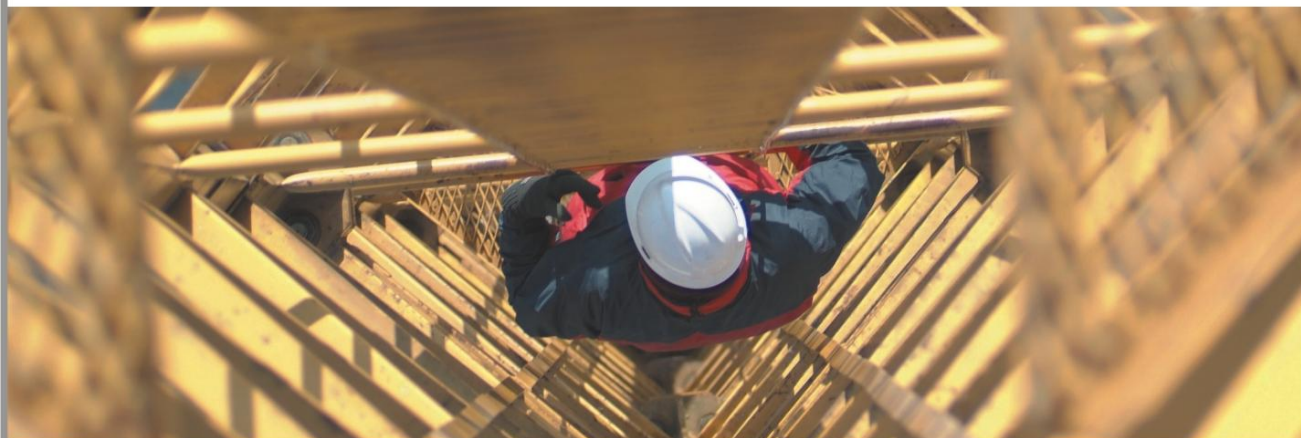


inpro



**REPORT OF THE MANAGEMENT BOARD
OF THE ACTIVITY OF THE CAPITAL GROUP OF
INPRO SA
IN 2014**

spółka
notowana na
GPW

GDAŃSK, 23 MARCH 2015

inpro.com.pl

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1. Basic information

INPRO SA (the "Company," "Parent Entity") is the parent entity of the INPRO SA Capital Group:

Table 1. Basic information on INPRO SA

Full name (business name)	INPRO Spółka Akcyjna
Registered office	80-320 Gdańsk, ul. Opata Jacka Rybińskiego 8
Business registry number (REGON)	008141071
Tax ID (NIP)	589-000-85-40
Court registration number (KRS)	0000306071
Polish Classification of Activity (PKD) 2007	4120Z – construction works relating to the erection of residential and non-residential buildings

The legal predecessor of INPRO SA, the company under the business name of Biuro Projektów i Usług Inwestycyjnych Budownictwa INPRO Spółka z o.o. with its registered office in Kartuzy, was recorded in the Commercial Register on 30 May 1987. The Company's main object was the design and preparation of construction projects.

In accordance with the provisions of the notarised deed of 8 November 1990, the Company's business name was changed to Przedsiębiorstwo Budowlane INPRO Sp. z o.o. In 1992 the Company extended its business offer by undertaking the property development activity.

As from 1998, the Company has concentrated its activities on property development projects.

The registration of the transformation of the limited liability company into a joint stock company (still under the business name of Przedsiębiorstwo Budowlane INPRO SA) was effected by the District Court in Gdańsk, 7th Business Division of the National Court Register, on 29 May 2008 (court registration: KRS 0000306071).

The change of the Company's business name to INPRO SA was registered by the Court on 26 June 2008 under number KRS 0000306071.

On 20 December 2010 the Polish Financial Supervision Authority approved INPRO SA's prospectus offering the subscription, in the public offering, of not less than and not more than 10,010,000 ordinary series B bearer shares offered by the Issuer as part of the public subscription.

On 17 February 2011 the rights to series B shares of INPRO SA were listed on the parallel market of the *Warsaw Stock Exchange*.

Series A and B shares of the Company were listed on the parallel market of the stock exchange on 22 March 2011.

The main object of the INPRO SA Capital Group is the construction and sale of residential and commercial real estate (INPRO SA and Przedsiębiorstwo Budowlane Domesta Sp. z o.o.).

In addition, the companies within the Group are involved in the following:

- hotel services (Dom Zdrojowy Sp. z o.o. and Hotel Mikołajki Sp. z o.o.),
- manufacture of precast concrete elements, manufacture and erection of steel structures for the civil engineering, industrial and municipal construction industry (inBet Sp. z o.o.).

2. Capital Group structure

The structure of the Capital Group, and the Company's contribution as at 31/12/2014 to the share capital of subsidiaries covered by full consolidation in the financial statements is presented in the table below:

Table 2. Structure of the INPRO SA Capital Group as at 31/12/2014 – entities comprised by full consolidation

Entity	Registered office	Share in the share capital	Share capital	Object
inBet Sp. z o.o. (previously: RUGBY Prefabrykaty Sp. z o.o.)	Kolbudy	51%	PLN 5 331 200	Manufacture of concrete, reinforced concrete and steel elements
Dom Zdrojowy Sp. z o.o.	Gdańsk	100%	PLN 19 140 385	Hotel services
Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o.	Gdańsk	54.26%	PLN 300 800	Property development activity (popular flats)
Hotel Mikołajki Sp. z o.o.	Gdańsk	100%	PLN 15 780 000	Hotel services

In the reporting period ended on 31 December 2014:

1) The composition of the INPRO SA Capital Group did not change, however, the following resolutions were adopted:

