the Supervisory Board, acting on the basis of Article 388, sections 2 and 3 of the Code of Commercial Companies and section 29, paragraph 3 of the Company's Articles of Association, in relation to section 27, paragraph 2 of the Company's Articles of Association, accepted Mr. Robert Buchajski as its member.

As of the day of preparing this report the composition of the Company's Supervisory Board is as follows:

- Mr. Krzysztof Misiak – Chairman of the Supervisory Board.

- Mr. Adam Buchajski – Vice-Chairman of the Supervisory Board.
- Ms. Agnieszka Buchajska – member of the Supervisory Board.
- Mr. Robert Buchajski – member of the Supervisory Board.
- Mr. Tomasz Dukała – member of the Supervisory Board.
- Mr. Jakub Leonkiewicz – member of the Supervisory Board.

2.4. Changes in the Capital Group Structure and the Changes Influence on the Capital Group's Performance

In the first half of 2015 and till the day of preparing this report there were the following changes in the Capital Group's structure:

- On February 2, 2015 a Registry Court registered a change in the company's name: from Wikana Property Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A. based in Lublin to: Wikana Meritum Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A. based in Lublin, in relation to a change of a general partner in the above-mentioned company.
- On February 27, 2015 a Registry Court registered a change in the company's name: from Wikana Property Spółka z ograniczoną odpowiedzialnością ALFA S.K.A. based in Lublin to Wikana Meritum Spółka z ograniczoną odpowiedzialnością ALFA S.K.A. based in Lublin, in relation to a change of a general partner in the above-mentioned company.
- On April 20, 2015 100% of shares of Wikana Property Spółka z ograniczoną odpowiedzialnością ZETA S.K.A. based in Lublin were sold to an entity not belonging to the Group.
- On April 21, 2015 a Registry Court registered a change of the seat and name of Wikana Property Spółka z ograniczoną odpowiedzialnością PANORAMA S.K.A.: from Rzeszów, ul. Krzyżanowskiego 6A/11, 35-327 Rzeszów to: Lublin, ul. Cisowa 11, 20-703 Lublin.
- On May 14, 2015 a Registry Court registered a change of the name and address of Wikana Property Spółka z ograniczoną odpowiedzialnością ZIELONE TARASY S.K.A.: from Rzeszów, ul. Krzyżanowskiego 6A/11, 35-327 Rzeszów to: Lublin, ul. Cisowa 11, 20-703 Lublin.
- On June 3, 2015 a Registry Court registered a change of the company's name: from Wikana Property Spółka z ograniczoną odpowiedzialnością LARIX S.K.A. based in Lublin to Wikana Meritum Spółka z ograniczoną odpowiedzialnością LARIX S.K.A. based in Lublin, in relation to a change of a general partner in the above-mentioned company.
- On July 8, 2015 a Registry Court registered a change of the company's name: from Wikana Property Spółka z ograniczoną odpowiedzialnością LAMDA S.K.A. based in Lublin to: Wikana Meritum Spółka z ograniczoną odpowiedzialnością LAMDA S.K.A. based in Lublin, in relation to a change of a general partner in the above-mentioned company.
- On July 7, 2015 there was a transfer of rights and obligations in Wikana Property Spółka z ograniczoną odpowiedzialnością SIGMA S.K.A. based in Lublin from the previous general partner, i.e. Wikana Property Sp. z o.o. based in Lublin to Wikana Meritum Sp. z o.o. based in Lublin; as of the day of preparing this report a Registry Court did not re-register the name of the above-mentioned company in relation to the general partner's change.
- On July 7, 2015 there was a transfer of rights and obligations in Wikana Property Spółka z ograniczoną odpowiedzialnością PANORAMA S.K.A. based in Lublin from the previous general partner, i.e. Wikana Property Sp. z o.o. based in Lublin to Wikana Meritum Sp. z o.o. based in Lublin; as of the day of preparing this report the Registry Court did not re-register the name of the above-mentioned company in relation to the general partner's change.

- On July 10, 2015 there was an assignment of 5% of the Company's shares in Wikana Property Spółka z ograniczoną odpowiedzialnością PANORAMA S.K.A. based in Lublin to an entity performing the role of a debt security administrator on account of bonds issued by Wikana Meritum Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A. based in Lublin.
- On July 13, 2015 a Registry Court registered a change of the name and address of Wikana Property Spółka z ograniczoną odpowiedzialnością PODPROMIE S.K.A.: from Rzeszów, ul. Krzyżanowskiego 6A/11, 35-327 Rzeszów to Lublin, ul. Cisowa 11, 20-703 Lublin.
- On the basis of a shares sale contract WIKANA S.A. obtained on August 10, 2015 100% of shares of companies that were previously directly dependent on it (through WIKANA FIZ in which the Company has 100% of investment certificates): Wikana Bioenergia Spółka z ograniczoną odpowiedzialnością 01 S.K.A. based in Lublin, Wikana Property Spółka z ograniczoną odpowiedzialnością 02 S.K.A. based in Lublin, Wikana Property Spółka z ograniczoną odpowiedzialnością 05 MARINA S.K.A. based in Lublin, Wikana Property Spółka z ograniczoną odpowiedzialnością KOMERC S.K.A. based in Lublin, Wikana Property Spółka z ograniczoną odpowiedzialnością LEGNICA S.K.A. based in Lublin.
- On August 18, 2015 a Registry Court registered in the National Court Register a company named Prim Sp. z o.o. based in Lublin in which Multiserwis S.A. based in Warsaw obtained 100% of shares.

