

WIKANA Group
Extended consolidated quarterly report
for the period 01.01.2017-31.03.2017



Lublin, 30 May 2017

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1. Selected financial data from the condensed consolidated interim financial statements

Selected financial data is translated into EUR in accordance with the following principles:

Selected asset and equity and liability items - using the average exchange rate on 31 March 2017: EURPLN 4.2198 (31 December 2016: EURPLN 4.4240)

Items in the statement of comprehensive income and statement of cash flows - using the arithmetic mean of average exchange rates established by the National Bank of Poland as at the last day of each month in the first quarter of 2017: EURPLN 4.2891 (after Q1 2016: EURPLN 4.3559).

| Balance sheet item | 31.03.2017 | | 31.12.2016 | |
|-------------------------------------|----------------|---------------|----------------|---------------|
| | PLN | EUR | PLN | EUR |
| <i>in 000s</i> | | | | |
| Total assets | 196 845 | 46 648 | 203 731 | 46 051 |
| Non-current assets | 97 836 | 23 185 | 98 088 | 22 171 |
| Current assets | 99 009 | 23 463 | 105 643 | 23 880 |
| Total equity and liabilities | 196 845 | 46 648 | 203 731 | 46 051 |
| Equity | 48 786 | 11 562 | 45 336 | 10 248 |
| Non-current liabilities | 58 974 | 13 975 | 62 089 | 14 034 |
| Current liabilities | 89 085 | 21 111 | 96 306 | 21 769 |

| Item in the Group's condensed consolidated statement of comprehensive income | 01.01.2017 31.03.2017 | | 01.01.2016 31.03.2016 | |
|--|--------------------------|------------|--------------------------|--------------|
| | PLN | EUR | PLN | EUR |
| <i>in 000s</i> | | | | |
| Revenue from sales | 21 462 | 5 004 | 13 277 | 3 048 |
| Gross profit (loss) on sales | 6 119 | 1 427 | 2 283 | 524 |
| Operating profit (loss) | 5 381 | 1 255 | 702 | 161 |
| Profit (loss) before tax | 3 664 | 855 | (825) | (190) |
| Net profit / (loss) on continuing operations | 3 464 | 808 | (825) | (190) |
| Net profit (loss) on discontinued operations | (14) | (3) | - | - |
| Total comprehensive income | 3 450 | 805 | (1 193) | (274) |
| Profit (loss) per share | | | | |
| Basic profit (loss) per share | 0.17 | 0.04 | (0.06) | (0.01) |
| Diluted profit (loss) (PLN) | 0.17 | 0.04 | (0.06) | (0.01) |

| Item in the condensed consolidated interim statement of cash flows | 01.01.2017 31.03.2017 | | 01.01.2016 31.03.2016 | |
|--|--------------------------|-----------|--------------------------|-----------|
| | PLN | EUR | PLN | EUR |
| <i>in 000s</i> | | | | |
| Net cash from operating activities | 9 898 | 2 308 | (71) | (16) |
| Net cash from investing activities | (88) | (21) | 110 | 25 |
| Net cash from financing activities | (9 490) | (2 212) | 186 | 43 |
| Total cash flows | 320 | 75 | 225 | 52 |

Agnieszka Maliszewska
/Vice-President of the Management Board/

Marta Kruk
/Member of the Management Board/

Pawel Cholota
Member of the Management Board

Bożena Wincentowicz
Person responsible for
book-keeping/

Lublin, 30 May 2017

2. Selected financial data from the separate interim financial statements

Selected financial data is translated into EUR in accordance with the following principles:

Selected asset and equity and liability items - using the average exchange rate on 31 March 2017: EURPLN 4.2198 (31 December 2016: EURPLN 4.4240)

Items in the statement of comprehensive income and statement of cash flows - using the arithmetic mean of average exchange rates established by the National Bank of Poland as at the last day of each month in the first quarter of 2017: EURPLN 4.2891 (after Q1 2016: EURPLN 4.3559).

| Balance sheet item | 31.03.2017 | | 31.12.2016 | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | PLN | EUR | PLN | EUR |
| <i>in 000s</i> | | | | |
| Total assets | 85 556 | 20 275 | 80 751 | 18 253 |
| Non-current assets | 38 941 | 9 228 | 39 369 | 8 899 |
| Current assets | 46 615 | 11 047 | 41 382 | 9 354 |
| Total equity and liabilities | 85 556 | 20 275 | 80 751 | 18 253 |
| Equity | 34 650 | 8 211 | 35 149 | 7 945 |
| Non-current liabilities | 39 347 | 9 325 | 28 435 | 6 428 |
| Current liabilities | 11 559 | 2 739 | 17 167 | 3 880 |

| Item in the condensed separate interim statement of comprehensive income | 01.01.2017 31.03.2017 | | 01.01.2016 31.03.2016 | |
|--|--------------------------|--------------|--------------------------|--------------|
| | PLN | EUR | PLN | PLN |
| <i>in 000s</i> | | | | |
| Revenue from sales | 846 | 197 | 438 | 100 |
| Gross profit (loss) on sales | 482 | 112 | (7) | (2) |
| Operating profit (loss) | 327 | 76 | (102) | (24) |
| Profit (loss) before tax | (499) | (116) | (796) | (183) |
| Net profit / (loss) on continuing operations | (499) | (116) | (796) | (183) |
| Net profit (loss) on discontinued operations | - | - | - | - |
| Total comprehensive income | (499) | (116) | (796) | (183) |
| Profit (loss) per share | | | | |
| Basic profit (loss) per share | (0.02) | (0.01) | (0.04) | (0.01) |
| Diluted profit (loss) (PLN) | (0.02) | (0.01) | (0.04) | (0.01) |

| Item in the condensed interim statement of cash flows | 01.01.2017 31.03.2017 | | 01.01.2016 31.03.2016 | |
|---|--------------------------|------------|--------------------------|-------------|
| | PLN | EUR | PLN | EUR |
| <i>in 000s</i> | | | | |
| Net cash from operating activities | (945) | (220) | (1 492) | (343) |
| Net cash from investing activities | (7 182) | (1 675) | 931 | 214 |
| Net cash from financing activities | 9 799 | 2 285 | 410 | 94 |
| Total cash flows | 1 672 | 390 | (151) | (35) |

Agnieszka Maliszewska
/Vice-President of the Management Board/

Paweł Cholota
Member of the Management Board

Lublin, 30 May 2017

Marta Kruk
/Member of the Management Board/

Bożena Wincentowicz
Person responsible for
book-keeping/

3. Information about the Parent and its subsidiaries included in the consolidated financial statements

3.1. Parent company data

Wikana S.A. ("Company," "Parent," "Issuer") is a public limited company registered in Poland. The Company's registered office is located in Lublin. Company address: ul. Cisowa 11, 20-703 Lublin.

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

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

The condensed consolidated interim financial statements for the period ended 31 March 2017 cover the financial statements of the Parent and its subsidiaries (together the "Group").

3.2. Group entities (subject to consolidation in the condensed consolidated interim financial statements)

Parent

WIKANA S.A.

| Subsidiaries | % share | |
|---|------------|------------|
| | 31.03.2017 | 31.12.2016 |
| WIKANA FORTEM Sp. z o.o. | 100% | 100% |
| WIKANA FORTEM Sp. z o.o. ACER Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ACER S.K., formerly: WIKANA PROPERTY Sp. z o.o. ACER S.K.A.) ⁽¹⁾ | 100% | 100% |
| WIKANA MERITUM Sp. z o.o. | 100% | 100% |
| WIKANA MERITUM Sp. z o.o. ALFA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ALFA S.K., formerly: WIKANA PROPERTY Sp. z o.o. ALFA S.K.A.) ⁽¹⁾ | 100% | 100% |
| WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. CORYLUS S.K.A.) ⁽³⁾ | 100% | 100% |
| WIKANA MERITUM Sp. z o.o. LAMDA S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LAMDA S.K.A.) ⁽³⁾ | 100% | 100% |
| WIKANA MERITUM Sp. z o.o. LARIX S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LARIX S.K.A.) ⁽³⁾ | 100% | 100% |
| WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k. (formerly: WIKANA MERITUM Sp. z o.o. MAGNOLIA S.K.A. previously: WIKANA PROPERTY Sp. z o.o. MAGNOLIA S.K.A.) ⁽²⁾ | 100% | 100% |
| WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k. (formerly: WIKANA MERITUM Sp. z o.o. PANORAMA S.K.A., previously: WIKANA PROPERTY Sp. z o.o. PANORAMA S.K.A.) ⁽²⁾ | 100% | 100% |
| WIKANA MERITUM Sp. z o.o. SIGMA Sp.k. (formerly: WIKANA MERITUM Sp. z o.o. SIGMA S.K.A. previously: WIKANA PROPERTY Sp. z o.o. SIGMA S.K.A.) ⁽²⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. ⁽⁴⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. 03 MIASTECZKO S.K.A.) ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. 04 OSIEDLE S.K.A.) ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. ALBA S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. ALFA S.K.A.) ⁽⁵⁾ | 100% | 100% |

| | | |
|---|------|------|
| WIKANA PROPERTY Sp. z o.o. DELTA S.K.A. ⁽⁶⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. BETULA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. BETULA S.K.A.) ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. GAMMA S.K.A.) ⁽⁷⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. JOTA Sp.k., formerly: WIKANA PROPERTY Sp. z o.o. JOTA S.K.A.) ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A. ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k. ⁽⁵⁾ (previously: WIKANA PROPERTY Sp. z o.o. KOMERC S.K.A.; formerly: Wikana Nieruchomości Sp. z o.o. KOMERC S.K.A.) | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A. ⁽⁵⁾ (formerly: Wikana Nieruchomości Sp. z o.o. KROSNO S.K.A.) | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. LEGNICA S.K.A.) ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A. ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A. ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. PODPROMIE S.K.A. ⁽⁸⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. ROSA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.) ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. SALIX Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. SALIX S.K.A., previously: WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.) ⁽⁵⁾ | 100% | 100% |
| WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY S.K.A. ⁽⁹⁾ | 100% | 100% |
| WIKANA PRIM Sp. z o.o. (formerly: PRIM Sp. z o.o.) | 100% | 100% |
| WIKANA PRIM Sp. z o.o. BETA Sp.k. (formerly: WIKANA PRIM Sp. z o.o. BETA S.K.A., previously: WIKANA PROPERTY Sp. z o.o. BETA S.K.A.) ⁽¹⁰⁾ | 100% | 100% |
| WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji | 100% | 100% |
| WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. 02 S.K.A., previously: Wikana Nieruchomości Sp. z o.o. 02 S.K.A.) ⁽¹¹⁾ | 100% | 100% |
| WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. 05 MARINA S.K.A., previously: Wikana Nieruchomości Sp. z o.o. 05 MARINA S.K.A.) ⁽¹¹⁾ | 100% | 100% |
| WIKANA PROJECT Sp. z o.o. | 100% | 100% |
| WIKANA MANAGEMENT Sp. z o.o. | 100% | 100% |
| Towarzystwo Budownictwa Społecznego „Nasz Dom” Sp. z o.o. (formerly: Towarzystwo Budownictwa Społecznego „Wikana” Sp. z o.o.) | 100% | 100% |
| BIOENERGIA PLUS Sp. z o.o. (formerly: WIKANA BIOENERGIA Sp. z o.o.) | 100% | 100% |
| BIOENERGIA PLUS Sp. z o.o. 01 S.K.A. (formerly: WIKANA BIOENERGIA Sp. z o.o. 01 S.K.A.) ⁽¹²⁾ | 100% | 100% |

| | | |
|---|------|------|
| ZIELONE TARASY S.A. | 100% | 100% |
| Multiserwis S.A. w likwidacji ⁽¹³⁾ | 94% | 94% |
| SOBA Sp. z o.o. ⁽¹⁴⁾ | 100% | 0% |
| WIKANA AGO Sp. z o.o. ⁽¹⁵⁾ | 100% | 0% |
| WIKANA ERGO Sp. z o.o. ⁽¹⁶⁾ | 100% | 0% |

⁽¹⁾ The company's general partner is WIKANA FORTEM Sp. z o.o., a wholly owned subsidiary of the Company.