- a) The nominal value of the shares in the share capital of Przedsiębiorstwo Budowlane Domesta Sp. z o.o. changed in view of the fact that, taking into account the redemption of 24 shares of the nominal value of PLN 750 each from net profit (the resolution of 28/06/2013) and the need to adjust the nominal value of unredeemed shares to the registered amount of the share capital, on 09/07/2014 the Ordinary General Meeting of PB DOMESTA Sp. z o.o. adopted a resolution on the increase of the nominal value of all the 376 shares from PLN 750 to PLN 797.87 and adopted a resolution on the increase of the share capital from the previous amount of PLN 300,000 to PLN 300,800 by increasing the value of all the 376 shares from PLN 797.87 to PLN 800 per share. The above-mentioned increase was covered by the shareholders in cash. The resolution was registered by the National Court Register on 03/11/2014.
- b) On 28/07/2014 the Extraordinary General Meeting of RUGBY Prefabrykaty Sp. z o.o. adopted resolutions on the basis of which the previous President of the Management Board, Mr Mikołaj Stefaniak, was dismissed and the new President of the Management Board, Mr Maciej Jęczmyk, appointed effective on 01/08/2014.
- c) On 03/09/2014 the Extraordinary General Meeting of RUGBY Prefabrykaty Sp. z o.o. adopted a resolution under which the business name of the entity was changed. It was resolved that the company would operate under the business name of inBet Spółka z ograniczoną odpowiedzialnością. The change of the business name was registered by the National Court Register on 06/11/2015.
- d) On 06/11/2014 the Extraordinary General Meeting of inBet Sp. z o.o. (RUGBY Prefabrykaty Sp. z o.o. as at the date of the Meeting) adopted a resolution under which the company's share capital was increased from PLN 5,331,200 to PLN 6,331,192, i.e. by the sum of PLN 999,992, by way of creation of 17,857 new shares of the nominal value of PLN 56 each, with the exclusion of the right of priority of a shareholder, Andrzej Meronk, to subscribe for the newly created shares. The capital was covered by cash and subscribed in its entirety by INPRO SA. As a result of the capital increase, the number of shares held by INPRO SA in

the company is 66,409 i.e. 58.74% in the share capital. The increase of the capital was registered by the National Court Register on 16/02/2015.

2) The Group did not discontinue any of the kinds of its activity.

3) The Group did not make any significant capital deposits or capital investments other than the one described in item 1 above.

Free cash is invested by Group entities in short-term fixed-time deposits.

3. Capital structure of INPRO SA

As at 31/12/2014, the share capital of INPRO was PLN 4,004,000.00 and was divided into 40,040,000 ordinary bearer shares of the nominal value of 10 groszes each.

Table 3. Structure of the share capital of INPRO SA as at 31/12/2014

Shareholder	Series	Number of shares	Nominal value	Share in the capital	Number of votes	Share in votes
Piotr Stefaniak	A	8 460 000	846 000	21.13%	8 460 000	21.13%
Zbigniew Lewiński	A	9 460 000	946 000	23.63%	9 460 000	23.63%
Krzysztof Maraszek	A	10 010 000	1 001 000	25%	10 010 000	25%
ING OFE	A	2 100 000	210 000	17.93%	2 100 000	17.93%
	B	5 077 704	507 770		5 077 704	
Shareholders with less than 5% of votes	B	4 932 296	493 230	12.31%	4 932 296	12.31%
		40 040 000	4 004 000	100%	40 040 000	100%

The Group's total equity as at 31/12/2014 was PLN 196,483,619.24.

Table 4. Shareholding structure of the Parent Entity as at 23/03/2015

Shareholder	Series	Number of shares	Nominal value	Share in the capital	Number of votes	Share in votes
Piotr Stefaniak	A	8 460 000	846 000	21.13%	8 460 000	21.13%
Zbigniew Lewiński	A	9 460 000	946 000	23.63%	9 460 000	23.63%
Krzysztof Maraszek	A	10 010 000	1 001 000	25%	10 010 000	25%
ING OFE	A	2 100 000	210 000	17.93%	2 100 000	17.93%
	B	5 077 704	507 770		5 077 704	
Shareholders with less than 5% of votes	B	4 932 296	493 230	12.31%	4 932 296	12.31%
		40 040 000	4 004 000	100%	40 040 000	100%

To the Company's best knowledge, no significant changes in the shareholding structure occurred against the status as at 30/06/2014. During the second half of 2014 and until the submission of this report, the shareholders did not advise of any change in the shareholdings in INPRO SA.

4. Situation in the trade

Despite disadvantageous external factors such as a conflict between the Ukraine and Russia, the real GDP increase in Poland in 2014 was higher than a year before (3.3% against 1.7%). Economic activity was strong because of solid constant domestic demand increased by the improvement of the situation on the labour market and by the increase of real income. According to preliminary estimates by the Central Statistical Office, the unemployment rate went down in 2014 and the average annual inflation index in December 2014 was 0% (mainly due to the drop of crude oil prices). Average gross remuneration in December 2014 increased by 3.7% year on year against the previous year and amounted to PLN 4,379.26.

Assessment of the situation in property development¹

In accordance with the report by REAS consulting company: "the property development trade has gone through the best year in the history of activity of that sector." The contributing factors include, among others: stable prices of flats, the offer matching the demand, advantageous interest rates for borrowers, and the growth of income in Poland. In the first quarter of the year in question, flats were purchased by many persons who postponed the transaction in 2013 as they waited for the new "Flat for Young People" programme. Moreover, buyers wishing to use the last months in which it was possible to obtain credit for 95% of the value of a flat focused on doing so (the buyer's 10% capital contribution is required as from 2015).

In 2014 developers placed 47,500 flats or nearly 100% more than in the previous year on the market in six agglomerations (Kraków, Łódź, Poznań, the Tri-city, Wrocław and Warsaw).

At the same time, more than 43,000 premises i.e. nearly 20% more than in the whole of 2013 were sold.

According to the calculations by REAS, whereas during eleven months of 2014 the developers in the whole of Poland commenced the construction of approximately 64,300 flats, that is 26% more than in the previous year, and in the same period they obtained building permits for more than 70,700 units (41.2% more than a year before). Flats with the planned date of placing into service after 2016 have a very low share in the sales offer.

The Tri-City new flat market behaved in 2014 in a way similar to other markets in the biggest Polish agglomerations. The prices of flats somewhat fluctuated but, when the end of 2014 is compared with the end of the previous year, they were at a similar level. The Tri-city market was one of the biggest beneficiaries of the Flat for Young People (MDM) programme (subsidies in Gdańsk amounted to approximately 33 million zlotys). The sales offer included, first of all, the flats whose time for completion of construction is in 2015.

In view of the fact that INPRO SA holds 100% shares in Dom Zdrojowy Sp. z o.o. and Hotel Mikołajki Sp. z o.o., the Group's activity is dependent on the situation on the hotel market as well.

Assessment of the situation in the hotel trade²

In most Polish cities the results of hotel facilities were at a satisfactory level last year and the market proved absorptive enough to accept newly opened ones.