The Company's Management Board notices that the above-mentioned changes were of an ordering character related to the Capital Group restructuring. As a result of that the Capital Group functioning will be simplified and more efficient.

The Company's Management Board indicates also that both in the reporting period as well as up to the day of preparing this report there were no changes in the Capital Group's structure such as: entities mergers; takeovers or sale of entities from the Capital Group or loss of control over a related entity or entities, except for the above-mentioned ones. Moreover, in the discussed period there were no occurrences such as: loss of control or gaining control over long-term investment and resignation of activities.

3. Important Events in 2015

On January 22, 2015 Wikana Property Spółka z ograniczoną odpowiedzialnością 03 MIASTECZKO S.K.A. based in Lublin (previously: Wikana Nieruchomości Sp. z o.o. 03 MIASTECZKO S.K.A. based in Lublin) signed another Annex to the Contract on the Performance of Construction Works (the "Contract"), concluded on January 29, 2014 with NORDON Sp. z o.o. The object of the Contract is a comprehensive performance of construction works consisting in the construction of an apartment building B12, carried out within the scope of the next investment stage called Miasteczko Wikana in Lublin. On the basis of the above-mentioned Annex the period for completing the task mentioned in the Contract has been changed from April 30, 2015 to May 31, 2015.

In the beginning of February 2015 the Company informed on the completion of negotiations related to the realization of an investment on one of the lots owned by the Wikana Group. In relation to the above, on February 5, 2015 Wikana Property Spółka z ograniczoną odpowiedzialnością ACER S.K.A. based in Lublin (the "Seller") concluded with BUD-RIM DEVELOPMENT spółka z ograniczoną odpowiedzialnością Bis spółka komandytowo-akcyjna spółka jawna based in Piaseczno (the "Buyer") a preliminary contract for the sale of a property owned by the Seller and located in Piaseczno in the Mazowieckie Province, along with construction documentation, for the price of PLN 4 305 000.00 gross. The conclusion of the final contract took place on August 14, 2015 in relation to the suspending condition fulfillment consisting in gaining by the previous property owner a final and non-claimable administrative decision stating that the administrative decision on granting a permit to cut out trees and bushes growing within the boundaries of the property has expired.

On February 9, 2015 the Company received a notification from the District Court Lublin-Zachód in Lublin, Division X of Land and Mortgage Register on entering in Section IV of the Land and Mortgage Register kept under the number of KW: LU1I/00178650/7 for a property located in Lublin to which Wikana Meritum Spółka z ograniczoną odpowiedzialnością ALFA S.K.A. based in Lublin (previously: Wikana Property Spółka z ograniczoną odpowiedzialnością ALFA S.K.A. based in Lublin) has perpetual usufruct, a contractual mortgage established up to the amount of PLN 26 785 500.00 for Distressed Assets Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych based in Warsaw (REGON number: 146456480), i.e. a bondholder of A series bonds issued by Wikana Meritum Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A. based in Lublin (previously: Wikana Property Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A. based in Lublin), in order to secure its liabilities.

On February 18, 2015 the Company received a notification from the District Court Lublin-Zachód in Lublin, Division X of Land and Mortgage Register on entering in Section IV of the Land and Mortgage Register kept under the number of KW: LU1I/00328193/2 for a property located in Lublin and owned by Wikana Meritum Spółka z ograniczoną odpowiedzialnością LARIX S.K.A. based in Lublin (previously: Wikana Property Spółka z ograniczoną odpowiedzialnością LARIX S.K.A. based in Lublin) a contractual mortgage established up to the amount of PLN 26 785 500.00 for Distressed Assets Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych based in Warsaw (REGON number: 146456480), i.e. a bondholder of A series bonds issued by Wikana Meritum Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A. based in Lublin (previously: Wikana Property Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A. based in Lublin), in order to secure its liabilities.

On February 20, 2015 the Company received a notification from the District Court in Rzeszów, Division VII of Land and Mortgage Register on entering to the Section IV of the Land and Mortgage Register kept under the number of KW: RZ1Z/00140320/8 for a property located in Rzeszów and owned by Wikana Meritum Spółka z ograniczoną odpowiedzialnością LAMDA S.K.A. based in Lublin (previously: Wikana Property Spółka z ograniczoną odpowiedzialnością LAMDA S.K.A. based in Lublin "), a contractual mortgage established up to the amount of PLN 26 785 500.00 for Distressed Assets Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych based in Warsaw (REGON number: 146456480), i.e. a bondholder of Series A bonds issued by Wikana Meritum Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A. based in Lublin (previously: Wikana Property Spółka z ograniczoną odpowiedzialnością CORYLUS S.K.A. based in Lublin), in order to secure its liabilities.