⁽²⁾ The company's general partner is WIKANA MERITUM Sp. z o.o., a wholly owned subsidiary of the Company.

⁽³⁾ 50% of shares was provided as security for bondholder claims in connection with the issue of series B bonds by WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. The general partner is WIKANA MERITUM Sp. z o.o., a wholly owned subsidiary of the Company.

⁽⁴⁾ Entity wholly owned by the Company, of which 24.94% is held directly by the Company, while 75.06% through subsidiary WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A. (formerly Wikana Nieruchomości Sp. z o.o. LEGNICA S.K.A.)

⁽⁵⁾ The company's general partner is WIKANA PROPERTY Sp. z o.o., a wholly owned subsidiary of the Company, including directly and indirectly.

⁽⁶⁾ Indirect stake held by the Company via WIKANA PROJECT Sp. z o.o., a wholly owned subsidiary of the Company. The company's general partner is WIKANA PROPERTY Sp. z o.o., a wholly owned subsidiary of the Company.

⁽⁷⁾ On 13 April 2017, all of the rights and obligations of this company's general partner were transferred from WIKANA PROPERTY Sp. z o.o. to WIKANA PRIM (formerly PRIM Sp. z o.o.); in connection with this, on the resolution adoption date, the company's name also changed to: WIKANA PRIM Sp. z o.o. GAMMA Sp.k.

⁽⁸⁾ On 17 May 2017, the company's general meeting adopted a resolution on change of this company's legal form to a limited partnership.

⁽⁹⁾ On 23 May 2017, the company's general meeting adopted a resolution on change of this company's legal form to a limited partnership.

⁽¹⁰⁾ The company's general partner is WIKANA PRIM Sp. z o.o., (formerly PRIM Sp. z o.o.) - a wholly owned subsidiary of the Company.

⁽¹¹⁾ The company's general partner is Wikana Nieruchomości Sp. z o.o. w likwidacji, an entity 100% owned by Wikana S.A.

⁽¹²⁾ The company's general partner is BIOENERGIA PLUS Sp. z o.o. (formerly WIKANA BIOENERGIA Sp. z o.o.) - a wholly owned subsidiary of the Company.

⁽¹³⁾ The Company holds a total of 94.38% of shares in Multiserwis S.A. w likwidacji, including 86.80% directly and 7.58% through Wikana Property Sp. z o.o. Delta S.K.A., an entity wholly owned by Wikana Project Sp. z o.o., which is wholly owned by WIKANA S.A.

⁽¹⁴⁾ On 10 March 2017, the Company purchased 100% of shares in this entity, with a total value of PLN 5 000.00. 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.

⁽¹⁵⁾ Formed on 8 May 2017. 100% of shares, with a total value of PLN 5000.00., were acquired by the Company.

⁽¹⁶⁾ Formed on 10 May 2017. 100% of shares, with a total value of PLN 5000.00., were acquired by the Company.

4. Basis for presenting and preparing the condensed interim financial statements

4.1. Statement of compliance with IFRS

The condensed consolidated interim financial statements of the Group and the condensed separate interim financial statements of Wikana S.A. (the "condensed interim financial statements") are prepared for the three-month period ended 31 March 2017.

The presented condensed interim financial statements are in compliance with IAS 34 Interim Financial Reporting, a standard relating to interim financial statements, and do not contain all of the information that is applicable to annual financial statements. The condensed interim financial statements should be read in conjunction with the annual financial statements for 2016 (consolidated and separate, respectively), published on 31 March 2017.

The condensed consolidated interim financial statements of the Group are published together with the condensed separate interim financial statements. To obtain a complete understanding of the issuer's results and financial situation, Wikana S.A.'s condensed separate interim financial statements should be read in conjunction with the Group's condensed consolidated interim financial statements.

Preparing financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Company's Management Board to apply own judgement in using the Group's adopted accounting principles. Matters that require a higher dose of judgement, more complex matters or those involving assumptions and estimates that are significant from the viewpoint of the financial statements did not change in relation to the previous year-end.

4.2. Adjustment of prior-period comparative data

In the course of preparing the consolidated financial statements for the first three months of 2017, the Management Board analysed in detail the accounting policy applied in the condensed consolidated financial statements for the first three months of 2016 as regards the recognition of costs related to property tax. The analysis showed that the Q1 2016 condensed consolidated interim financial statements contained an incorrect allocation of property-tax costs related to the bio-gas plant in Piaski. The inconsistencies mentioned in the preceding sentence concerned the statement of comprehensive income (statement of profit and loss) and consisted of understating the item "cost of sales" and overstating the item "administrative expenses" by the same amount. It should be noted that the above adjustments have no impact on the Group's net profit presented in the respective periods.

In connection with the above, the Group made presentation adjustments to the comparative data presented in the consolidated financial statements for the first three months of 2016.

Before adjustment

| Item in the Group's condensed consolidated statement of comprehensive income <i>in 000s</i> | 01.01.2016 | |
|--|----------------|--------------|
| | 31.03.2016 | |
| | PLN | EUR |
| Revenue from sales | 13 277 | 3 048 |
| Cost of sales | (10 928) | (2 509) |
| Gross profit (loss) on sales | 2 349 | 539 |
| Selling costs | (497) | (114) |
| Administrative expenses | (1 558) | (358) |
| Other operating revenue | 822 | 189 |
| Other operating expenses | (422) | (97) |
| Gain on investments | 8 | 2 |
| Operating profit (loss) | 702 | 161 |
| Net finance costs | (1 527) | (351) |
| Profit (loss) before tax | (825) | (190) |
| Income tax | (368) | (84) |
| Net profit / (loss) on continuing operations | (1 193) | (274) |
| Net profit (loss) on discontinued operations | - | - |
| Net profit / (loss) on continuing operations | (1 193) | (274) |

Adjustments

| Item in the Group's condensed consolidated statement of comprehensive income <i>in 000s</i> | 01.01.2016 | |
|--|-------------|-------------|
| | 31.03.2016 | |
| | PLN | EUR |
| Cost of sales | (66) | (15) |
| Gross profit (loss) on sales | (66) | (15) |
| Administrative expenses | 66 | 15 |

After adjustment

| Item in the Group's condensed consolidated statement of comprehensive income <i>in 000s</i> | 01.01.2016 | |
|--|----------------|--------------|
| | 31.03.2016 | |
| | PLN | EUR |
| Revenue from sales | 13 277 | 3 048 |
| Cost of sales | (10 994) | (2 524) |
| Gross profit (loss) on sales | 2 283 | 524 |
| Selling costs | (497) | (114) |
| Administrative expenses | (1 492) | (343) |
| Other operating revenue | 822 | 189 |
| Other operating expenses | (422) | (97) |
| Gain on investments | 8 | 2 |
| Operating profit (loss) | 702 | 161 |
| Net finance costs | (1 527) | (351) |
| Profit (loss) before tax | (825) | (190) |
| Income tax | (368) | (84) |
| Net profit / (loss) on continuing operations | (1 193) | (274) |
| Net profit (loss) on discontinued operations | - | - |
| Net profit / (loss) on continuing operations | (1 193) | (274) |

4.3. Basis for preparing the condensed interim financial statements

The condensed consolidated interim financial statements are prepared on the assumption that Wikana Group will continue operating as a going concern for at least 12 months from the end of the reporting period. During the reporting period and until the date on which the financial statements were prepared, there were no indications of a threat to continuing operations.

During the report period, no infringement of credit or loan agreement provisions were recorded such as would require corrective actions either before or on the balance sheet date.

The condensed separate interim financial statements are prepared on the assumption that the Company will continue operating as a going concern for at least 12 months from the end of the reporting period. During the reporting period and until the date on which the financial statements were prepared, there were no indications of a threat to continuing operations.

The condensed consolidated interim financial statements of the Group and the condensed separate interim financial statements of Wikana S.A. were approved by the Management Board for publication on 30 May 2017.

All amounts presented in the condensed interim financial statements are presented in PLN 000s, unless otherwise stated. The data presented in this report is rounded. Because of this, the sum totals of rows and columns in tables may slightly differ from the total values stated for each row or column.

4.4. Significant judgements and estimates

Preparing EU IFRS-compliant condensed interim financial statements requires the Company's management to apply judgements and estimates that have an impact on the adopted accounting policy and the presented assets, liabilities, revenues and costs. Judgements and estimates are verified on an on-going basis. Changes in estimates are recognised in profit or loss for the period in which they occurred.

4.5. Other atypical events in the reporting period having impact on the financial statements

According to the Company's Management Board, no atypical events took place during the presented period such as could have an impact on the condensed consolidated interim financial statements of the Group and the condensed separate interim financial statements of WIKANA S.A.

4.6. Seasonality

The Group is exposed to sales revenue seasonality throughout the financial year, mainly determined by seasonality in the property development segment, connected with weather conditions, which have an impact on the capacity and speed of construction works.

4.7. Changes in accounting principles

No changes were recorded since the annual financial statements were published, other than those described in point 4.7.

4.8. Standards and interpretations endorsed by the EU and pending endorsement

Effect of new accounting standards and changes in accounting policy

The accounting principles (policy) used in preparing these consolidated financial statements for the first quarter of 2017 are consistent with those used to prepare the entity's annual consolidated financial statements for 2016, except for the amendments described below.

The same principles are used for the current and comparative period.

Changes resulting from IFRS amendments

The following new or amended standards and interpretations issued by the IASB are effective from 1 January 2016:

- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IAS 16 and IAS 38 *Acceptable methods of depreciation and amortisation*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- Amendments to IAS 27: *Equity method in separate financial statements*
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*
- Amendments to various standards resulting from *Annual Improvements 2012-2014*
- Amendments to IAS 1: *Disclosure Initiative*

Application of the above amendments to standards did not have an impact on the Group's results and financial situation, and only resulted in changes to the adopted accounting principles or expansion of the scope of mandatory disclosures or change in terminology.

The main consequences of applying the new regulations are as follows:

- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 were published on 6 May 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments aim to clarify the approach to account for the acquisition of an interest in a joint operation that is a business. The amendments require application of the same principles as in the case of business combinations.

The application of the amended standard has had no material impact on the Group's financial statements.

- Amendments to IAS 16 and IAS 38 *Acceptable methods of depreciation and amortisation*

The amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were published on 12 May 2014 and are effective for annual periods beginning on or after 1 January 2016. *The amendment provides further explanation as to the permitted amortisation methods. The aim of the amendment is to show that a revenue-based method is not considered to be appropriate for property, plant and equipment, but for intangible assets it can be appropriate under certain circumstances.*

The application of the amended standard has had no material impact on the Group's financial statements.