¹ This data is based on the report titled the Housing Market in Poland by REAS, the 4th quarter 2014, and on the company's sources.

² Figures based on the author's data

It follows from the report titled the "Hotel Market in Poland" (a special edition of the "Świat Hoteli" monthly) that at the end of the first half of 2014 there operated 2,458 categorised hotels in Poland in which there were over 117 k rooms and over 233.5 k beds.

During the first two quarters of 2014 the supply of hotels increased by 14 two-star, 45 three-star, 14 four-star and 5 five-star ones.

The greatest share in the hotel base (measured by the number of beds) is held by three-star hotels (42.7%), and the smallest by the highest standard ones (5.7%).

The hotel market keeps growing and, more importantly, is already reaching the level at which it starts to considerably exceed the growth of the GDP, which amounted to approximately 3.3% in 2014. As it was announced by Eurostat on 29 January 2015, the entire accommodation market grew by 5.8% in 2014. The total of overnight stays sold was 66.6 m, which means that the market grew by 3.9 m places against 2013.

A positive trend on the Polish hotel market is the improved quality of the facilities. The contributing factors include growing competition and, paradoxically, the introduction by the banks of restrictions regarding project financing, including the requirements concerning the presentation of a credible business plan confirming that a hotel project is reasonable and profitable. Consequently, hotel projects being implemented are much better designed and from the functional point of view and adjusted to the needs of the market from the point of view of the standard, size and the scope of services.

5. Significant risk factors and threats

Risk relating to the implementation of property development projects

The property development project cycle is a long-term one (over 24 months) and characterised by considerable financial expenditure and its full return after as long as minimum 2 years. In particular, the following events may have a significant influence on the developer's financial results: (i) the need to incur additional costs, (ii) change of the time for completion of construction (iii) delay to the procurement of an occupancy permit; (iv) delays to the completion of the documentation necessary for signing notarised deeds of sale.

Risk of failure to obtain credit finance

Banks directly influence the end customer's apartment purchase capacity as the vast majority of new premises are bought on credit. The banks' expansive sales policy combined with less restrictive credit worthiness testing has an impact on easier credit availability to prospective apartment buyers. Conversely, the banks' restrictive sales policy combined with more restrictive credit worthiness testing by financial institutions or more conservative recommendations used by the regulators, causes the limited availability of finance which, in turn, results in the reduced number of apartments sold. Experience from the last years indicates that both the former situation, created by the banks' uncontrolled fight for the customer, which results in a rapid increase of apartment prices, and the latter, caused by the worldwide crisis, which in turn caused the banks' aversion to risk and a serious slowdown on the apartment market, are not advantageous to both the customers and developers.

Similar reactions may be observed in the case of corporate credit granted directly to the developers for projects under way. Restrictions in credit finance contribute to projects being suspended, be it at the stage of construction commencement or as early as land purchase, with the resulting fall of apartment supply. That situation may bring about sharper apartment price fluctuations and the reduction of the range of apartments on offer.

The Group has had positive financial results for many years and has a very good credit history and very good relations with financial institutions.

Competition risk

Entities in the trade in question compete with one another, in particular in the following areas: (i) real estate location; (ii) prices of the premises; (iii) structure of the offering; (iv) progress of construction; (v) the architectural layout of the premises; (vi) credits on offer by the banks working with the developer. A more pessimistic business outlook in the residential construction industry segment the past years influenced the growth of competition on the property development market. If competition continues to become more severe, this may influence the following: the need to adjust the offer to market conditions (including price reduction), more intense implementation of projects, acquisition of skilled workers and, possibly, moving the business off the Tri-City. The above factors may cause a cost increase and thus to the deterioration of the Group's financial results. The Group watches and analyses the competitors' activity and makes relevant steps to minimise that risks on an ongoing basis.

Risk of concentration of the Group's property development activity on the local market

The Tri-City market is the main market in the Group's activity. Revenues from sales as well as profits depend on the situation on that market. The lower level of investment, of household income and of consumer's demand on the Tri-City markets may have an adverse influence on the Group's financial result and development prospects.

Risk relating to the lack of the possibility of acquiring a sufficient amount of land in the future

The possibility of implementation of the Group's strategy in the area of the property development activity depends, to a considerable extent, on the possibility of acquiring appropriate land necessary for the implementation of property development projects both in the Tri-City and the surroundings, as well as in other attractive locations within the Group's interest.

Land acquisition for residential development depends on the Group's efficiency of operation on one hand and on objective external factors on the other. External factors which may adversely affect the Group's efficiency of land acquisition are, first of all, the following: competition on the real estate market, the lack of local area development plans, limited resources of land with appropriate infrastructure and lengthy procedures relating to the procurement of necessary decisions.

The Group is unable to guarantee that no problems will occur in the future with land acquisition for property development projects even though the Group has no problems with the acquisition of appropriate amount of land at present. Any disturbance of the acquisition process of an appropriate amount of land would slow down the Group's development in the area of residential property development projects.

Risk relating to Poland's macroeconomic situation

The macroeconomic situation in Polish economy, the pace of its development and the economic situation in the region, the European Union and on the world's market have a significant influence on the construction market. The factors directly affecting the Group's financial results include: the GDP growth pace, inflation, the unemployment rate, monetary and fiscal policy of the state, level of investment of enterprises, household income level and consumer demand. Both the factors mentioned above and the direction and level of their changes influence the accomplishment of the objectives established by the Group. If the pace of economic development in Poland and on other markets slackens or instruments of shaping the economic policy of the state are used which adversely affect the Group's market position, the demand level may fall down and the Group's costs increase and, therefore, the financial results may deteriorate.

Risk relating to administrative decisions

The Issuer cannot guarantee that administrative decisions (permits, permissions, licences, concessions and consents) such as a building permit, zoning approval, occupancy permit and environmental decision required in relation to property development projects will be obtained by the Group and that any existing or new decisions will not be challenged. Whilst the Issuer exercises due diligence in applying for relevant administrative decisions, the Issuer cannot guarantee that the risk of failure to obtain the above decisions or of their challenging will be eliminated. Consequently, that risk may adversely affect the Group's activity, financial situation, results or development prospects.

Information on financial instruments with regard to risks and the entity's objectives and risk management methods are included in note No. 34 to the consolidated financial statements.

6. Directions of development of the INPRO SA Capital Group

The Group intends to strengthen its strong position in the current business sectors, including first of all the property development one. INPRO as a company will focus its activity on the segment of increased and popular standard flats on the Tri-City market. One of the strongest assets of the Company is the knowledge of the market including location preferences and other requirements of various customer groups.