On March 31, 2015 the Company concluded a sales contract with CRH ŻAGIEL DOM Spółka z ograniczoną odpowiedzialnością based in Lublin on the basis of which it sold for PLN 4 156 000.00 net two properties owned by the Company and located in Lublin, meant to be developed as a place for public services (UPo) according to a Local Management Plan for Lublin, i.e.:

- a property constituting lots under the numbers of 37/14 and 38/6, for which the District Court Lublin-Zachód in Lublin, Division X of Land and Mortgage Register keeps a Land and Mortgage Register number LU1I/00283558/1,
- a property constituting a lot under the number of 37/8, for which the District Court Lublin-Zachód in Lublin, Division X of Land and Mortgage Register keeps a Land and Mortgage Register number LU1I/00199196/9.

The sale of the above-mentioned assets is a continuation of a strategy by the Company's Management Board on which the Company informed in current reports number 43/2014 of June 27, 2014 and 88/2014 of November 7, 2014. The strategy assumes divestment and full concentration on the core activities, i.e. the development activities due to the gained capital in this way.

On April 28, 2015 Wikana Property Spółka z ograniczoną odpowiedzialnością OMEGA S.K.A. based in Lublin signed an Annex to the Contract on the Performance of Construction Works (the "Contract") concluded in December 10, 2013 with "ST INVEST" Zbigniew Tarłowski, Karol Szczech s.c. (the "Contractor") whose object is the construction works performance within the scope of the next – IV stage of a project called Świerkowa Aleja in Zamość. On the basis of the above-mentioned Annex the range of

works has been expanded by the performance of construction works. Therefore, the time of concluding the task defined in the Contract has been moved from May 31, 2015 as well as the remuneration of the Contractor established at the level of PLN 6 681 000.00 net.

On July 17, 2015 Wikana Property Spółka z ograniczoną odpowiedzialnością PANORAMA S.K.A. concluded with SKANSKA S.A. a contract on the performance of construction works (the "Contract") consisting in the construction of an apartment building OPV, along with all installations, utilities and land development carried out within the scope of the next investment stage called "Osiedle Panorama" in Rzeszów. The time of the Contract performance was established for July 2016. The remuneration for the performance of the Contract is flat and equals PLN 4.3 million net.

The Company notes that it informed about all important events in its current reports available also on its website.

4. Shareholders Owning at Least 5% of Total Votes Number at WIKANA S.A. General Meeting

The table below presents shareholders whose share in the total votes number at the Company's General Meeting amounts directly or indirectly to more than 5%.

Table: Status of Owning WIKANA S.A.'s Shares by Significant Shareholders as of the Day of Submitting this Report

SHAREHOLDER	NUMBER OF OWNED SHARES	NUMBER OF VOTES AT GENERAL MEETING	FACE VALUE OF SHARES	SHARES NUMBER IN INITIAL CAPITAL (IN %)	SHARE OF VOTES AT GENERAL MEETING
AGIO RB FIZ*	6 320 124	6 320 124	12 640 248	31,58%	31,58%
Ipnihome Limited**	4 935 222	4 935 222	9 870 444	24,66%	24,66%
Dekra Holdings Limited***	3 027 026	3 027 026	6 054 052	15,12%	15,12%
Other entities	5 732 425	5 732 425	11 464 850	28,64%	28,64%
TOTAL:	20 014 797	20 014 797	40 029 594	100,00%	100,00%

* according to a shareholder's information as of December 4, 2014 with consideration to the Company's shares consolidation which took place in the 4th quarter of 2014.

** according to a shareholder's information as of December 5, 2014 with consideration to the Company's shares consolidation which took place in the 4th quarter of 2014. An entity controlled by Mr. Adam Buchajski (the total shares number owned directly and indirectly by Mr. Adam Buchajski amounts to 5 460 037, which gives him a right to 5 460 037 votes at the Company's General Meeting and which constitutes 27.28% share in the capital/votes).

*** according to a shareholder's information of September 23, 2014 with consideration to the Company's shares consolidation which took place in the 4th quarter of 2014.

In the period from the date of publishing the previous quarterly report, i.e. from May 15, 2015 there were no changes in the structure of significant shareholders.

5. Status of Owning Shares by Managing and Supervising Persons

The below table presents the number of WIKANA S.A.'s shares owned by managing and supervising persons.

Table: Status of Owning WIKANA S.A.'s Shares by Managing and Supervising Persons

	NUMBER OF SHARES/VOTES AT COMPANY'S GENERAL MEETING (PIECES)	SHARES FACE VALUE (PLN)	SHARE IN COMPANY'S CAPITAL/VOTES AT GENERAL MEETING (%)
MANAGEMENT BOARD	0	0	0
SUPERVISORY BOARD, inclusive of:	6 055 322	12 110 644	30,25
BUCHAJSKI ADAM*	5 460 037	10 920 074	27,28
BUCHAJSKA AGNIESZKA**	595 285	1 190 570	2,97
TOTAL:	6 055 322	12 110 644	30,25

* total status of owning, i.e. directly or indirectly by an entity controlled by Mr. Adam Buchajski;

** total status of owning, i.e. directly or indirectly by an entity controlled by Ms. Agnieszka Buchajska;

The managing and supervising persons have no right to the Issuer's shares.