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments to IAS 16 and IAS 41 were published on 30 June 2014 and are effective for annual periods beginning on or after 1 January 2016. The change clarifies that bearer plants should be recognised as property, plant and equipment under IAS 16. Therefore, bearer plants should be incorporated into IAS 16 instead of IAS 41. Agricultural produce from bearer plants remain subject to IAS 41.

The application of the amended standard has had no material impact on the Group's financial statements.

- Amendments to IAS 27: *equity method in separate financial statements*

The amendments to IAS 27 were published on 12 August 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments reinstate to the IFRS the choice of using the equity method for the measurement of investments in subsidiaries, joint ventures and associates. If this method is chosen, it must be applied for each investment within a given category.

The application of the amended standard has had no material impact on the Group's financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*

The amendments to IFRS 10, IFRS 12 and IAS 28 were published on 18 December 2014 and are effective for annual periods beginning on or after 1 January 2016. Their aim is to clarify the accounting requirements for investment entities.

The Company applied the amendments on the date set by the European Union as the effective date for the standard, i.e. 1 January 2016.

The application of the amended standards has no impact on the Group's financial statements.

- Amendments to various standards resulting from *Annual Improvements 2012-2014*

Small amendments to the following four standards were introduced on 25 September 2014 as a result of the IFRS review:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as regards reclassification of an asset or group for disposal from held for sale to held for distribution or vice versa;
- IFRS 7 Financial Instruments: Disclosures, clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements;
- IAS 19 Employee Benefits, as regards the currency of "high quality corporate bonds" used in estimating the discount rate;
- IAS 34 Interim Financial Reporting, clarifies means for presenting that the disclosures required by par. 16A IAS 34 were presented elsewhere in the interim report.

The amendments are usually effective for annual periods beginning on or after 1 January 2016. The Group considers that the application of the amended standards will not have material impact on the Company's financial statements, except for the amendment to IAS 34, which might result in additional disclosures in the Group's interim financial statements.

- Amendments to IAS 1: *Disclosure Initiative*

Amendments to IAS 1 were published on 18 December 2014 as part of an overall disclosure initiative aimed at improving presentation and disclosures in financial reports. These amendments are aimed at further encouraging entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments clarify that materiality applies to the whole financial statements and that irrelevant information can obscure relevant financial disclosures. Furthermore, they make it clear that preparers should exercise judgement in determining where and in what order to present information in disclosures.

The amendments are accompanied by a draft amendment to IAS 7 Statement of Cash Flows, which increases the disclosure obligations concerning the entity's cash flows from financing activities and cash and cash equivalents.

The application of the amended standard has had no material impact on the Group's financial statements.

Standards not in effect (new standards and interpretations)

In these financial statements, the Group did not decide on the early application of any published standards or interpretations before their entry into force.

The following standards and interpretations were issued by the IASB but were not yet effective as of the balance sheet date:

- IFRS 9 *Financial Instruments*

The new standard was published on 24 July 2014 and is effective for annual periods beginning on or after 1 January 2018. The standard aims to clarify the classification of financial assets and introduce a new impairment model for all financial instruments. The standard also introduces a new general hedge accounting model in order to streamline rules for presenting information on risk management in financial statements.

The Group will apply the new standard from 1 January 2018.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible. The Company began analysing the effects of introducing the new standard.

- IFRS 14 *Regulatory Deferral Accounts*

The new standard was published on 30 January 2014 and is effective for annual periods beginning on or after 1 January 2016. The new standard is temporary, given the IASB's work on means of accounting when prices are subject to rate regulation. The standard introduces rules for recognising assets and liabilities arising on transactions at a price that is subject to rate regulation when the entity decides to adopt IFRSs.

The Group will apply the new standard not sooner than on the date set by the European Union as the effective date for the standard. Given the temporary nature of the standard, the European Commission decided not to launch a formal approval procedure for the standard, opting instead to wait for the final standard.

The application of the amended standard will have no impact on the Group's financial statements.

- IFRS 15 *Revenue from Contracts with Customers*

The new harmonised standard was published on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018, and early application is permitted. The standard sets out a framework for recognising revenue and contains rules that will supersede most of the detailed revenue recognition guidance currently found in IFRS, particularly in IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. On 11 September 2015, the IASB published draft changes in the adopted standard, deferring the standard's entry into force by one year.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible. The Group is analysing the effects of introducing the new standard.

- IFRS 16 *Leases*

The new standard was published on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019, and early application is permitted (on the condition that IFRS 15 is also applied). The standard supersedes existing regulations concerning leases (IAS 17) and substantially changes the approach to lease contracts of different types, requiring lessees to recognise assets and liabilities from lease contracts on their balance sheets, regardless of their type.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible. The Group is analysing the effects of introducing the new standard.

- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 were published on 11 September 2014 and are effective for annual periods beginning on or after 1 January 2016 (deferred, with no effective date provided). The amendments clarify recognition for transactions where the parent loses control over a subsidiary that does not constitute a business as defined in IFRS 3 Business Combinations through the sale of all or some shares in that subsidiary to an equity-accounted associate or joint venture.

The Group will apply the amendments to standards not sooner than on the date set by the European Union as the effective date for the standard. Currently, the European Commission decided to defer a formal procedure to approve the standard.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible.

- Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments to IAS 12 were published on 19 January 2016 and are effective for annual periods beginning on or after 1 January 2017. Their aim is to clarify requirements for recognising deferred tax assets that are related to debt instruments measured at fair value.

The application of the amended standard will have no material impact on the Group's financial statements.

- Amendments to IAS 7: *Disclosure Initiative*

The amendments to IAS 7 were published on 29 January 2016 and are effective for annual periods beginning on or after 1 January 2017. The aim of the amendments was to increase the scope of information provided to the readers of financial statements concerning the entity's financing activities through additional disclosures of changes in the balance sheet value of liabilities connected with the entity's financing.

The application of the amended standard will have no material impact on the Group's financial statements, other than a change in the scope of disclosures presented in financial statements.

- Clarifications to IFRS 15: *Revenue from Contracts with Customers*

Clarifications to IFRS 15 were published on 12 April 2015 and apply to annual periods beginning on or after 1 January 2018 (date on which the entire standard enters into force). The amendments aim to clarify doubts arising in pre-adoption analyses regarding how to: identify a performance obligation, determine whether a company is a principal or an agent and revenue from licensing regarding intellectual property as well as transitional relief provisions for first-time adoption of the new standard.

The application of the amended standard will have no material impact on the Group's financial statements.

- Amendments to IFRS 2: *Classification and measurement of share-based payment transactions*

The amendments to IFRS 2 were published on 20 June 2016 and are effective for annual periods beginning on or after 1 January 2018.

The aim of the changes in the standard is to clarify the method of recognition for certain types of share-based payment transactions.

The application of the amended standard will have no material impact on the Group's financial statements.

- Amendments to IFRS 4: Use of IFRS 9 *Financial Instruments* in IFRS 4 *Insurance Contracts* published on 12 September 2016.

The amendments are usually effective for annual periods beginning on or after 1 January 2018.

According to the Group, the application of the amended standard will have no impact on its financial statements.

- Amendments to various standards resulting from Annual Improvements 2014-2016

The following small amendments to three standards were introduced on 8 December 2016 as a result of the IFRS review:

- IFRS 1 Interim Financial Reporting, as regards the removal of several exemptions that are no longer applicable,
- IFRS 12 Disclosure of Interests in Other Entities, as regards clarification of the scope of disclosure requirements related to interests irrespective of whether they are classified as held for sale, as held for distribution or as discontinued operations,
- IAS 28 Investments in Associates and Joint Ventures, as regards the moment when a venture capital organisation may decide to elect to measure at fair value through profit or loss an investment in an associate or a joint venture rather than using the equity method.

The amendments are usually effective for annual periods beginning on or after 1 January 2018. (some of the amendments are effective for annual periods beginning on or after 1 January 2017).

According to the Group, the application of the amended standard will have no impact on its financial statements.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The new interpretation was published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. The aim of the interpretation is to indicate how to specify the transaction date for the purpose of determining the exchange rate for transactions in a foreign currency in a situation when the entity pays or receives an advance in a foreign currency.

The Group applies the new interpretation since 1 January 2018.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible. The Group begun analysing the effects of introducing the new interpretation.

- Amendments to IAS 40 Transfers of Investment Property

The amendments were published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. Their aim is to clarify that the transfer a property to, or from, investment property when, and only when, there is evidence of a change in use.

The Group will apply the new standard from 1 January 2018.

According to the Group, the application of the amended standard will have no impact on its financial statements.

IFRSs as approved by the EU do not meaningfully differ from the regulations adopted by the IASB, except for the following standards, interpretations and amendments, which were not yet adopted by the EU as of the date on which these financial statements were approved:

- IFRS 14 Regulatory Deferral Accounts, published on 30 January 2014;
- IFRS 16 Leases, published on 13 January 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, published on 11 September 2014;
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses, published on 19 January 2016;
- Amendments to IAS 7: Disclosure Initiative, published on 29 January 2016,
- Clarifications to IFRS 15: Revenue from Contracts with Customers, published on 12 April 2016,
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions, published on 20 June 2016.
- Amendments to IFRS 4: Use of IFRS 9 Financial Instruments in IFRS 4 Insurance Contracts published on 12 September 2016.
- Amendments to various standards resulting from Annual Improvements 2014-2016, published on 8 December 2016
- IFRIC 22 Foreign Currency Transactions and Advance Consideration, published on 8 December 2016
- Amendments to IAS 40 Transfers of Investment Property, published on 8 December 2016

5. Condensed consolidated interim financial statements

Condensed consolidated statement of comprehensive income

for the period 1 January - 31 March 2017

| <i>in PLN 000s</i> | Note | 01.01.2017 | 01.01.2016 |
|--|------|--------------|----------------|
| | | 31.03.2017 | 31.03.2016 |
| Continuing operations | | | |
| Revenue from sales | 6.2 | 21 462 | 13 277 |
| Cost of sales | | (15 343) | (10 994) |
| Gross profit (loss) on sales | | 6 119 | 2 283 |
| Selling costs | | (739) | (497) |
| Administrative expenses | | (1 320) | (1 492) |
| Other operating revenue | | 772 | 822 |
| Other operating expenses | | (316) | (422) |
| Gain (loss) on investments | | 865 | 8 |
| Operating profit (loss) | | 5 381 | 702 |
| Finance costs | | (1 717) | (1 527) |
| Profit (loss) before tax | | 3 664 | (825) |
| Income tax | | (200) | (368) |
| Net profit (loss) on continuing operations for the year | | 3 464 | (1 193) |
| Net profit (loss) on discontinued operations for the year | | (14) | - |
| Net profit (loss) | | 3 450 | (1 193) |
| Other comprehensive income (net) | | - | - |
| Total comprehensive income | | 3 450 | (1 193) |
| Net profit (loss) attributable to: | | | |
| Owners of the parent | | 3 452 | (1 187) |
| Non-controlling interests | | (2) | (6) |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 3 452 | (1 187) |
| Non-controlling interests | | (2) | (6) |
| Net profit (loss) per share | | | |
| Basic profit (loss) per share | 6.7 | 0.17 | (0.06) |
| Diluted profit (loss) (PLN) | 6.7 | 0.17 | (0.06) |
| Net profit / (loss) on continuing operations per share | | | |
| Basic profit (loss) per share | | 0.17 | (0.06) |
| Diluted profit (loss) (PLN) | | 0.17 | (0.06) |