The achieved market position creates an opportunity for further, dynamic development, in particular by way of implementation of projects attractive to the market.

In addition to the increased standard flats, the Group intends to continue the development of the popular standard flats segment; high demand for flats of that kind offered by the Group in 2011-2014 confirms unambiguously that this is a good direction in the property development activity.

The Company regularly launches new projects. INPRO SA has a the bank of land bought at advantageous prices and plans to maintain the policy consisting in seeking unique sites with relatively low land prices. Owing to that, it will be possible to implement projects which, in view of their attractive location, architecture, quality of construction and prices, will be sold in a relatively short time. To significantly expand the bank of land for new projects, INPRO monitors the situation on the construction plot market on an ongoing basis.

Further strengthening of the "Inpro" brand as a symbol of high quality, reliability and safety is a significant element in the Group's strategy.

INPRO considers stronger involvement in the implementation of commercial projects, in particular office buildings.

Following the completion of stage II of the extension of the Dom Zdrojowy in Jastarnia (to include a large conference and banquet hall for 200 persons) and the addition of a canopied walkway between the island and mainland in the Mikołajki Hotel complex in completed in 2013, other hotel projects are not planned for the near future.

To improve the effectiveness of operation, modernisation is under way in inBet Sp. z o.o. which will, in 2015, comprise thermal upgrading of the production hall building (the cost being approximately PLN 450 k).

The Management Board of INPRO SA is of the opinion that the continuation of the Group's activity is not threatened.

7. Statement on compliance with corporate governance in INPRO SA in 2014

a) Corporate governance rules used by the Company

INPRO SA has used the corporate governance rules contained in the document titled "Code of Best Practice for WSE Listed Companies" since the admission of the rights to the shares at the Warsaw Stock Exchange (i.e. 15/02/2011).

The Supervisory Board of the Warsaw Stock Exchange adopted the above-mentioned set of rules in force since 1 July 2010 constituting an appendix to resolution No. 17/1249/2010 of the WSE Council of 19 May 2010. The Exchange Supervisory Board adopted resolution No. 15/1282/2011 on 31 August 2011, and resolution No. 20/1287/2011 on 10 October 2011 on the adoption of amendments to the "Code of Best Practice for WSE Listed Companies", which resolutions become effective on 1 January 2012. On 21 November 2011 the Exchange Supervisory Board adopted resolution No. 19/1307/2012 concerning adoption of amendments to the "Code of Best Practice for WSE Listed Companies," which resolutions became effective on 1 January 2013. The document is available from the official web site of the Warsaw Stock Exchange (www.corp-gov.gpw.pl).

b) The scope in which the Company departed from the set of corporate governance rules referred to in item a), indication of those provisions and explanation of the causes of such departure

The Company departed from the below-mentioned provisions of the corporate governance rules referred to in item a) of the statement:

1) Part I – Recommendations for Best Practice for Listed Companies:

Rule I.9: *"The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business."*

Justification: the main criteria in the selection of a member of the Management Board / Supervisory Board are, first of all, knowledge, experience and skills necessary in the performance of a given function; other factors including sex are not the determinant in the above-mentioned scope. The above rule is applied at every level of employment in the Company (not only in the top level governing bodies) and guarantees the efficient and correct functioning of the Company as well as facilitates the handling of new challenges in business.

Rule I.12: *"A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means."*

Justification: the above rule will not be followed because of high costs of the related services. The Company will consider the possibility of following rule I.12 of the Code of Best Practice for WSE Listed Companies in the future. In the event that the above-mentioned rules are introduced when the Company obtained necessary means and telecommunications and computer devices have complied with the requirements stated in that rule, INPRO SA will immediately give relevant information to the public. In the Company's opinion, that this rule is not followed is not related to any risk as the procedures for the convocation of General Assemblies in compliance with the mandatory provisions of law ensure that the shareholders have the opportunity to participate in the sessions of the Assembly.

2) Part II – Best Practice for Management Boards of Listed Companies

Rule II.1.9a): *"A company should operate a corporate website and publish on it, in addition to information required by legal regulations, a record of the General Meeting in audio or video format."*

Justification: the above rule will not be followed because of high costs of the related services and the need to adapt technical means to service the upload of such a data package. In the Company's opinion, that those rules are not followed is not related to any risk as the procedures for the convocation of General Assemblies in compliance with the mandatory provisions of law ensure that the shareholders have the opportunity to participate in the sessions of the Assembly. Moreover, the Company gives the public all information related to the convocation of a general assembly and all information prescribed by law and related to the course of the sessions of the general assembly. This will make it possible for the shareholders to become familiar with the order of business and the course of the general assembly. The Company will consider the possibility of following rule II.1.9a of the Code of Best Practice for WSE Listed Companies in the future. In the event that the above-mentioned rules are introduced when the Company obtained necessary means and telecommunications and computer devices have complied with the requirements stated in that rule, INPRO SA will immediately give relevant information to the public.

Rule II.2.: *"A company should ensure that its website is also available in English, at least to the extent described in section II.1."*

Justification: The above rule is not and will not be followed because of high costs of the related services. The Company will publish on its website mainly information about the Company, corporate materials and current and periodic reports in English, however, to a smaller extent than under rule II.2 of the Code of Best Practice for WSE Listed Companies. The Company informed about the above as early as in its prospectus. INPRO SA cannot see any negative consequences of non-compliance with the above-mentioned rule.