In the period from the publication of the previous quarterly report, i.e. from May 15, 2015 there were no changes in the owning status of managing and supervising persons.

6. WIKANA S.A. Management Board's Position on Possibility to Realize the Previously Published Results Prognoses for the 1st Six Months of 2015.

The Company's Management Board does not publish financial prognoses, either for a parent entity or for the Capital Group.

7. Indication to Proceedings in Court, Arbitration Organ or Public Administration Organ

According to the knowledge of the Company's Management Board on the day of preparing this report the Company and related entities are not parties to any proceedings in a court, an arbitration organ or a public administration organ whose total value would constitute PLN 18 534 000 of which:

- PLN 4 612 000 – constitutes a total value of proceedings related to the Company's and its related entities' liabilities, inclusive of:
 - on December 23, 2014 WIKANA S.A. modified the legal basis for an action of March 17, 2014, requiring from ABM Greiffenberger Polska Sp. z o.o. based in Lublin the return of an undue payment amounting to PLN 4 189 000. The claim is evaluated as justified.
- PLN 13 922 000 – constitutes a total value of proceedings related to the Company's and its related entities' liabilities, inclusive of:
 - on January 30, 2015 Wikana Property Spółka z ograniczoną odpowiedzialnością 02 S.K.A. based in Lublin and Wikana Nieruchomości Spółka z ograniczoną odpowiedzialnością in liquidation, received a claim on joint payment of an amount of PLN 2 545 000 for the benefit of a natural person running his/her own business (because of the regulations on personal data protection the Company does not disclose this data). The claim is evaluated as unjustified.

8. Information on Significant Transactions Concluded by Entities Constituting the Capital Group with Related Entities on Conditions Other than the Market Ones

In the first half of 2015 and after June 30, 2015 till the date of preparing this document no transactions with related entities on conditions other than the market ones were concluded.

9. Information on Granted Credit or Loan Warrantees or Granted Guarantees

Information on significant events related to credits and loans have been placed in Section 6.8 of the consolidated half-year report for the period of the first six months of 2015.

10. Important Information on the Company's and Capital Group's Activities

Within six months ending on June 30, 2015 the companies constituting the Capital Group continued their statutory activities. In the first six months of 2015 the Capital Group recorded a loss amounting to PLN 4 552 000 and an income amounting to PLN 29 368 000 from operating activity.

As of June 30, 2015 the total amount of the Capital Group's liabilities to be re-paid within the next 12 months (i.e. short-term liabilities), exclusive of short-term reserves, equals PLN 95 190 000. These liabilities include, among other things liabilities on account of taken credits, financial leasing, issued bonds, trade liabilities and deferred revenue (the level of the deferred revenue amounts to PLN 29 130 000 and is equal to amounts paid in by the clients on the basis of contracts for the purchase of apartments in the realized but not completed development projects). Within the scope of the short-term liabilities amounting to PLN 98 097 000 only an amount of PLN 68 967 000 will be subject to re-payment, i.e. the amount decreased by the amount of deferred revenue which, according to the methodology of the development projects settlement (defined in IAS 18) will be revealed in income from apartments sale after the notarial deeds have been signed by the clients. The repayment of these liabilities to the apartments purchasers would be necessary if the contracts for the sale of apartments were not performed, e.g. because of a break in or a significant delay of the construction works which, in the opinion of the Management Board, should be definitely excluded.

In the first six months of 2015 and till the date of preparing this document the Capital Group (in relation to apartment building projects):

- completed the realization of the following projects: in Lublin – “Miasteczko Wikana B12”, “Oranżeria”, in Zamość – “Świerkowa Aleja VI”; in Rzeszów – “Zielone Tarasy H, I, K”;
- continues the realization of the following projects: in Lublin – “Osiedle Marina A3”, in Krosno – “Osiedle Generalskie”;
- started the realization of the following projects: in Rzeszów – “Osiedle Panorama V”.

According to the status of June 30, 2015 the Capital Group has in its offer development projects with a total number of apartments equal to 172, 37% of which are under construction.

In the first six months of 2015 the Capital Group gained an income of PLN 1 978 000 from the renewable energy sources segment.

The retail sale segment is under restructuring and on the date of preparing this financial report its activities are being systematically limited.

According to the Management Board there is no significant threat to the Capital Group's activities in the next 12 months from the date of preparing this report due to restructuring activities carried out from the beginning of 2014. The Company's Management Board is convinced that it will be able to secure appropriate financial resources for the Capital Group which will be used to handle financial and trade liabilities and for undisturbed activities, inclusive of the realization of development projects.

11. Description of Significant Risk Factors and Factors Crucial for the Company's and Capital Group's Development

The Company's Management Board evaluated the Capital Group's liquidity within the next 12 months from the date of preparing the consolidated financial report. The goal of the analysis was to define sources for the Capital Group's short-term liabilities repayment arising from, first of all, issued bonds and

taken credits as well as from trade liabilities (inclusive of liabilities arising from realized development projects).