Agnieszka Maliszewska
/Vice-President of the Management Board/

Marta Kruk
/Member of the Management Board/

Pawel Cholota
Member of the Management Board

Bożena Wincentowicz
Person responsible for
book-keeping/

Lublin, 30 May 2017

Condensed consolidated interim balance sheet

At 31 March 2017

| <i>in PLN 000s</i> | Note | 31.03.2017 | 31.12.2016 |
|---------------------------------|------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 14 369 | 14 710 |
| Intangible assets | | 2 803 | 2 815 |
| Investment properties | 6.3 | 79 066 | 79 133 |
| Loans issued | | 40 | 40 |
| Other non-current assets | | 1 029 | 887 |
| Deferred income tax assets | | 529 | 503 |
| Total non-current assets | | 97 836 | 98 088 |
| Current assets | | | |
| Inventory | 6.4 | 79 283 | 85 650 |
| Income tax receivables | | 16 | 16 |
| Trade and other receivables | 6.5 | 7 195 | 7 790 |
| Current financial assets | | 898 | 890 |
| Cash and cash equivalents | | 11 617 | 11 297 |
| Total current assets | | 99 009 | 105 643 |
| Total assets | | 196 845 | 203 731 |

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Lublin, 30 May 2017

Condensed consolidated interim balance sheet

| At 31 March 2017 <i>in PLN 000s</i> | Note | 31.03.2017 | 31.12.2016 |
|--|------|----------------|----------------|
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 6.6 | 40 030 | 40 030 |
| Revaluation reserve | | 181 | 181 |
| Supplementary capital | | 112 258 | 112 229 |
| Retained earnings | | (103 690) | (107 112) |
| Equity attributable to owners of the parent | | 48 779 | 45 328 |
| Non-controlling interests | | 7 | 9 |
| Total equity | | 48 786 | 45 336 |
| Liabilities | | | |
| Credit and loan liabilities | 6.8 | 21 572 | 23 104 |
| Bond liabilities | 6.9 | - | - |
| Finance lease liabilities | | 17 804 | 18 683 |
| Provisions | 6.12 | 9 | 9 |
| <i>including employee benefit provision</i> | 6.12 | 9 | 9 |
| Deferred income tax provision | | 655 | 608 |
| Other liabilities | 6.10 | 16 326 | 16 944 |
| Grants | 6.13 | 2 608 | 2 741 |
| Total non-current liabilities | | 58 974 | 62 089 |
| Credit and loan liabilities | 6.8 | 19 592 | 17 655 |
| Bond liabilities | 6.9 | 33 740 | 39 256 |
| Finance lease liabilities | | 784 | 815 |
| Income tax liabilities | | 669 | 223 |
| Trade and other payables | 6.10 | 20 064 | 25 813 |
| Provisions | 6.12 | 3 181 | 2 870 |
| <i>including employee benefit provision</i> | 6.12 | 80 | 80 |
| Deferred revenue | 6.13 | 11 055 | 9 674 |
| <i>including grants</i> | 6.13 | 532 | 532 |
| Total current liabilities | | 89 085 | 96 306 |
| Total liabilities | | 148 059 | 158 395 |
| Total equity and liabilities | | 196 845 | 203 731 |

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Lublin, 30 May 2017

Condensed consolidated interim statement of cash flows

for the period 1 January - 31 March 2017

in PLN 000s

| | 01.01.2017 | 01.01.2016 |
|---|----------------|----------------|
| | 31.03.2017 | 31.03.2016 |
| Cash flows from operating activities | | |
| Net loss for the period | 3 450 | (1 193) |
| <i>Adjustments</i> | | |
| Depreciation | 490 | 746 |
| Interest income | (2) | (8) |
| Finance costs | 1 717 | 1 488 |
| Gain (loss) on exchange differences | (863) | 44 |
| Gain (loss) on investing activities | - | (110) |
| Change in inventories | 6 367 | 283 |
| Change in trade and other receivables | 595 | (1 732) |
| Change in provisions and related assets | 358 | 189 |
| Change in current and other liabilities, excluding borrowings | (3 153) | (2 527) |
| Change in deferred revenue | 939 | 2 749 |
| Net cash from operating activities | 9 898 | (71) |
| Cash flows from investing activities | | |
| Proceeds from sale of intangible assets and property, plant and equipment | - | 155 |
| Other finance inflows | 2 | - |
| Purchase of intangible assets and property, plant and equipment | (90) | (45) |
| Net cash from investing activities | (88) | 110 |
| Cash flows from financing activities | | |
| Net proceeds from bond issues | 6 516 | 5 000 |
| Borrowings incurred | 1 274 | 3 |
| Outflows on repayment of borrowings | (573) | (458) |
| Repayment of finance lease liabilities | (192) | (312) |
| Interest paid | (2 703) | (1 994) |
| Bond buyback | (11 612) | (2 053) |
| Repayment of promissory notes | (2 200) | - |
| Net cash from financing activities | (9 490) | 186 |
| Total net cash flows | 320 | 225 |
| Cash and cash equivalents as at the beginning of period | 11 297 | 12 556 |
| Effect of changes in exchange differences on cash and cash equivalents | | |
| Cash and cash equivalents as at the end of period | 11 617 | 12 781 |
| Restricted cash and cash equivalents at the end of period | 8 635 | 6 531 |

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Lublin, 30 May 2017

Condensed consolidated interim statement of changes in equity

for the period 1 January - 31 March 2017

Equity attributable to owners of the parent

| <i>in PLN 000s</i> | Share capital | Own shares | Supplementary capital | Revaluation reserve | Retained earnings (losses) | Equity attributable to owners of the parent | Non-controlling interests | Total equity |
|--------------------------------|---------------|------------|-----------------------|---------------------|----------------------------|---|---------------------------|---------------|
| Equity as at 01.01.2016 | 40 030 | - | 104 604 | - | (102 194) | 42 440 | (135) | 42 305 |
| Comprehensive income | - | - | - | - | (1 180) | (1 180) | (6) | (1 186) |
| – <i>Result for the period</i> | - | - | - | - | (1 188) | (1 188) | (6) | (1 194) |
| – <i>Other income</i> | - | - | - | - | 8 | 8 | - | 8 |
| Profit distribution | - | - | 8 362 | - | (8 362) | - | - | - |
| Equity as at 31.03.2016 | 40 030 | - | 112 966 | - | (111 736) | 41 260 | (140) | 41 120 |
| Equity as at 01.01.2017 | 40 030 | - | 112 229 | 181 | (107 112) | 45 328 | 9 | 45 336 |
| Comprehensive income | - | - | - | - | 3 452 | 3 452 | (2) | 3 450 |
| – <i>Result for the period</i> | - | - | - | - | 3 452 | 3 452 | (2) | 3 450 |
| – <i>Other income</i> | - | - | - | - | - | - | - | - |
| Profit distribution | - | - | 29 | - | (29) | - | - | - |
| Equity as at 31.03.2017 | 40 030 | - | 112 258 | 181 | (103 690) | 48 779 | 7 | 48 786 |

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Lublin, 30 May 2017

6. Additional information to the condensed consolidated interim financial statements

6.1. Segment reporting

Segment reporting is presented by operating segments. The Group operates mainly in south-eastern Poland (except for the property rent segment - the retail and service facilities rented to tenants are located in the following provinces: Lubelskie, Małopolskie, Łódzkie, Kujawsko-Pomorskie, Wielkopolskie, Lubuskie). The main reporting pattern is operating segments and results from the Group's management structure and internal reporting.

Prices used in settlements between segments are based on market prices.

Segment results, assets and liabilities include the items that are directly related, as well as those that are used jointly, which can be attributed to specific segments based on rational indications. Other revenue recognised in the segment cover items that are included in other operating revenue and gains on investments subordinated to the given segment. Other costs recognised in the segment cover administrative expenses and other operating costs that are assigned to the given segment.

Capital expenditure within a segment constitutes the entire cost incurred to purchase property, plant and equipment and intangible assets, excluding goodwill.

Operating segments

In the first quarter of 2017, the Group reported the following operating segments:

- Property development,
- Renting of real estate,
- Production of energy from renewable sources.

Segment combination criteria

- Property development - the segment comprises companies executing property development projects. The characteristics of the entities in this segment allow it to combine them in one segment based on the following criteria: sales (key revenue category is sales of residential units, service units, parking spaces and underground parking lots), assets (key asset items are land and expenditure on property development projects).
- Renting of real estate - this segment includes companies holding commercial properties for rent as well as a company operated pursuant to the Act of 26 October 1995 on certain forms of support for residential construction, whose activities include construction of residential homes and their management via renting, provision of management and administration services as well as activities relating to residential construction and accompanying infrastructure. The characteristics of the entities in this segment allow it to combine them in one segment based on the following criteria: sales (key revenue category is revenue from rental of real estate), assets (key asset items are investment properties for rent).
- Production of energy from renewable sources - this segment includes companies involved in renewable energy. The characteristics of the entities in this segment allow it to combine them in one segment based on the following criteria: sales (key revenue category is sales of electricity, heat and other products manufactured from renewable sources), assets (key asset items are buildings and installations used for manufacturing products from renewable sources, land and expenditure on construction of such installations).

Following a decision to initiate a dissolution process for Multiserwis S.A., the Group no longer reports the retail segment from the beginning of 2016. The Parent's Management Board notes that no revenue from this activity will be generated in future reporting periods. In segment reporting, the revenue, results, assets and equity and liabilities of Multiserwis S.A. w likwidacji are presented as 'other.'

Segment reporting (continued)

| <i>in PLN 000s</i> | Property development | | Renting of real estate | | Production of energy from renewable sources | | Other (*) | | Eliminations | | Consolidated | |
|---|----------------------|---------------|------------------------|--------------|---|----------------|-------------|-------------|----------------|----------------|---------------|----------------|
| | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 |
| Continuing operations | | | | | | | | | | | | |
| External revenue | 18 018 | 10 254 | 2 135 | 2 050 | 1 308 | 352 | - | 620 | - | - | 21 462 | 13 277 |
| Inter-segment revenue | 1 804 | 7 497 | 33 | 17 | 31 | 66 | - | - | (1 868) | (7 580) | - | - |
| Total revenue | 19 822 | 17 751 | 2 138 | 2 068 | 1 340 | 418 | - | 620 | (1 868) | (7 580) | 21 462 | 13 277 |
| Segment result | 3 848 | 1 650 | 1 385 | 1 312 | 147 | (1 144) | - | 35 | - | - | 5 379 | 1 853 |
| Other revenue assigned to the segment | 574 | 456 | 891 | 38 | 173 | 316 | - | 20 | - | - | 1 637 | 830 |
| Other costs assigned to the segment | (1 407) | (1 428) | (125) | (177) | (104) | (255) | - | (121) | - | - | (1 636) | (1 981) |
| Operating profit for the segment | 3 015 | 678 | 2 151 | 1 173 | 215 | (1 083) | - | (66) | - | - | 5 381 | 702 |
| Finance costs | (1 315) | (1 090) | (361) | (391) | (41) | (45) | - | - | - | - | (1 717) | (1 527) |
| Income tax | (160) | (331) | (38) | (37) | (2) | - | - | - | - | - | (200) | (368) |
| Net profit (loss) on continuing operations for the segment | 1 540 | (744) | 1 752 | 744 | 172 | (1 128) | - | (66) | - | - | 3 464 | (1 193) |
| Result on discontinued operations | - | - | - | - | - | - | (14) | - | - | - | (14) | - |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income (net) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income | 1 540 | (744) | 1 752 | 744 | 172 | (1 128) | (14) | (66) | - | - | 3 450 | (1 193) |

* presented as Retail until 31 December 2015.