3) Part IV – Best Practice for shareholders

Rule IV.10.: *"A company should enable its shareholders to participate in a General Meeting using electronic communication means through:*

- 1. real-life broadcast of General Meetings,*
- 2. real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting,"*

Justification: the above rule will not be followed because of high costs of the related services and the need for special technical means to be used. The Company will consider the possibility of following rule IV.10. of the Code of Best Practice for WSE Listed Companies in the future. In the event that the above-mentioned rules are introduced when the Company obtained necessary means and telecommunications and computer devices have complied with the requirements stated in that rule, INPRO SA will immediately give relevant information to the public. In the Company's opinion, that those rules are not followed is not related to any risk as the procedures for the convocation of General Assemblies in compliance with the mandatory provisions of law ensure that the shareholders have the opportunity to participate in the sessions of the Assembly.

c) Description of the main features of internal control and risk management systems in the Company's enterprise with regard to the process of preparation of financial statements and consolidated financial statements

In accordance with the recommendations concerning the credibility and reliability of the financial statements, including the requirements set out in the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information submitted by the issuers of securities [. . .], the Company uses the following control and risk management mechanisms with regard to the process of preparation of financial statements and consolidated financial statements:

- The Company's Management Board is responsible for the correct preparation of financial statements and consolidated financial statements. That is the governing body approving the Company's financial documentation. Materials for the statements are prepared by an organisational unit of the Company's enterprise – the Finance and Accounting Department. That department is involved in, among other things, accounting, the Company's reporting, the Group's consolidated reporting, financial analysis, controlling, and budget preparation. Those tasks are within the powers of various employees of the Finance and Accounting Department. The Department is managed by the Chief Accountant who is also the Finance Director.
- Internal control with regard to accounting documentation is exercised in the following way: invoices are reviewed at the Company's various departments from the activity of which those costs arise (material control), by the Finance and Accounting Department (formal and accounting control) and by the Chief Accountant (approval for payment). Invoices are also reviewed by the Company's Management Board. At the Company, there is also a position for the material control of agreements entered into by the Company.
- A budget and programme broken down by months, both updated on an ongoing basis, are prepared by the Production Department for each property development project pursued by the Company. A site manager on a given project provides the Finance and Accounting Department and the Management Board on a monthly basis with a report containing the value of the works performed at the site in a given month divided into the scope of the works, with information on the progress of various items and of the entire project.
- Every month, the Company's Sales Department prepares a report containing the number and value of agreements concluded and terminated with the acquirers of the premises. The Sales Director makes a programme showing the planned receipt of advances in relation to the purchase of premises and the number of premises delivered to customers in a given month for the purposes of various projects.
- Based on the above-mentioned programmes (production and sales), annual financial plans broken down to various projects are prepared. The financial plan is approved by the Management Board. The plan is reviewed and updated (including from the point of view of monthly reports from the Production and Sales Departments) in the course of the year.
- The Company prepares separate and consolidated financial statements in conformity with the International Financial Reporting Standards ("IFRS") approved by the European Union, the Accounting Act of 29 September 1994, the Regulation of the Minister of Finance of 25 September 2009 on the detailed rules for the preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies and with the Commercial Companies Code. The Company also has the Accounting Policy containing, among other things:
 - The definition of the financial year and reporting periods comprised in it,
 - The definition of the method of keeping the books of accounts (the chart of accounts, the list of the books of accounts, the description of the data processing system),
 - The definition of the system used for the protection of data and its sets, including accounting vouchers, the books of accounts and other documents forming the basis for making entries in those books.
- The Company's accounting system is kept with the help of the Comarch ERP Optima accounting programme. Access to the data in the programme is available

to the specified persons. That software is used for book keeping, making analyses, schedules, financial statements etc. The data obtained owing to the accounting software is analysed every month and then, based on those analyses, decisions in the risk management process are made.

- All financial statements (annual, semi-annual, separate and consolidated) are subject to an audit (review) by an independent statutory auditor.

d) Indication of shareholders holding directly or indirectly large packages of shares, the identification of the number of shares held by those entities, their percentage in the share capital, the number of votes following from those shares and the percentage of votes in the total number of votes at a general assembly

Table 5. Shareholding structure of the Parent Entity as at 31/12/2014

Shareholder	Series	Number of shares	Nominal value	Share in the capital	Number of votes	Share in votes
Piotr Stefaniak	A	8 460 000	846 000	21.13%	8 460 000	21.13%
Zbigniew Lewiński	A	9 460 000	946 000	23.63%	9 460 000	23.63%
Krzysztof Maraszek	A	10 010 000	1 001 000	25%	10 010 000	25%
ING OFE	A	2 100 000	210 000	17.93%	2 100 000	17.93%
	B	5 077 704	507 770		5 077 704	
Shareholders with less than 5% of votes	B	4 932 296	493 230	12.31%	4 932 296	12.31%
		40 040 000	4 004 000	100%	40 040 000	100%

To the Company's best knowledge, no significant changes in the shareholding structure occurred against the status as at 30/06/2014. During the second half of 2014 and until the submission of this report, the shareholders did not advise of any change in the shareholdings in INPRO SA.

e) Holders of securities with special control powers

There are no statutory or contractual provisions allowing special control powers to the holders of securities.

f) Restrictions as to the voting right, such as the restriction in the exercise of the voting right by the holders of a specific part or number of votes, time restrictions concerning the exercise of the voting right or provisions under which, with the Company's cooperation, rights to equity relating to securities are segregated from holding those securities

There are no statutory restrictions in the above regard. The Issuer is not aware of any restrictions with regard to the exercise of a voting right or of any provisions in conformity with which, with the Company's cooperation, the rights to equity under the securities are segregated from holding of securities.

g) Restrictions as to the transfer of the ownership right to the Company's securities

There were no restrictions in that regard in 2014.

h) Rules of appointment and dismissal of managers and their powers, in particular the right to take a decision on the issue or buyout of shares

In conformity with the Company's Statutes, the Company's Management Board consists of one to three members appointed for the common term of office of five years. In the case of the Management Board consisting of one person, the only Member of the Management Board shall fulfil the function of the President of the Management Board. If the Management Board consists of more than one person, it includes the President and two Vice-Presidents or members of the Management Board depending on a resolution by the Supervisory Board. The Members of the Management Board shall be appointed and dismissed by the Supervisory Board; dismissal may, however, take place for important reasons only. The mandates of the Members of the Management Board shall expire on the day of holding a General Assembly approving the financial statements for the last full financial year of the function of the Member of the Management Board being fulfilled.

The following shall be authorised to make statements on behalf of the Company:

- a) In the case of the Management Board consisting of one person – the President of the Management Board,
- b) in the case of the Management Board consisting of more than one person – two Members of the Management Board acting jointly or a Member of the Management Board acting jointly with a proxy.