As a result of the analysis the Management Board defined the following short-term liabilities repayment sources:

- Income from new contracts for the sale of apartments, parking places, storage rooms and business premises that are at present offered or were introduced to the Capital Group's offer in 2015.
- Income arising from payments defined in contracts for the sale of apartments, parking places, storage rooms and business premises in the currently realized development projects, concluded before June 30, 2015 – made by clients according to schedules defined in the above-mentioned contracts.
- Income arising from the rental of spaces in owned commercial buildings.
- The divestment process covering the sale of chosen assets within the scope of the assets structure optimization plan adopted by the Company's Management Board by the sale of chosen fixed assets (e.g. the existing property or some non-apartment projects).

Moreover, the Company's Management Board analyses a whole range of solutions aimed at gaining additional financial resources guaranteeing a level of the Capital Group's liquidity and supporting the handling of financial and trade liabilities. Within the scope of the above, gaining new credits (both refinancing the re-payment of the previous liabilities and financing the realization of the development projects) is at an advanced stage.

The above-mentioned does not constitute a closed activities catalogue. The realization of these activities will depend on the financial conditions and benefits for the Group.

A visible increase on the apartment market will, according to the Management Board, make it possible to carry out apartment sales plans in a range which will ensure an undisturbed continuation of activities, inclusive of the repayment of due liabilities.

In the future, it is assumed that the previous activities of the Capital Group will be continued. A significant part of the development projects will be carried out by special purpose vehicles, and thus the Capital Group's consolidated result will be the most important one.

The development strategy of the Company and the Capital Group development companies focuses for the next, at least 12-month-period on the following directions:

- Activities intensification directed at a significant increase of the tempo and range of activities, inclusive of the beginning of investment realization on owned land.
- Regaining a high position of the Company among other developers, further expansion of the activities range and strengthening the position on markets on which the Company operates.
- A consistent increase of the number of sold premises with a simultaneous increase of the profitability of the carried out activities.
- Adapting the schedule of carried out projects to the present property market situation with an assumption of maintaining the optimization of the Company's inputs and incomes and the current level of liquidity.
- Striving to ensure an optimum financing structure of the carried out development projects.

Within the scope of the retail sale segment – one of the four in which the Capital Group operates – the Company's Management Board limits the activities in this segment. Till the date of preparing this report no decisions were made related to the liquidation of the company operating within the scope of this segment.

Within the scope of renewable energy sources the Management Board plans divestment in this segment within a period justified by economic calculation, continuing the already started investment within a necessary scope.

Within the scope of commercial property the Management Board plans divestment in this property within a period justified by economic calculation.

Till the date of preparing this report no decisions in this scope were made.

12. Description of Basic Threats and Risks Related to Other Business Year Months

1) Price Change Risk

The Capital Group concluded contracts in which the remuneration for the Contractors are specified and allow to complete the carried out investment according to budgets approved by the companies. The price change risk is on the side of the Contractors and the amount of their remuneration may be amended only upon the company's consent. However, the company is threatened by a risk related to the construction costs change and its dependence on the construction works performers described in item 5) below – "Description of Other Risk Factors and Defining the Level to which the Capital Group is Exposed to It".

2) Credit, Exchange Rate and Interest Rate Risk

The exposure to credit and interest rate risk arises during the normal Capital Group's activities.

The exchange rate risk related to the exchange rate of currency and the interest rate risk of currency in which the clients take credits in order to finance the apartment purchase is real. The decrease of the PLN exchange rate towards foreign currency, especially towards the Switzerland's Frank, American Dollar and Euro, as well as an increase of the lending rates may cause that the clients will not be able to pay the credits or that the creditworthiness of new clients will be limited. This may cause the limitation of demand for new apartments and may lead to an increased number of apartments taken over by banks. This in turn may lead to the introduction of a bigger amount of apartments to the market. The above-mentioned events may have a negative influence on the apartment market and, as a result, on the Capital Group's financial situation.

The balance value of the long-term investment and liabilities on account of deliveries and services reflects the maximum credit risk.

The Capital Group's long-term liabilities on account of the fixed interest rate bonds are not threatened by a risk of cash flow changes arising from interest rate changes. The Capital Group does not secure itself against an interest rate risk. The Capital Group does not secure itself against currency exchange rate change either. Short-term liabilities and receivables are not threatened by the interest rate risk.

3) Risk of Significant Cash Flow Disruptions

The Capital Group has contracts concluded with Contractors and has ensured financing of the carried out investment realization due to which the cash flow in the next periods is pre-defined and allows to minimize the risk of significant cash flow disruptions.

4) Liquidity Loss Risk

The goal of liquidity management is protecting the Capital Group against a liquidity loss. This goal is realized by systematic indebtedness projections and then by arranging for appropriate financing sources.

5) Description of Other Risk Factors with Defining the Level to which the Capital Group is Exposed to Them

• Risk Related to Strategic Goals

The Capital Group may ensure that its Strategic Goals will be achieved. The market on which the Capital Group operates is subject to changes whose direction and range depend on numerous factors. The future

position and, as a result, the income and profits of the Capital Group depend on the efficiency of the worked out strategy. Making mistaken decisions arising from a mistaken situation evaluation or an inability to adapt to the changing market conditions may have a negative influence on the Capital Group's financial result.