Segment reporting (continued)

| | Property development | | Renting of real estate | | Production of energy from renewable sources | | Other (*) | | Eliminations | | Consolidated | |
|--------------------------|----------------------|------------|------------------------|------------|--|------------|------------|------------|--------------|------------|----------------|----------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| Segment assets | 281 646 | 271 836 | 72 304 | 71 899 | 20 781 | 20 876 | 199 | 208 | (190 248) | (172 904) | 184 683 | 191 915 |
| Unallocated assets | - | - | - | - | - | - | - | - | - | - | 12 162 | 11 817 |
| Total assets | | | | | | | | | | | 196 845 | 203 731 |
| Segment liabilities | 228 273 | 222 049 | 22 331 | 21 730 | 20 666 | 20 588 | 52 | 29 | (188 408) | (171 057) | 82 915 | 93 339 |
| Unallocated liabilities | - | - | - | - | - | - | - | - | - | - | 65 143 | 65 056 |
| Total liabilities | | | | | | | | | | | 148 059 | 158 395 |

* presented as Retail until 31 December 2015.

6.2. Revenue from sales

| <i>in PLN 000s</i> | 01.01.2017 31.03.2017 | 01.01.2016 31.03.2016 |
|---|--|--|
| Revenue from sale of property development products* | 17 918 | 10 227 |
| Rent income | 2 102 | 1 968 |
| Revenue from sale of energy and renewables | 1 238 | 224 |
| Revenue from retail sale of goods (footwear) | - | 595 |
| Revenue from provision of other services | 205 | 263 |
| Revenue from continuing operations | 21 462 | 13 277 |
| Revenue from discontinued operations | - | - |
| Total revenue | 21 462 | 13 277 |

* i.e. residential units, service units, storage units, garage spaces, parking lot spaces, technical facilities

6.3. Investment properties

The fair value of investment properties is classified as level 3 in the fair value hierarchy under a cyclical measurement. Presented below are the opening and closing balances of fair value:

| <i>in PLN 000s</i> | Fair value |
|---|-------------------|
| Net value at the beginning of 2017 | 79 133 |
| Transfer from tangible assets | - |
| Transfer to inventory | - |
| Change in fair value | (67) |
| Net value at 31 March 2017 | 79 066 |
| Net value at the beginning of 2016 | 76 552 |
| Transfer from inventory | 741 |
| Reclassification from tangible assets | 1 243 |
| Transfer to inventory | (1 607) |
| Change in fair value | 2 204 |
| Net value at the end of 2016 | 79 133 |
| Net value at the beginning of 2016 | 76 552 |
| Change in fair value | (13) |
| Net value at 31 March 2016 | 76 539 |

| <i>in PLN 000s</i> | 01.01.2017 31.03.2017 | 01.01.2016 31.03.2016 |
|---|--|--|
| Recognised in comprehensive income | | |
| Rent income on investment properties | 2 171 | 1 961 |
| Direct operating expenses (together with the cost of construction, repairs and maintenance) concerning investment properties that yielded rent income during the reporting period | 771 | 278 |

Investment properties cover:

- Land located in Lublin, ul. Łukasza Rodakiewicza (land parcels 32/6, 33/6, 34/6, 35/6),
- Two apartments located in Lublin, ul. Przyjaźni and ul. Nowy Świat,
- Three service units located in Lublin, ul. Kasztelańska 29,
- Commercial properties located in Kalisz, ul. W. Polskiego 135 (plots 18/2, 20/3, 21/2, 38/6, 38/7, 38/9), and in Łódź, ul. Włókniarzy 236 (plot 13/2), Gorzów Wielkopolski, ul. Piłsudskiego 57 (plot 662/1), Krakow, ul. Wadowicka 9 (plots 157/5, 157/6, 155, 156, 317), Inowrocław, ul. Górnicza 21 (plot 125/2), Milejów, ul. Partyzancka 11A (plot 515/40);
- Land properties with residential multi-family buildings (TBS buildings) located in Lublin, ul. Kaskadowa 7, ul. Nowy Świat 34A, ul. Pergolowa 2 and ul. Relaksowa 4, and located in Kraśnik, ul. Piaskowa 30 and ul. Rumiankowa 9,
- Land property with commercial buildings located in Zamość, ul. Fabryczna 1.

6.4. Inventory

| <i>in PLN 000s</i> | 31.03.2017 | 31.12.2016 |
|------------------------|-------------------|-------------------|
| Materials | 425 | 581 |
| Production in progress | 48 248 | 48 054 |
| Finished products | 30 195 | 36 596 |
| Goods | 415 | 419 |
| | 79 283 | 85 650 |

Inventories at 31 March 2017, by category

| <i>in PLN 000s</i> | Materials | Production in progress | Finished products | Goods |
|---|------------------|-------------------------------|--------------------------|--------------|
| Osiedle Marina investment, Lublin | - | 14 884 | 673 | - |
| Misjonarska investment, Lublin | - | - | 3 418 | - |
| Miasteczko Wikana investment, Lublin | - | - | 10 416 | - |
| Niecała investment, Lublin | - | 3 302 | - | - |
| Sky House investment, Lublin | - | 2 305 | 8 419 | - |
| Osiedle Cetnarskiego investment, Łańcut | - | - | 475 | - |
| Tęczowe Osiedle investment, Rzeszów | - | - | 15 | - |
| Zielone Tarasy investment, Rzeszów | - | 3 628 | 5 631 | - |
| Podpromie investment, Rzeszów | - | 5 195 | - | - |
| Osiedle Panorama investment, Rzeszów | - | - | 61 | - |
| Klonowy Park investment, Janów Lubelski | - | 3 453 | - | - |
| Osiedle Leszczyńskiego investment, Przemyśl | - | 3 343 | - | - |
| Świerkowa Aleja investment, Zamość | - | - | 469 | - |
| Al. Kraśnickie investment, Lublin | - | 5 974 | - | - |
| Orzechowa investment, Lublin | - | 1 228 | - | - |
| Nova Targowa investment, Tarnobrzeg | - | 4 936 | - | - |
| Renewables | - | - | 603 | - |
| Other | 425 | - | 15 | 415 |
| | 425 | 48 248 | 30 195 | 415 |

Impairment of inventories as of 31 March 2017 was PLN 633 000 (as at 31 December 2016: PLN 1 009 000). The Group did not reverse any impairment losses on account of growth in the value of inventory. The change in value of inventory between the years results only from sales by the Group of inventory covered by impairment.

6.5. Trade and other receivables

| <i>in PLN 000s</i> | 31.03.2017 | 31.12.2016 |
|--------------------|-------------------|-------------------|
| Trade receivables | 2 294 | 3 377 |
| Other receivables | 636 | 643 |
| Tax receivables | 3 216 | 3 450 |
| Prepayments | 1 049 | 320 |
| | 7 195 | 7 790 |

Impairment losses on trade and other receivables did not change from 31 December 2016.

6.6. Shares and shareholders

Shareholding structure at date on which report was prepared/published

| Shareholder | Number of shares | Number of votes at GM | Nominal value per share | Stake in share capital | Stake in GM votes |
|---|-------------------|-----------------------|-------------------------|------------------------|-------------------|
| VALUE FIZ z wydzielonym Subfunduszem 1* | 13 209 766 | 13 209 766 | 26 419 532 | 66.00% | 66.00% |
| Palametra Holdings Limited** | 1 612 000 | 1 612 000 | 3 224 000 | 8.05% | 8.05% |
| Other entities | 5 193 031 | 5 193 031 | 10 386 062 | 25.95% | 25.95% |
| TOTAL: | 20 014 797 | 20 014 797 | 40 029 594 | 100.00% | 100.00% |

(*) as per shareholder information dated 29 December 2016

(**) as per shareholder information dated 25 April 2016

Changes in WIKANA S.A.'s shareholding structure during and after the reporting period

In the period from the publication of the preceding quarterly report, i.e. 14 November 2016, to the date on which this report was published, the Company's shareholding structure was subject to the following changes:

- as per a notification received by the Company on 29 December 2016, MWM Investments Limited, based in Mriehel, sold pursuant to an agreement of 13 October 2016 6 320 124 shares in the Company, which constituted 31.58% of the Company's share capital and entitled to 6 320 124 votes at the Company's general meeting, i.e. 31.58% of total votes; with these shares being removed from MWM Investments Limited's securities account on 27 December 2016;
- as per a notification received by the Company on 29 December 2016, Sarmira Limited, based in Mriehel, sold pursuant to an agreement of 13 October 2016 6 880 260 shares in the Company, which constituted 34.38% of the Company's share capital and entitled to 6 880 260 votes at the Company's general meeting, i.e. 34.38% of total votes; with these shares being removed from Sarmira Limited's securities account on 27 December 2016;
- as per a notification received by the Company on 29 December 2016, as a result of settling a transaction outside the regulated market on 27 December 2016, VALUE FIZ z wydzielonym Subfunduszem 1, based in Warsaw, ("Fund") purchased from its subsidiaries 13 200 384 shares of the Company, constituting 65.95% of the Company's share capital and entitling to 13 200 384 votes at the Company's general meeting, which constituted 35.95% of total votes, as a result of which the Fund's stake in the Company's share capital changed from direct and indirect to direct only.

Dividends paid

During the period 1 January - 31 March 2017 and until this report was published, none of the Group's companies, including the Parent, paid a dividend.