In conformity with the By-laws of the Management Board, that body is authorised to adopt resolutions on matters not reserved for the General Assembly and the Supervisory Board, in particular to:

- 1) contract obligations and dispose of rights;
- 2) prepare proposals regarding development and investment trends for submission to the Supervisory Board for approval;
- 3) make an annual report, the balance sheet and income statement;
- 4) make and accept on behalf of the Company the statements of will on property matters in compliance with the provisions of the Company's Statutes and mandatory provisions of law;
- 5) approve candidacies for managerial positions and for members of Supervisory Boards of subsidiaries and related entities;
- 6) enter into and termination of contracts of employment with the Company's employees and fix their remuneration, following approval by an appropriate committee of the Supervisory Board;
- 7) give opinions on and approve internal by-laws;
- 8) give opinions on proposals concerning the creation or liquidation of branch offices and on participation in other companies;
- 9) prepare relevant documents and draft resolutions proposed to be adopted by the Supervisory Board and the General Assembly;
- 10) fix the agenda of a session of the General Assembly;
- 11) establish and cancel the power of procuration and powers of attorney in conformity with the provisions of the Commercial Companies Code, the Civil Code and of the Company's Statutes;
- 12) approve the organisational by-laws of the Company;
- 13) prepare draft by-laws of the Management Board.

The by-laws provide for the following two reservations regarding the power of the Management Board to contract obligations and dispose of rights:

- The acquisition, transfer and encumbrance of real estate by the Management Board requires consent from the Supervisory Board if the value of real estate or encumbrance thereon exceeds 20,000,000.00 (twenty million) zlotys.
- Prior to the Company concluding a significant agreement with a related entity, the Management Board is obliged to request approval of that agreement by the Supervisory Board, except standard transactions on market conditions, within the

operating activities pursued by the Company with a subsidiary in which the Company has a majority share.

The Management Board is not empowered to take a decision on the issue or buyout of the shares.

The remaining rules concerning the procedure for the activity of the Management Board are set out in its by-laws available from the Company's website.

The rules specified above are binding on both 31 December 2014 and as at the date of making this statement.

i) Description of the rules concerning the amendment of the Company's Statutes

An amendment to the Company's Statutes requires a resolution of the General Assembly and an entry in the register. An amendment to the Statutes is submitted to the registration court by the Company's Management Board. The General Assembly may authorise the Supervisory Board to establish the consolidated text of the amended Statutes of the Company or to introduce other amendments, of an editorial character, as specified in the resolution of the Assembly. Amendments to the Company's Statutes are binding upon registration in the register of entrepreneurs.

The rules specified above are binding on both 31 December 2014 and as at the date of making this statement.

j) The way of operation of the General Assembly and its basic powers, and the description of the shareholders' rights and the way of their exercise, in particular the rules following from the by-laws of the General Assembly if adopted, unless relevant information follows directly from the provisions of law

The rules for the convocation and activity of the General Assembly of the Company are set out in the Commercial Companies Code, the Company's Statutes and the By-laws of the General Assembly (the full title: The By-Laws of the General Assembly of Inpro Spółka Akcyjna with its registered office in Gdańsk).

In conformity with the Company's Statutes, the General Assembly shall hold its sessions as an ordinary or extraordinary assembly. The Ordinary General Assembly shall be held within six months of the end of each financial year. The General Assembly shall be held in a locality which is the Company's registered office. The General Assembly may be held also in a locality which is the registered office of a company running a stock exchange at which the Company's shares are traded. The detailed procedure for the activity of the General Assembly, and the rules for its sessions and adoption of resolutions are set out in the By-Laws of the General Assembly (available from the Company's website).

The powers of the General Assembly shall include, in particular:

- 1) Consideration and approval of the report of the Management of the Company's activity and of the financial statements for the previous financial year,
- 2) Acknowledgement of the fulfilment of duties by the members of the Management Board and Supervisory Board,
- 3) Division of profit or the determination of the ways of financing the losses,
- 4) Provisions concerning the claims for redress of damage occasioned upon the Company's formation, administration or supervision,
- 5) Amendment to the Company's Statutes,
- 6) Transfer and leasing of an enterprise or its organised part and establishing limited right in property on them,

- 7) Issue of convertible bonds or with the priority right or the issue of subscription warrants,
- 8) Acquisition of own shares in the case specified in Article 362 § 1 item 2 of the Commercial Companies Code, and giving the power to acquire those shares in the case specified in Article 362 § 1 item 8 of the Commercial Companies Code,
- 9) Merger, division, transformation, dissolution and liquidation of the Company,
- 10) Appointment and dismissal of the members of the Supervisory Board and fixing their remuneration,
- 11) Approval of the by-laws of the Supervisory Board,
- 12) Making other decisions referred to in the provisions of law.

The resolutions of the General Assembly shall be adopted by the absolute majority of votes, no matter the number of shares represented at the Assembly, unless the provisions of law provide otherwise.

The Company's Management Board shall fix the place and date of the General Assembly to enable the greatest possible number of shareholders to participate in the sessions. The programme of work in the organisation of General Assemblies shall be planned in such a way that the obligations before the shareholders are properly complied with and they have the opportunity to exercise their rights.

The Company's shareholders shall exercise their rights in a way and within the limits set out by the universally binding provisions of law, the Company's Statutes and the By-Laws of the General Assembly.

A Shareholder who is a natural person may participate in the General Assembly and exercise the voting right personally or through an attorney in fact. The power of attorney shall specify the number of shares under which the attorney in fact exercises the voting right.

A Shareholder who is a legal person or an organisational unit not having legal personality may participate in the General Assembly through a person authorised to make statements of will on behalf of such a Shareholder or through an attorney in fact. To demonstrate the right to represent a legal person or an organisational unit not having legal personality at the General Assembly, one shall produce an up-to-date extract from a relevant register, in the original or a copy certified by a notary, legal advisor or solicitor.

The power of attorney shall be given in writing or in the electronic form. If the authenticity or validity of a document confirming the power to appear at the General Assembly gives rise to the doubts of the Company's Management Board (during the preparation of the list of shareholders or its draft) or of the Chairperson of the General Assembly, they may order that the document be checked from that point of view.

The rules specified above are binding on both 31 December 2014 and as at the date of making this statement.

k) Personal composition and changes during the last financial year, and the description of operation of managing and supervising bodies and their committees

Status as at 31/12/2014:

The Management Board

- a) personal composition

Piotr Stefaniak

- President of the Management Board

Krzysztof Maraszek
Zbigniew Lewiński

- Vice-President of the Management Board
- Vice-President of the Management Board

There were no changes in the composition of the Company's Management Board during the last financial year.

b) description of the governing body's functioning

The rules for appointment and dismissal of the members of the Management Board and its powers were described in item h) of this Statement.