- **Risk Related to Development Projects Realization**

Development projects carried out by the Capital Group require a significant financial engagement and are subject to numerous risks. Such risks cover, especially: (1) failure to gain or revoking of the already granted permits or other administrative decisions indispensable for the usage of land and the realization of development projects according to the company's plans, (2) delayed beginning or termination of construction works, (3) cost increase exceeding the level assumed in the budget, (4) lack of contractors' or sub-contractors' liquidity, (5) the contractors' or subcontractors' employees disputes, (6) deficiency of construction materials or equipment, (7) accidents or unpredicted technical difficulties, (8) lack of possibility to gain permits allowing to accept the building or other indispensable permits, as well as (9) changes in regulations regulating the land usage. The occurrence of any of the above-mentioned circumstances may cause delays in the project completion, cost increase or profit loss, blocking of resources invested in the land purchase and in some cases a lack of possibility to complete the project. It may have a negative influence on the Capital Group's activities and its financial situation.

- **Risk Related to Construction Costs Change and the Capital Group's Dependence on Construction Works Performers**

The Capital Group has concluded and in the future will conclude contracts with construction works performers for the realization of developers projects according to the general contracting formula. The costs of such projects may be subject to changes because of numerous factors, *inter alia* because of: (1) change of the project range and changes of the architectural design; (2) increase of the construction materials prices; (3) deficiency of qualified workers or an increase of their employment costs; (4) failure to perform the works by the contractors within scheduled periods and according to an approved standard acceptable for the company; (5) choice of inappropriate technology at the initial stage of construction. Each significant increase of costs or delay in finishing a project realization may have a negative influence on the company's profitability. There is also a risk related to a loss of liquidity by the general contractors which may influence the quality and punctuality of the ordered works. A loss of liquidity may in extreme cases lead to a total stoppage in carrying out the works by construction works performers and, as a result, a need to replace them may arise. All delays and costs related to the change of the general contractor may have a negative influence on the profitability of the developers project. Although the company tries to limit such risk by maintaining long-term relations with a group of tried construction works performers and has personnel ready to take over the responsibilities of a general contractor if need be, a threat for the continuity and stability of activities, inclusive of a loss of liquidity by any general contractor realizing the projects, may have a negative influence on the activities and the financial situation of the Capital Group.

- **Risk Related to Increase of Operational and Other Costs**

The operational and other costs of the Capital Group may grow without a simultaneous increase of income. Factors which may cause an increase of operational and other costs include: (1) inflation; (2) increase of taxes and other legal and public charges; (3) changes in rules of law (inclusive of those related to occupational health and safety regulations and regulations on environmental protection) or in governmental politics which increase the costs of compliance with such regulations or politics; (4) increase of business financing costs. The above-mentioned factors may have a significant negative influence on the Capital Group's activities and its financial situation.

- **Risk Related to Operating Activity Concentration on Local Apartment Markets**

At present all developers projects of the Capital Group are realized in Lublin, Zamość, Rzeszów and Krosno. The Capital Group carries out regular analyses of the developers activities in other Polish cities, however, the benefits of expansion to other markets are in the opinion of the Management Board incommensurate to the risk related to such a decision. Therefore, in a short and medium period the

income generated by the Capital Group will depend on the situation on those apartment markets on which the Capital Group already operates. If the situation on these markets becomes worse, it may have a negative influence on the Capital Group's activities and its financial situation.

- **Related to a Possibility of Introducing to the Market More Apartments, Purchasing More Land and to the Premises Prices**

The further development of the Capital Group depends to a huge extent on: a possibility to start the realization of investments on owned property, introduction of more apartments to the market, the ability to gain attractive land for new developers projects at competitive prices and their proper use, as well as on the ability to sell them within an appropriate period and with a satisfactory margin. The ability to fulfill the above-mentioned assumptions arises to a great extent from the conditions of the apartments markets on which the Capital Group operates and the realization of its recovery program.

Obtaining new land in order to realize developers projects in the future may be more difficult or more costly than before because of reasons such as: (1) strong competition on the real estate market, (2) time-consuming process of gaining administrative permits and other indispensable decisions and permits, (3) lack of local development plans and (4) a limited access to land with an appropriate infrastructure.

The profitability of the Capital Group's developers activity depends also directly on the apartment price level in Poland, especially in cities in which the Capital Group operates. Oversupply of apartments caused by a too big number of premises available on the market may have a negative influence on the apartment prices on the market on which the Capital Group operates. If the prices drop, the Capital Group cannot guarantee that it will be able to sell the built apartments at prices ensuring a profitability assumed by the Capital Group.

All the above-mentioned factors may have a negative influence on the Capital Group's activities and its financial situation.