6.7. Earnings per share

Earnings per share for the period ended 31 March 2017

Basic earnings per share as at 31 March 2017 and 31 March 2016 were calculated based on net profit for the year attributable to the Company's common shareholders in the following amounts:

| | 01.01.2017 | 01.01.2016 |
|---------------------------|------------|------------|
| | 31.03.2017 | 31.03.2016 |
| Profit / (loss) per share | 3 450 | (1 193) |

and the weighted average number of shares as at the date on which the consolidated financial statements were prepared, as below:

Weighted average number of ordinary shares

| | 31.03.2017 | 31.03.2016 |
|---|-------------------|-------------------|
| Number of ordinary shares as at the beginning of period | 20 014 797 | 20 014 797 |
| Number of shares at the end of period (fully paid-in) | 20 014 797 | 20 014 797 |
| | 31.03.2017 | 31.03.2016 |
| Weighted average number of ordinary shares during the period | 20 014 797 | 20 014 797 |
| Weighted average (diluted) number of ordinary shares at the end of period | 20 014 797 | 20 014 797 |
| Basic profit (loss) per share | 0.17 | (0.06) |
| Diluted profit (loss) per share | 0.17 | (0.06) |

6.8. Credit and loan liabilities

Breaches of deadlines for principal and interest payments as well as other credit agreement terms did not occur during the period covered by this report.

| Borrowings by type | 31.03.2017 | 31.12.2016 |
|---|-------------------|-------------------|
| <i>in PLN 000s</i> | | |
| Credit facilities | 28 606 | 27 570 |
| Loans | 12 558 | 13 189 |
| <i>including:</i> | | |
| Long-term part | 21 791 | 23 104 |
| Short-term part | 19 373 | 17 655 |
| Borrowings with repayment period from the balance sheet date | 31.03.2017 | 31.12.2016 |
| <i>in PLN 000s</i> | | |
| up to 12 months | 19 373 | 17 655 |
| from 1 to 3 years | 5 361 | 7 244 |
| from 3 to 5 years | 4 636 | 3 683 |
| over 5 years | 11 794 | 12 177 |
| Total borrowings | 41 164 | 40 759 |
| Borrowings (currency structure) | 31.03.2017 | 31.12.2016 |
| <i>in PLN 000s</i> | | |
| in PLN | 37 276 | 36 496 |
| in foreign currencies | 3 888 | 4 263 |
| Total borrowings | 41 164 | 40 759 |

List of credit facilities, including credit limits

| Lender | Agreement number, agreement date | Issued amount (in PLN 000s) | Amount of liability in PLN 000s | Repayment date | Interest | Collateral |
|------------------------|----------------------------------|-----------------------------|---------------------------------|----------------|----------|--|
| Deutsche Bank PBC S.A. | KNK/1207991 26.04.2012 | 4 515 | 2 978 | 30.04.2027 | Variable | a EUR 31 000 cash deposit; mortgage up to EUR 1 575 000 on a property; assignment of rights to insurance policy; court-ordered registered pledge on the general partner's shares; power of attorney to other bank accounts; in-blanco promissory note; declaration on submission to enforcement proceedings, surety by Wikana SA; assignment of rights to a bank guarantee |
| Deutsche Bank PBC S.A. | KNK/1300999 17.01.2013 | 1 868 | 910 | 01.02.2021 | Variable | mortgage up to EUR 675 000 on a property owned by the borrower; assignment of rights to a property insurance policy, an amount no lower than PLN 5 060 000; court-ordered registered pledge on shares in Wikana Nieruchomości Sp. z o.o.; in-blanco promissory note guaranteed by Wikana S.A.; declaration on submission to enforcement proceedings; irrevocable power of attorney to current account and other accounts maintained by the bank; indefinite surety by Wikana S.A. pursuant to civil law up to EUR 675 000; assignment of rights to a bank guarantee issued as collateral for repayment of lease contracts, a cash deposit of at least EUR 21 000 |
| BGK | 12001745/233/2000 15.12.2000 | 1 719 | 1 590 | 20.08.2045 | Variable | deposit mortgage up to PLN 2 579 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 56 000 per year that are sent to any of the bank accounts, insurance agreement for up to PLN 150 000 |
| BGK | 12001745/83/2002 24.07.2002 | 2 900 | 2 042 | 25.01.2037 | Variable | deposit mortgage up to PLN 4 380 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 124 000 per year that are sent to any of the bank accounts, |
| BGK | 12001745/152/2002 27.09.2002 | 4 000 | 3 604 | 25.12.2038 | Variable | deposit mortgage up to PLN 6 000 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 171 000 per year that are sent to any of the bank accounts, |
| BGK | 12001745/64/2003 27.05.2003 | 7 300 | 4 349 | 25.08.2030 | Variable | deposit mortgage up to PLN 10 950 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 335 000 per year that are sent to any of the bank accounts, |
| BGK | 12001745/1058/2006 05.09.2006 | 2 454 | 1 503 | 25.04.2030 | Variable | deposit mortgage up to PLN 3 681 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 120 000 per year that are sent to any of the bank |

accounts,

| | | | | | | |
|-----------------------------|---|---------------|---------------|------------|----------|--|
| BGK | 12001745/10 59/2006 05.09.2006 | 4 164 | 2 589 | 25.07.2030 | Variable | deposit mortgage up to PLN 6 246 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 196 000 per year that are sent to any of the bank accounts, |
| BOŚ S.A. | S/94/07/2012 /1144/K/IN W/EKO/EK O 13.09.2012 | 7 420 | 1 062 | 16.08.2019 | Variable | mortgage up to PLN 11 130 000 on a property owned by a natural person; consent was given for a fee, a mortgage of up to PLN 11 130 000 was established on a property owned by the borrower; assignment of rights to the insurance policy for the property that the mortgage was established on; power of attorney to the borrower's current account maintained by the lender; in-blanc promissory note guaranteed by Wikana S.A. |
| Raiffeisen Polska S.A. | CRD/46948/ 16 27.07.2016 | 9 000 | 6 705 | 29.09.2017 | Variable | Joint contractual mortgage up to PLN 13 500 000 on properties and pledge contracts up to the same amount on the company's assets, equity rights at Wikana S.A. and the company's general partner, submission for enforcement, power of attorney for bank accounts, assignment of receivables under contract with general contractor, assignment of rights under subordinated loans, assignment of rights under the project's insurance policy, guarantee from Wikana S.A. |
| mBank Hipoteczny S.A. | 15/0105 23.09.2016 | 17 569 | 1 274 | 28.08.2021 | Variable | Joint contractual mortgage up to PLN 35 137 000 on the properties that are to be used for the investment, statement submission for enforcement by the company, general partner and Wikana S.A., as well as registered pledge contracts up to the loan amount on the company's assets and the general partner's shares, assignment of rights under the project's insurance policy, assignment of rights under contract with general contractor, power of attorney for bank accounts |
| Nadsański Bank Spółdzielczy | 473051/03/K /OBD/16 10.11.2016 | 5 335 | 0 | 30.09.2018 | Variable | Joint contractual mortgage for up to PLN 9 069 000 on the properties that are to be used for the investment, global assignment of future receivables resulting from apartment sales contracts, assignment of rights to construction documentation with condition precedent, own blank promissory note secured by Wikana SA, power of attorney for bank accounts, declaration on submission to enforcement for borrower and surety issuer |
| Nadsański Bank Spółdzielczy | 475752/01/K /OBD/17 06.02.2017 | 3 683 | 0 | 31.03.2018 | Variable | Joint contractual mortgage for up to PLN 6 261 000 on the properties that are to be used for the investment, global assignment of future receivables resulting from apartment sales contracts, assignment of rights to construction documentation with condition precedent, own blank promissory note secured by Wikana SA, power of attorney for bank accounts, declaration on submission to enforcement for borrower and surety issuer |
| Total | | 71 927 | 28 606 | | | |

List of loans

| Lender | Agreement date | Issued amount in PLN 000s | Amount of liability in PLN 000s | Repayment date | Interest | Collateral |
|--|---|---------------------------|---------------------------------|----------------|----------|---|
| Agnieszka Buchajska | 05.07.2013 | 300 | 389 | 31.12.2017 | Variable | Own promissory note issued by borrower |
| | 22.05.2013 | 70 | 85 | 31.12.2017 | Variable | Own promissory note issued by borrower |
| | 31.12.2015 | 95 | 101 | 31.12.2017 | Variable | |
| Palametra Holdings Limited (formerly: Renale Management Limited) | 13.09.2013 | 3 530 | 3 440 | 31.12.2017 | Variable | Own promissory note issued by borrower |
| | 04.03.2014 | 150 | 178 | 31.03.2018 | Variable | Own promissory note issued by borrower |
| Palametra Holdings Limited (formerly: Ipnihome Limited) | 30.10.2012 | 1 300 | 1 225 | 31.12.2017 | Variable | In-blanco own promissory note issued by borrower |
| | 04.03.2014 | 100 | 118 | 31.03.2018 | Variable | In-blanco own promissory note issued by borrower |
| | 31.12.2015 | 110 | 117 | 31.12.2017 | Variable | |
| National Fund for Environmental Protection and Water Management | 231/2011/Wn 03/OA-MO-KU/P 14.06.2011 as amended | 4 062 | 2 220 | 20.12.2020 | Variable | Promissory note, mortgage on properties, assignment of rights, court-ordered pledge |
| Sanwil Holding S.A. | 21.11.2013 | 700 | 749 | 31.01.2018 | Variable | Own promissory note issued by the borrower |
| | 03.07.2013 | 357 | 387 | 31.12.2017 | Variable | Own promissory note issued by the borrower |
| Sanwil Holding S.A. | 30.12.2013 | 1 000 | 1 064 | 31.01.2018 | Variable | Own promissory note issued by borrower |
| Sanwil Holding S.A. | 03.07.2012 | 2 000 | 2 382 | 31.12.2017 | Variable | Own promissory note issued by borrower |
| Other | | - | 103 | | | None |
| Total | | 13 774 | 12 558 | | | |

6.9. Bond liabilities

| <i>in PLN 000s</i> | 01.01.2017 31.03.2017 | 01.01.2016 31.12.2016 |
|--|----------------------------------|----------------------------------|
| Bond liabilities at the beginning of period | 39 256 | 50 861 |
| Issuance costs at the beginning of period | 24 | 66 |
| <i>Proceeds from bond issues</i> | <i>6 516</i> | <i>5 000</i> |
| <i>Issuance costs in the period</i> | <i>-</i> | <i>-</i> |
| Net proceeds from bond issues | 6 516 | 5 000 |
| Cost of bond issues settled over time | (8) | - |
| Discount (adjusted purchase price) | - | - |
| Accrued interest in the period | 810 | 4 062 |
| Repayment of interest accrued in previous periods | (668) | (961) |
| Repayment of interest accrued in current period | (578) | (3 532) |
| Bond buyback | (11 612) | (16 240) |
| Total | 33 740 | 39 256 |
| Short-term part | 33 740 | 39 256 |
| Long-term part | - | - |
| Bond liabilities at the end of period | 33 740 | 39 256 |

Debt instruments by type

| | Nominal amount | Terms of interest | Guarantees / collateral | Maturity date |
|---|----------------|-------------------|--|---------------|
| Series B ordinary bonds issued by WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. CORYLUS S.K.A.) | 22 000 | Fixed interest | Declaration on submission to enforcement proceedings, surety issued by select WIKANA Group companies, including WIKANA S.A., assignment of parts of shares in select WIKANA Group companies owned by WIKANA S.A. | 30.06.2017 |
| Series A ordinary bonds issued by WIKANA PROPERTY Sp. z o.o. ROSA S.K. | 5 000 | Fixed interest | Declaration on submission to enforcement proceedings | 24.08.2017 |
| Series A ordinary bonds issued by WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A. | 6 516 | Fixed interest | Declaration on submission to enforcement proceedings, surety provided by the Company | 23.01.2018 |

Bond liabilities by maturity

| <i>in PLN 000s</i> | 31.03.2017 | 31.12.2016 |
|-------------------------|-------------------|-------------------|
| up to 12 months | 33 740 | 39 256 |
| from 1 to 3 years | - | - |
| from 3 to 5 years | - | - |
| over 5 years | - | - |
| Bond liabilities | 33 740 | 39 256 |

6.10. Trade and other payables and other liabilities

| <i>in PLN 000s</i> | 31.03.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| Other non-current liabilities | 16 326 | 16 945 |
| Retained deposits - long-term part | 2 618 | 3 204 |
| Accounting of credit write-off and participation - long-term part | 8 836 | 8 869 |
| Long-term participation contributions provided | 4 752 | 4 752 |
| Other non-current liabilities | 120 | 120 |
| Trade and other payables and other current liabilities | 20 064 | 25 813 |
| Trade payables | 6 841 | 9 869 |
| Retained deposits - short-term part | 1 423 | 998 |
| Liabilities towards public authorities | 1 377 | 1 900 |
| Other liabilities | 10 260 | 12 669 |
| Accrued expenses | - | 145 |
| Accounting of credit write-off and participation - short-term part | 100 | 100 |
| Liabilities due to purchase of PP&E | 63 | 132 |
| Total | 36 390 | 42 758 |

6.11. Contingent liabilities

Group companies have mutual contingent liabilities concerning credit, loans and bonds. Information regarding contingent liabilities is presented in notes 6.8 and 6.9.