The Management Board shall manage the Company's affairs and represent it outside i.e. exercise all powers with regard to the Company's management except the powers reserved for the other governing bodies by the provisions of law, the Company's Statutes or other regulations in force at the Company.

The resolutions of the Management Board shall be adopted by the majority of votes; if the number of votes is equal, the President of the Management Board shall have the casting vote.

The Management Board may, without consent from the General Assembly and Supervisory Board, perform activities consisting in the acquisition by the Company, the transfer by it and encumbrance with limited rights in property the Company's real estate or right of perpetual usufruct of land. In conformity with the Statutes, the Supervisory Board must give consent to the performance by the Management Board of those activities, however, if the value of real estate or right or an encumbrance on it exceeds PLN 20,000,000.00 (twenty million zlotys).

Moreover, the Supervisory Board must give approval of the conclusion by the Company's Management Board of a significant agreement with a related entity. The above-mentioned obligation is not imposed on standard transactions effected on market conditions, within the operating activities pursued by the Company with a subsidiary in which the Company has a majority share.

The detailed procedure for the activity of the Management Board is set out in its by-laws available from the Company's website.

The rules specified above are binding on both 31 December 2014 and as at the date of making this statement.

The Supervisory Board:

a) personal composition

Jerzy Glanc	- Chairman of the Supervisory Board
Krzysztof Gąsak	- Member of the Supervisory Board
Szymon Lewiński	- Member of the Supervisory Board
Szymon Lewiński	- Member of the Supervisory Board
Wojciech Stefaniak	- Member of the Supervisory Board

There were no changes in the composition of the Company's Supervisory Board during the last financial year.

In conformity with the resolutions of the Company's General Assembly of 11 June 2014, in relation to the expiry of the term of office of the Supervisory Board members, the same persons were appointed for the next term of office. The first session of the Company's Supervisory Board took place on 9 July 2014. It is at that session that the

Board was constituted and the various members of that governing body were allocated the functions previously fulfilled by them.

b) description of the governing body's functioning

The Supervisory Board shall consist of five to seven members elected by the General Assembly for the common term of office lasting 3 years. The mandate of the Member of the Supervisory Board shall expire, at the latest, on the day of holding a General Assembly approving the financial statements for the last full financial year of the function of the Member of the Supervisory Board being fulfilled. Moreover, the mandate expires as a result of death or resignation of the member of the Board.

The Supervisory Board shall adopt resolutions by the absolute majority of votes. If the number of votes is equal, the Chairperson shall have the casting vote.

The Supervisory Board shall adopt resolutions if at least one half of its members are present, and all members were invited.

The Supervisory Board shall exercise permanent supervision over the Company's activity in all its areas in conformity with the Company's Statutes, the Commercial Companies Code and other legal acts. In particular, the Supervisory Board shall:

- a) evaluate financial statements and reports of the Management Board of the Company's activity with regard to their conformity with the books and documents, as well as the actual state of affairs, and proposals of the Management Board concerning the division of profits or the financing of losses, and submit to the General Assembly an annual written report on the results of such evaluation.
- b) approve the by-laws of the Company's Management Board,
- c) conclude agreements with the members of the Company's Management Board, fix the remuneration of the President and Members of the Management Board, and the rules concerning bonuses, as well as exercise other powers following from the employment relationship in relation to the members of the Company's Management Board,
- d) suspend various or all members of the Management Board in their activities for important reasons, and delegate the members of the Supervisory Board to perform on a temporary basis the activities of the Members of the Management Board who are unable to perform their activities,
- e) express consent to the payment of advances towards the forecast dividend,
- f) express consent to the performance by the Management Board of activities consisting in the acquisition, transfer and encumbrance of real estate or the perpetual usufruct right if the value of such real estate or right or an encumbrance on it exceeds 20,000,000.00 (twenty million) zlotys.
- g) make once a year and present to the Ordinary General Assembly a concise assessment of the Company's situation, with the significant risk management system taken into account;
- h) make once a year and present to the Ordinary General Assembly an assessment of the work of the Supervisory Board;
- i) consider and give opinion on matters which are to be the objects of the resolutions of the General Assembly.

The Supervisory Board shall give approval of the conclusion by the Company's Management Board of a significant agreement with a related entity. The above-mentioned obligation is not imposed on standard transactions effected on market conditions, within the operating activities pursued by the Company with a subsidiary in which the Company has a majority share.

At least two members of the Supervisory Board must be independent of the Company and entities related with it.

The Supervisory Board shall elect a statutory auditor conducting an audit of the Company's financial statements.

The detailed procedure for the activity of the Supervisory Board is set out in its by-laws available from the Company's website.

The rules specified above are binding on both 31 December 2014 and as at the date of making this statement.

In 2014 and at present, the audit committee or any other committees were not established within the Supervisory Board. In relation to the fact that the Supervisory Board consists of 5 members, the tasks of the audit committee prescribed in Article 86 par. 7 of the Act of 7 May 2010 on statutory auditors and their self-government, on entities authorised to audit financial statements and on public supervision are performed by the Supervisory Board. The following members of the Supervisory Board meet the condition of independence of the Company and its related entities: Mr Jerzy Glanc and Mr Krzysztof Gąsak. In compliance with Article 86 par. 4 of the Act of 7 May 2010 on statutory auditors and their self-government, on entities authorised to audit financial statements and on public supervision, Mr Gąsak has the skills in accounting or financial audit.

8. Consolidated financial statements and rules for their preparation

Rules for the preparation of consolidated financial statements

The consolidated financial statements were prepared on the assumption that the Group companies will be able to continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, no circumstances indicating a threat to the Group companies to continue as a going concern are found.

These annual consolidated financial statements were prepared in conformity with the International Financial Reporting Standards ("IFRS") approved by the European Union.

Whereas the Parent Entity prepares financial statements in conformity with the IFRS, other entities within the Group keep the books of accounts in conformity with the rules and practices widely used by Polish enterprises, i.e. in conformity with the Accounting Act of 29 September 1994, the Regulation of the Minister of Finance of 25 September 2009 on the detailed rules for the preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies and with the Commercial Companies Code.

Companies comprised by consolidation

The following companies were comprised by direct consolidation with INPRO SA for the period from 01/01/2014 to 31/12/2014:

- 1) inBet Sp. z o.o. – by means of the full consolidation method,
- 2) Dom Zdrojowy Sp. z o.o. – by means of the full consolidation method,
- 3) Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o. – by means of the full consolidation method,
- 4) Hotel Mikołajki Sp. z o.o. – by means of the full consolidation method.