- **Risk Related to Unbeneficial Land Conditions**

Purchasing land for new developers projects the Capital Group carries out a geotechnical analysis of the obtained land. Because of limitations of this analysis it is possible that the company will encounter unforeseen difficulties during the realization of the project. These difficulties may cause a delay or an increase of the costs of preparing the land for construction, e.g. archeological finds. These factors may have an influence on the costs or schedule of the developers project or even make its realization in the planned form impossible. It may have a negative influence on the Capital Group's activities and its financial situation.

- **Risk Related to Liability Connected with the Land Exploitation from the Perspective of Environmental Protection Regulations**

According to the Polish law entities exploiting land on which there are dangerous substances or other pollutants or on which the terrain shape has been changed in a negative way may be obliged to remove them, to cover the cultivation costs or to pay administrative penalties. One cannot exclude a risk that in the future the Capital Group may be obliged to pay damages, administrative penalties or bear costs of reclamation arising from pollution on land owned or purchased by the Capital Group. It may have a negative influence on the Capital Group's activities, results, its financial situation or development perspectives.

- **Risk Related to Infrastructure**

A developers project may be realized if the infrastructure required by the applicable rules of law is ensured (internal roads, utility connections, etc.). Despite positive results of legal and technical analyses a lack of the necessary infrastructure may cause that the realization of a project on a given land will be impossible or too expensive if the company has to provide the infrastructure. There is a risk that because of delays in

the preparation of the access to the infrastructure, especially arising from factors out of the company's control, there will be a delay in commissioning a given developers project or an unforeseen increase of the infrastructure building costs. Such events may have influence on the project profitability. It may also happen that appropriate administration organs require that the company build an appropriate infrastructure within the scope of works related to the developers project which may have a significant influence on the costs of construction works covered within such a project. The administration organs may also require that the investor build infrastructure which is not indispensable from the developer's perspective but its building may be expected by such organs as an investor's input to the local society development in relation to the realized developers project. It may have a negative influence on the Capital Group's activities and its financial situation.

- **Risk Related to IT System Malfunction**

The Capital Group is not dependent on IT systems, however, a malfunction of the IT system it uses whose result would be data loss may cause temporary difficulties in the Capital Group's activities, inclusive of especially its contacts with clients. The Capital Group cannot guarantee that the IT systems it uses will be sufficient for its future needs. A malfunction of IT systems or a failure to fulfill the Capital Group's future needs could have an influence on the Capital Group's activities and its financial situation.

- **Risk Related to ineffectiveness of the Mortgage Register System**

The Mortgage Register system that works in Poland, and especially in cities in which the Capital Group operates, is ineffective, especially because of delays the subject of which may legal actions be that should be disclosed in the register. Normally, taking into account the public trust to the Mortgage Register, a person carrying out a legal action with disposition effects with a person who, according to the register, is authorized to do it, acquires property or another property right even if another entity is its owner, unless the purchaser knew or could easily find out that the contents of the Register is not compliant with the actual legal status. As delays in revealing changes of entities being owners or perpetual lessees of a property in the Mortgage Register may occur and because of the above-mentioned trust, property turnover is connected with a risk of purchasing property from an unauthorized person but still mentioned in the Mortgage Register. This risk may have a negative influence of the Capital Group's activities and its financial situation.

- **Risk Arising from the Act on Payment Guarantees for Construction Works**

According to the rules of an Act of July 9, 2003 on Payment Guarantee for Construction Works the construction works performer whom the company orders the developers project realization may at any time require from the company a payment guarantee in the form of a bank guarantee or an insurance guarantee, a letter of credit or an endorsement by bank granted to the contractor not exceeding the amount of a potential claim on account of the remuneration arising from the contract and other additional orders. According to the quoted Act the right to require a payment guarantee cannot be excluded nor limited by any legal action and a termination of a contract caused by a request to grant a payment guarantee is invalid. A lack of a sufficient payment guarantee constitutes an obstacle in performing the construction works by fault of the company and gives the contractor a right to require payment on the basis of Article 639 of the Civil Code. It may cause a cost increase and a delay in the realization of the developers projects or it may make their realization impossible. This may have a negative influence on the Capital Group's activities, its financial situation or its results.

- **Risk Related to Significant Damage, Exceeding Payments on Account of Insurance**

Premises built within the scope of the developers projects realized by the Capital Group are covered by insurance on the basis of insurance contracts concluded by the general contractors of the company. Should these buildings be destroyed by fire, flood or because of other reasons before they are commissioned, the Capital Group may suffer a loss which may not be covered totally by the compensation paid out on account of the insurance, especially that the value of the insurance object estimated in the insurance contract may be lower than its value at the time of the damage. Moreover, the insurance policies do not cover the Capital Group's lost profit connected to the developers project nor

damage related to the failure to perform or late performance of contracts concluded with the purchasers. Should a damage exceeding the insurance payment limit occur, the Capital Group may lose resources invested in a developers project that suffered damage as well as predicted income related to such a developers project. The occurrence of the above-mentioned event may have a negative influence on the Capital Group's activities, its financial situation or its results.