Legal disputes

According to the Company's best knowledge, on the date on which this report was prepared, the Company and its subsidiaries were parties to on-going proceedings in court, arbitration body or public administration authority in aggregate worth PLN 8 037 000, of which:

- PLN 4 731 000 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 suit company of PLN 4 189 000. The claim is viewed as justified.
- PLN 3 306 000 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 23 November 2011 by the Company for the payment of PLN 874 000 towards a commercial law company which the Company is not disclosing in order not to deteriorate the Company's lawsuit situation. The claim is viewed as unjustified.

According to the management board, the risk of an unfavourable outcome of the above disputes is lower than 50%, and therefore no provisions were recognised.

6.12. Provisions

| in PLN 000s | Legal | Liabilities | Employee | Total |
|-------------------------------|--------------|--------------------|-----------------|--------------|
| Value as at 1 January 2017 | 174 | 2 592 | 113 | 2 879 |
| Increases / recognition | - | 740 | - | 740 |
| Decreases / use | - | (425) | (4) | (429) |
| Value at 31 March 2017 | 174 | 2 907 | 109 | 3 190 |
| Long-term part | - | - | 9 | 9 |
| Short-term part | 174 | 2 907 | 100 | 3 181 |
| Value as at 31.12.2016 | 174 | 2 592 | 113 | 2 879 |
| Long-term part | - | - | 9 | 9 |
| Short-term part | 174 | 2 592 | 104 | 2 870 |

6.13. Deferred revenue

Deferred revenue comprises mainly advances from customers for apartment purchases and interest charged on overdue payments. Advances received from customers are presented by project, as below. This item also includes grants amounting to PLN 3 140 000.

| in PLN 000s | 31.03.2017 | 31.12.2016 |
|------------------------------|-------------------|-------------------|
| Sky House investment | 6 136 | 3 528 |
| Zielone Tarasy investment | 199 | 2 330 |
| Osiedle Marina investment | 2 069 | 707 |
| Świerkowa Aleja investment | 132 | 516 |
| Miasteczko Wikana investment | 694 | 1 033 |
| Osiedle Panorama investment | - | 5 |
| Klonowy Park investment | 685 | - |
| Nova Targowa investment | 600 | 174 |
| Tęczowe Osiedle investment | 8 | 517 |
| Misjonarska 12 investment | - | 331 |
| Grants | 3 140 | 3 273 |
| <i>including long-term</i> | <i>2 608</i> | <i>2 741</i> |
| <i>including short-term</i> | <i>532</i> | <i>532</i> |
| | 13 663 | 12 414 |

6.14. Remuneration for Management Board and Supervisory Board members

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

| <i>in PLN 000s</i> | 01.01.2017 | 01.01.2016 |
|---------------------------------------|-------------------|-------------------|
| | 31.03.2017 | 31.03.2016 |
| Management Board remuneration | 54 | 54 |
| <i>in PLN 000s</i> | 01.01.2017 | 01.01.2016 |
| | 31.03.2017 | 31.03.2016 |
| Supervisory Board remuneration | 38 | 43 |

6.15. 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 | 31.03.2017 | 31.12.2016 |
| | 31.03.2017 | 31.03.2016 | | |
| Sale of products and services | 6 | 729 | 5 | 53 |
| <i>in PLN 000s</i> | Transaction value during the period: | | Outstanding balance as at | |
| | 01.01.2017 | 01.01.2016 | 31.03.2017 | 31.12.2016 |
| | 31.03.2017 | 31.03.2016 | | |
| Purchase of products and services | 291 | 1 002 | 95 | 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 | 31.03.2017 |
| Loans received (principal and interest) | 10 869 | 293 | (14) | 10 | (820) | 10 338 |

| <i>in PLN 000s</i> | Transaction value during the period: | | Outstanding balance as at | |
|--------------------------|--------------------------------------|--------------------------|---------------------------|---------------|
| | 01.01.2017 31.03.2017 | 01.01.2016 31.03.2016 | 31.03.2017 | 31.12.2016 |
| Other liabilities | (2 451) | (345) | 9 860 | 12 311 |

6.16. Impairment of property, plant and equipment and intangible assets

The value of impairment of property, plant and equipment and intangible assets did not change from 31 December 2016.

Agnieszka Maliszewska
/Vice-President of the Management Board/

Marta Kruk
/Member of the Management Board/

Paweł Cholota
Member of the Management Board

Bożena Wincentowicz
Person responsible for
book-keeping/

Lublin, 30 May 2017

7. Condensed separate interim financial statements

Condensed separate statement of comprehensive income

| for the period 1 January - 31 March 2017 | | | |
|--|------|--------------------------|--------------------------|
| | Note | 01.01.2017 31.03.2017 | 01.01.2016 31.03.2016 |
| <i>in PLN 000s</i> | | | |
| Continuing operations | | | |
| Revenue from sales | 6.2 | 846 | 438 |
| Cost of sales | | (364) | (445) |
| Gross profit (loss) on sales | | 482 | (7) |
| Selling costs | | (38) | (43) |
| Administrative expenses | | (321) | (344) |
| Other operating revenue | | 78 | 36 |
| Other operating expenses | | (44) | (35) |
| Gain (loss) on investments | | 170 | 291 |
| Operating profit (loss) | | 327 | (102) |
| Finance costs | | (826) | (694) |
| Profit (loss) before tax | | (499) | (796) |
| Income tax | | - | - |
| Net profit (loss) on continuing operations for the year | | (499) | (796) |
| Discontinued operations | | - | - |
| Net profit (loss) on discontinued operations | | - | - |
| Net profit (loss) | | (499) | (796) |
| Other comprehensive income (net) | | - | - |
| Revaluation of available-for-sale assets | | - | - |
| Total comprehensive income | | (499) | (796) |
| Net profit (loss) per share | | | |
| Basic profit (loss) per share | | (0.02) | (0.04) |
| Diluted profit (loss) (PLN) | | (0.02) | (0.04) |
| Net profit / (loss) on continuing operations per share | | | |
| Basic profit (loss) per share | | (0.02) | (0.04) |
| Diluted profit (loss) (PLN) | | (0.02) | (0.04) |

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/Member of the Management Board/

Paweł Cholota
Member of the Management Board

Bożena Wincentowicz
Person responsible for
book-keeping/

Lublin, 30 May 2017

Condensed separate interim balance sheet

| At 31 March 2017 | | | | |
|---------------------------------|-------------|-------------------|-------------------|--|
| <i>in PLN 000s</i> | | | | |
| | Note | 31.03.2017 | 31.12.2016 | |
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | 55 | 63 | |
| Intangible assets | | 16 | 18 | |
| Investment properties | | 5 316 | 5 317 | |
| Loans issued | | 20 820 | 19 618 | |
| Other non-current investments | | 10 912 | 10 911 | |
| Other non-current assets | | 1 822 | 3 442 | |
| Total non-current assets | | 38 941 | 39 369 | |
| Current assets | | | | |
| Inventory | 8.1 | 20 745 | 19 115 | |
| Trade and other receivables | | 24 156 | 22 225 | |
| Cash and cash equivalents | | 1 714 | 42 | |
| Total current assets | | 46 615 | 41 382 | |
| Total assets | | 85 556 | 80 751 | |

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Lublin, 30 May 2017

Condensed separate interim balance sheet

| At 31 March 2017 | | | |
|--|------|---------------|---------------|
| <i>in PLN 000s</i> | Note | 31.03.2017 | 31.12.2016 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | | 40 030 | 40 030 |
| Revaluation reserve | | 504 | 504 |
| Supplementary capital | | 67 067 | 67 067 |
| Retained earnings (losses) | | (72 951) | (72 452) |
| Total equity | | 34 650 | 35 149 |
| Liabilities | | | |
| Credit and loan liabilities | | 37 207 | 26 296 |
| Provisions | 8.2 | 9 | 9 |
| <i>including employee benefit provisions</i> | 8.2 | 9 | 9 |
| Other non-current liabilities | | 2 131 | 2 130 |
| Total non-current liabilities | | 39 347 | 28 435 |
| Credit and loan liabilities | | 6 589 | 5 819 |
| Bond liabilities | | - | 7 880 |
| Trade and other payables | | 3 830 | 2 329 |
| Provisions | 8.2 | 1 140 | 1 139 |
| <i>including employee benefit provisions</i> | 8.2 | 80 | 80 |
| Total current liabilities | | 11 559 | 17 167 |
| Total liabilities | | 50 905 | 45 602 |
| Total equity and liabilities | | 85 556 | 80 751 |

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Condensed separate interim statement of cash flows

| <i>in PLN 000s</i> | 01.01.2017 31.03.2017 | 01.01.2016 31.03.2016 |
|--|----------------------------------|----------------------------------|
| Cash flows from operating activities | | |
| Net loss for the period | (499) | (796) |
| <i>Adjustments</i> | | |
| Depreciation | 10 | 35 |
| Interest income and shares of profit (dividends) | (153) | (171) |
| Finance costs | 821 | 686 |
| Change in fair value of investment properties | 1 | - |
| Change in inventories | (1 630) | 379 |
| Change in trade and other receivables | (311) | (124) |
| Change in current and other liabilities, except for borrowings and leasing | 816 | (1 489) |
| Change in deferred revenue | - | (12) |
| Net cash from operating activities | (945) | (1 492) |
| Cash flows from investing activities | | |
| Interest received | 1 878 | 53 |
| Sale of financial assets | - | 101 |
| Loans issued | (9 420) | |
| Repayment of issued loans | 360 | 777 |
| Net cash from investing activities | (7 182) | 931 |
| Cash flows from financing activities | | |
| Bond buyback | (7 612) | (2 053) |
| Borrowings incurred | 20 739 | 4 179 |
| Outflows on repayment of borrowings | (2 295) | (987) |
| Interest paid | (1 033) | (729) |
| Net cash from financing activities | 9 799 | 410 |
| Total net cash flows | 1 672 | (151) |
| Cash and cash equivalents as at the beginning of period | 42 | 154 |
| Cash and cash equivalents as at the end of period | 1 714 | 3 |
| Restricted cash and cash equivalents at the end of period | 0 | 0 |

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Lublin, 30 May 2017

Condensed separate interim statement of changes in equity

for the period 1 January - 31 March 2017

| <i>in PLN 000s</i> | Share capital | Own shares | Supplementary capital | Revaluation reserve | Retained earnings (losses) | Total equity |
|--------------------------------|---------------|------------|-----------------------|---------------------|----------------------------|---------------|
| Equity as at 01.01.2016 | 40 030 | - | 67 067 | 358 | (69 404) | 38 051 |
| Comprehensive income | - | - | - | - | (796) | (796) |
| – <i>Result for the period</i> | - | - | - | - | (796) | (796) |
| – <i>Other income</i> | - | - | - | - | - | - |
| Profit distribution | - | - | - | - | - | - |
| Equity as at 31.03.2016 | 40 030 | - | 67 067 | 358 | (70 200) | 37 255 |
| Equity as at 01.01.2017 | 40 030 | - | 67 067 | 504 | (72 452) | 35 149 |
| Comprehensive income | - | - | - | - | (499) | (499) |
| – <i>Result for the period</i> | - | - | - | - | (499) | (499) |
| – <i>Other income</i> | - | - | - | - | - | - |
| Profit distribution | - | - | - | - | - | - |
| Equity as at 31.03.2017 | 40 030 | - | 60 067 | 504 | 72 951 | 34 650 |

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8. Additional information to the condensed separate interim financial statements

8.1. Inventory

| <i>in PLN 000s</i> | 31.03.2017 | 31.12.2016 |
|------------------------|-------------------|-------------------|
| Production in progress | 20 467 | 18 823 |
| Finished products | 278 | 292 |
| | 20 745 | 19 115 |

Inventories at 31 March 2017, by category

| <i>in PLN 000s</i> | Production in progress | Finished products |
|---|-------------------------------|--------------------------|
| Osiedle Marina investment, Lublin | 5 100 | - |
| Osiedle Cetnarskiego investment, Łańcut | - | 14 |
| Zielone Tarasy investment, Rzeszów | 926 | - |
| Niecała investment, Lublin | 3 302 | - |
| Osiedle Leszczyńskiego investment, Przemysł | 3 343 | - |
| Al. Kraśnickie investment, Lublin Kraśnicka | 5 974 | - |
| Sky House investment, Lublin | 293 | 315 |
| Podpromie investment, Rzeszów | 239 | - |
| Orzechowa investment | 1 228 | - |
| Other | 62 | (51) |
| | 20 467 | 278 |

Impairment losses on inventories amounted to PLN 115 000 as of 31 March 2017 (PLN 123 000 on 31 December 2016). The y/y change resulted from the sale of impaired inventories by the Company. The Company did not recognise impairment losses during the period covered by the statements.

8.2. Provisions

| <i>in PLN 000s</i> | Legal | Liabilities | Employee | Total |
|-----------------------------------|--------------|--------------------|-----------------|--------------|
| Value as at 1 January 2017 | 174 | 886 | 89 | 1 149 |
| Increases / recognition | - | - | - | - |
| Decreases / use | - | - | - | - |
| Value at 31 March 2017 | 174 | 886 | 89 | 1 149 |
| Long-term part | - | - | - | 9 |
| Short-term part | 174 | 886 | 80 | 1 140 |
| Value as at 31.12.2016 | 174 | 886 | 89 | 1 149 |
| Long-term part | - | - | 9 | 9 |
| Short-term part | 174 | 886 | 80 | 1 140 |

8.3. 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 31.03.2017 | 01.01.2016 31.03.2016 | 31.03.2017 | 31.12.2016 |
| Sale of products and services | | | | |
| Sale of products and services | 1 040 | 558 | 21 756 | 21 132 |

| <i>in PLN 000s</i> | Transaction value during the period | | Outstanding balance as at | |
|--|-------------------------------------|--------------------------|---------------------------|------------|
| | 01.01.2017 31.03.2017 | 01.01.2016 31.03.2016 | 31.03.2017 | 31.12.2016 |
| Purchase of products and services | | | | |
| Purchase of products and services | 76 | 128 | 948 | 888 |

| | 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 | 31.03.2017 |
| Loans issued (principal and interest) | | | | | | |
| Loans issued (principal and interest) | 19 578 | 9 420 | (6 494) | 153 | (1 877) | 20 780 |

| <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 | 31.03.2017 |
| Loans received (principal and interest) | | | | | | |
| Loans received (principal and interest) | 32 057 | 20 813 | (9 129) | 500 | (444) | 43 797 |

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9. Description of the Issuer's group

The Group comprises the parent entity and its subsidiaries. Detailed information about the Group is presented in point 3 of the consolidated quarterly report for the period 01.01.2017-31.03.2017.

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

Changes in Group structure that took place in Q1 2017 and until the date on which this report was prepared are as follows:

- change in legal form of certain Group companies,
- acquisition of shares in an external entity, of immaterial value.

Details in point 3.2 of this report.

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 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.

11. Significant events during the reporting period and until this report was published

Aside from the agreements of significance to the Group's operating activities referred to in point 15 of this report, the following events taking place in Q1 2017 are deemed by the Company's Management Board as significant:

- On 17 January 2017, WIKANA PROPERTY Sp. z o.o. ROSA S.K.A. passed 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);
- 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.

12. Management's views on previously published guidance for Q1 2017

The Company does not release guidance.

13. Shareholding by Management Board and Supervisory Board members

The following table presents shareholdings by Management Board and Supervisory Board members at the date on which this report was published:

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

| | NUMBER OF SHARES/VOTES | NOMINAL VALUE (PLN) | SHARE IN CAPITAL/VOTES (%) |
|-------------------------------|---------------------------|------------------------|-------------------------------|
| MANAGEMENT BOARD | 0 | 0 | 0 |
| SUPERVISORY BOARD, including: | 524 815 | 1 049 630 | 2,62 |
| BUCHAJSKI ADAM | 524 815 | 1 049 630 | 2,62 |
| TOTAL: | 524 815 | 1 049 630 | 2,62 |

Members of the Management Board and Supervisory Board hold no special rights to the Issuer's shares.

During the period from when the last quarterly report was published, i.e. 14 November 2016, no changes in shares and rights to shares held by Management Board and Supervisory Board members took place.

14. On-going proceedings in courts, arbitration bodies or public administration authorities

According to the Company's best knowledge, on the date on which this report was prepared, the Company and its subsidiaries were parties to on-going proceedings in court, arbitration body or public administration authority in aggregate worth PLN 8 037 000, of which:

- PLN 4 731 000 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 suit company of PLN 4 189 000. The claim is viewed as justified.

- PLN 3 306 000 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 23 November 2011 by the Company for the payment of PLN 874 000 towards a commercial law company which the Company is not disclosing in order not to deteriorate the Company's lawsuit situation. The claim is viewed as unjustified.

15. Information on WIKANA Group's significant agreements

In Q1 2017, Group companies were party 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 first 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. executed a construction services agreement with INVEST PARTNER ARKADIUSZ MATUŁA - SPÓŁKA KOMANDYTOWA, 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 (details: current reports 7/2017 and 9/2017);
- 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, ("Borrower") executed a construction and mortgage credit agreement with mBank Hipoteczny S.A., based in Warsaw, 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 (details: current report 12/2017);
- On 9 May 2017, WIKANA MERITUM Sp. z o.o. SIGMA Sp.k. executed an agreement with DESERTO Sp. z o.o. 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 (details: current reports 16/2017 and 17/2017).

Aside from the above, on 31 March 2017, WIKANA PROPERTY 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 2017, to 30 June 2016 (details: current report 10/2017).

16. Significant related-party transactions executed by Group companies on terms other than market terms

No transactions with related parties were executed during the reporting period and until the publication of this report, other than transactions on market terms.

17. Information on credit or loan sureties and guarantees issued

Information regarding significant events concerning loans and credit is presented in point 6.8 of additional information to the condensed consolidated interim financial statements, in the 'insurance' column.

Aside from the above, neither the Company nor its subsidiaries issued any sureties for credit facilities or loans nor issued guarantees the value of which would constitute the equivalent of at least 10% of the Issuer's equity.

18. Significant information

During the period ended 31 March 2017, Group companies continued their statutory activities. In the first three quarters of 2017, the Group generated a net profit of PLN 3 450 000, on PLN 21 462 000 in revenue from operating activities.

As at 31 March 2017, total Group liabilities due and payable within the next 12 months (i.e. current liabilities) and current provisions amounted to PLN 85 904 000. This item mainly consists of credit facilities, financial leases, bonds, trade payables and deferred revenue (the PLN 11 055 000 in deferred revenue corresponds to the amounts paid by clients based on apartment purchase agreements in completed and on-going development projects). Within the total of PLN 89 085 000 in current liabilities, the company will actually have to repay up to PLN 74 849 000, 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. The repayment of these liabilities 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 should definitely be excluded.

In the first quarter of 2017 and until the date on which this document was drafted, the Group achieved the following tasks related to property development projects:

- use permit for building B3, part of the Sky House investment in Lublin (1 700 sqm of usable flat space),
- commencement of the following developments: subsequent phase of the Sky House investment in Lublin (B4) and subsequent phases of the Osiedle Zielone Tarasy investment in Rzeszów (buildings C, D and O, P, R, S),
- preparations for commencement of further development projects located in the Lublin and Sub-Carpathian voivodships.

As at 31 March 2017, the Group's offering included property development projects totalling 196 flats, of which 134 were under construction.

At the same time, the Company's Management Board points out that the value of preliminary and development agreements signed by 31 March 2017, for which units have not yet been delivered to clients, i.e. from which no revenue has yet been recognised, amounted to PLN 20 969 000, including in investments being carried out in: Lublin - PLN 15 655 000, Zamość - PLN 142 000, Rzeszów - PLN 2 114 000, Janów Lubelski - PLN 1 310 000, and Tarnobrzeg - PLN 1 748 000.

Rent income (rent segment) in the first three months of 2017 reached PLN 2 135 000.

From 1 January to 31 March 2017, the Group's renewables segment generated PLN 1 308 000 in revenue.

The Company's Management Board intends to continue activities aimed at improving the Group's financial standing, including through focusing on the key property-development segment.

According to the Company's Management Board, there are no significant threats to the Group's continuing operations over the 12 months from the date on which this report was prepared. The Company's Management Board is convinced that it is capable of providing the Group with sufficient capital to service its financial and trade liabilities and to continue operations uninterrupted, including property development projects.

19. Factors that might impact results over at least the next three months

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 mainly from issued bonds, credit facilities and trade payables (including liabilities resulting from property projects).

As a result of the analysis, the Company's Management Board outlined the main repayment sources for current liabilities:

- Proceeds from new sale agreements concerning apartments, parking spaces, storage spaces and service facilities, which are or will be introduced to the Group's portfolio after 31 March 2017,
- 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 March 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 potential benefits for the Group.

According to the Company's Management Board, the present conditions on the residential property market will make it possible to fulfil apartment sales plans at a level ensuring the uninterrupted continuity of operations, including repayment liabilities.

The Group expects to continue its present activities in subsequent reporting periods. The majority of property development projects will be executed via special purpose vehicles, therefore the Group's consolidated results will play a key role.

For at least the next 12 months, the growth strategy of the Group's development companies 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.

With regard to the retail segment, in which the Group operated until the end of 2015, a decision was made in the first quarter of 2016 to initiate a process to dissolve the one company that operated in this segment.

As regards the renewables segment, the Company's Management Board cannot exclude divestments within an economically justified time-frame. Until the date on which the financial statements were published, no decisions in this regard were made.

As regards commercial properties, the Company's Management Board plans divestments in an economically justified period of time. Until the date on which the financial statements were prepared, no decisions in this regard were made.

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