- **Risk Related to the Tax Law Changes**

The Polish tax system is characterized by a lack of stability. The tax regulations are often amended, frequently to the tax payers disadvantage. These changes may consist not only in increasing the tax rates but also in introducing new detailed legal instruments, expanding the taxation range and even introducing new detailed tax burdens. The changes of the tax law may also arise from the need to implement new solutions stipulated in the legal regulations of the European Union arising from the introduction of new or changing of the existing regulations within the scope of taxes. Frequent changes of rules of law regulating business taxation as well as disparities in interpreting the application of tax regulations by tax organs may be to the disadvantage of the Capital Group which in consequence may have a negative influence on the Capital Group's activities and its financial situation.

- **Risk Related to the Application of Tax Law by Tax Organs**

In practice, tax organs apply the law not only on the basis of regulations but also on the basis of interpretations made by organs of higher instances or courts. Such interpretations are also subject to changes, they are replaced by other ones or contradict each other. To some extent this concerns also judicial decisions. It evokes lack of certainty of the way in which the tax organs apply law or its automatic application according to interpretations available at a given moment which may not fit the actual, often complicated situations occurring in business transactions. Additionally, a lack of clarity of numerous regulations constituting the Polish tax system, contributes to this risk. On the one hand it evokes doubts on the correctness of regulations application and on the other hand it causes a need to pay more attention to the above-mentioned interpretations. In the case of tax regulations which have been based on those applicable in the European Union and should be totally harmonized with them, one should pay attention to the risk of applying them related to frequently insufficient level of knowledge on the EU regulations to which the fact contributes that they are relatively new in the Polish legal system. It may result in applying an interpretation of legal regulations contradicting the European Union regulations. A lack of stability in the application of the tax law may have a negative influence on the Capital Group's activities and its financial situation.

- **Risk Related to the Problem of Potential Claims**

As a result of nationalization carried out after WWII in Poland properties owned by legal and individual persons were taken over by the Treasury. Sometimes the law applicable at that time was broken in the process. Despite the fact that up to now no act regulating the re-privatization has been accepted former owners or their inheritors may now apply to the administration organs for revoking the administrative decisions on the basis of which their property has been taken away. The Company's Management Board, according to its best knowledge does not identify risks described in this Item. Moreover, property on which the Capital Group carried out or may carry out developers projects are not located in the area covered by a Decree of October 26, 1945 on Property and Land Exploitation in Warsaw (the so-called Warsaw Land Decree). Therefore, according to the best knowledge of the Company's Management Board, there is no risk that former owners of land constituting a part of this property will file re-privatization claims as long as the land takeover on the basis of the Warsaw Land Decree was carried out according to the applicable rules of law. Despite the fact that before purchasing a property the Capital Group analyzes issues related to the probability of filing a claim for property restitution, the results of such an analysis are not always decisive and it cannot be ruled out that in the future re-privatization claims related to property owned by the Capital Group will be filed. Thus, a risk that such claims filed in the future may have a significant influence on the Company cannot be excluded. It may cause an increase

of the developers projects realization costs, it may delay them or make their realization impossible which may have a significant negative influence on the Capital Group's activities, its financial situation or its results.

- **Economic and Political Risk**

The Capital Group runs its business in Poland which is considered a developing market. Investors investing in shares of companies operating on such markets should be aware of bigger economic and political risks that occur on such markets in comparison to the developed ones.

The financial situation of the developers branch in Poland and thus also the Capital Group's situation is strictly related to such economic factors as GDP fluctuations, inflation, unemployment, currency exchange rates or interest rates. Any future unfavorable changes of one or more of the above-mentioned factors may lead to a decrease of demand for new apartments which may have a negative influence on the Capital Group's activities and its financial situation.

- **Risk Related to Lack of Development Plans**

A part of the land on which the Capital Group realizes or plans to realize its investment is not covered by development plans which does not cause significant difficulties in gaining construction permits. Especially, where there are no local development plans, defining the ways of development and development conditions is carried out through a decision on development conditions. Issuing a decision on development conditions is possible only if numerous conditions are fulfilled, *inter alia*, when at least one neighboring lot, accessible by the same public road is developed in a way allowing to define requirements on new development within the scope of continuation, parameters, qualities and indicators of the development shape, inclusive of limiting outlines and architectural form of the buildings, and density of development. A lack of binding development plans may cause significant problems with gaining a construction permit which may cause to delays in the projects realization and as a consequence it may have a negative influence on the Capital Group's activities and its financial situation.

- **Risk Related to Data Discrepancies in Mortgage Registers and in Land Registers**

Data included in Land and Mortgage Registers for a property are not always compliant with the data disclosed in Land Register and Building Register, especially, within the scope of data on numbers and area of registered lots as well as on persons owning the land. In practice, it may cause a need to check this data and as it is a time-consuming procedure, it may delay the establishment of separate ownership of the premises.

The Capital Group manages all the above-described financial risk elements which might have a significant influence on its activities. The organization of the financial risk management system consists in dividing units responsible for the conclusion of various types of contract on the market, giving opinions about these transactions by other independent units before their final approval by the Company's Management Board and as a result a decrease of the operational and financial activities costs in which the risk is included.

Robert Pydzik
/President of the Management Board/

Agnieszka Maliszewska
/Member of the Management Board/

Lublin, August 31, 2015