Statement of total income

In 2014 the INPRO Capital Group achieved revenues from sales of approximately PLN 147.7 m, that is 17% lower than in the previous year, with a simultaneous drop in net profitability by 2 pp. (from 8% to 6%). The reduction of profits is related to the property development cycle – in 2014 INPRO SA and PB DOMESTA Sp. z o.o. delivered fewer flats

than in the previous year (334 units compared to 468). At the same time, a lower margin was realised on the delivered flats because of strong competition on the market.

The total level of the management and sales costs remained at the level close to that in 2013.

The increase of both the revenues and costs of other operating activities was related to damage occurring after some hotel rooms in the Mikołajki Hotel were flooded and relevant compensation paid.

The financial costs increased considerably compared with the previous period in relation to higher credit exposure of INPRO SA in refinancing working capital credits and in view of the first full year of the repayment of interest on the total debt of the Mikołajki Hotel in relation to the credit financing the construction of the hotel and apartment complex.

Consolidated statement of the financial position

In the period presented, the main change in the asset structure is the decrease of the share of fixed assets against current assets; the cash position increased considerably (more than five times); thus the share of that item in the balance sheet total amounted to 10% (compared to 2%).

In the structure of equity and liabilities, in relation to 2013, an increase in the share of short-term liabilities in the balance sheet total can be clearly seen (because of the oncoming date of repayment of the bonds and credit agreements). In relation to that, the share of fixed capital in the balance sheet total decreased (from 83% to 70%).

The most significant item among short-term assets is inventory (land with construction expenditure on projects under way); in terms of short-term liabilities, those are trade and other liabilities (advances paid towards the purchase of premises).

Key ratios characterising the financial and economic position of the INPRO SA Capital Group in 2014 and 2013 have been presented below.

Table 6. Ratios characterising the financial position of the INPRO SA Capital Group for 2014 and 2013

Ratio	Way of calculation	2014	2013
Net profitability	Net profit (loss) * 100% / Sales revenues	6%	8%
Return on sales	Gross profit (loss) on sales * 100% / Sales revenues	23%	22%
Net return on assets (ROA)	Net profit (loss) * 100% / Total assets	2%	5%
Return on equity (ROE)	Net profit (loss) * 100% / Equity	4%	7%
Current liquidity	Current assets / Short-term liabilities	2.42	3.86
Cash to liability ratio	(Current assets - inventory) / Short-term liabilities	0.51	0.30
Trade receivables turnover in days	Final state of trade receivables * 360 / Sales revenues	12	4
Trade liabilities turnover in days	Final state of trade liabilities * 360 / Cost of sales	42	46
Inventory turnover in days	Final state of inventory * 360 / Cost of sales	672	520
Asset structure	Fixed assets * 100% / Current assets	38%	49%
Asset financing structure	Equity * 100% / Total assets	56%	63%
Sustainability of financing	(Equity + long-term liabilities) / Total assets	70%	83%
Net debt ratio	(Financial debt - cash and cash equivalents) / Equity	26%	29%

The Group's financial situation described above is confirmed in the ratio analysis. As it follows from the data presented, receivables turnover ratios decreased, and the liabilities and inventory turnover ratios increased in 2014 compared to 2013. The financing structure ratios went down, but they are still correct. Current liquidity decreased, and quick liquidity increased. Profitability ratios are lower than in the previous year.

9. Events with significant influence on the Capital Group's activity and financial results

Key factors influencing the Group's financial performance in 2014:

- In total, the Group sold 421 flats and houses net (in the meaning of preliminary agreements, with terminated ones taken into account), including INPRO SA with 350 premises. That result is almost identical to the Group's result in the previous year (418 units). The gross value of flats sold by the Group in the period under review was approximately PLN 177 m, which was lower by 3% than the value achieved in 2013. Such a significant level of the sales was related to the good structure of the Group's sales offer on the one hand, and to general tendencies on the property development market, as described in item 4 of the Report of the Management Board, on the other. It should be emphasized that if it were not for the prolonged banking procedures relating to the opening of an escrow account for the Wróbla Staw Multi-Family Buildings stage I, the level of sales could have been higher than in the record year 2010 (426 agreements).
- in relation to the specific nature of the property development cycle, the revenues from operations are posted after approximately 2 years from the commencement of a property development project, following receipt of the occupancy permit and delivery of the premises to the buyers. During the entire year 2014, INPRO placed the following projects in service: Czwarty Żagiel (November), Wróbla Staw Multi-Family Buildings stage III (October) and the total of 12 single-family houses at the Wróbla Staw and Golf Park estates. Przedsiębiorstwo Budowlane Domesta Sp. z o.o. delivered two buildings Nos. 11 and 13 at the Osiedle Leszczynowe estate in 2014. The Group's turnover also increased because of the revenues from the delivery of 4 apartments in the hotel and apartment building on the island in Mikołajki. The number of flats delivered in the reporting period is lower than in the previous year (a 29% decrease compared to 2013). Consequently, the revenues generated on property development activity went down as well. Despite a high level of advanced sales (understood as the volume of the signed property development/preliminary agreements) in buildings competed in 2014, the number of the premises delivered to customers was lower than expected by the Company. A vast majority of the customers paid the full amount for the purchase of the premises as late as in 2015, a fact which objectively prevented the delivery of those premises to the customers last year. In view of strong competition on the Tri-city property development market, the net profitability level decreased.
- improvement of the profitability of the Dom Zdrojowy company because of extension by 24 hotel rooms and because of good weather in the summer holiday period,
- 2014 was the first full year of the activity of Hotel Mikołajki Sp. z o.o., a fact which directly influenced the Group's revenues.

In the subsequent years, the Group's financial performance will be affected, first of all, by the following:

- the development of the property development market with special consideration for its competitiveness (a growing offer of flats),
- regulatory activities of the government, in particular the endorsement in September 2013 of the act concerning the "Flat for Young People" programme, recommendation S3 becoming effective, and work on the update of the property development act,
- the announcement that PLN 5 b will be allocated to the creation of a flat-to-let fund by BGK,
- the banks' policy in mortgage loans, readiness to offer escrow accounts and credits for developers,
- the macroeconomic situation in Poland and in the world (confirmation by the Central Statistical Office of an increase of the economic growth pace).

10. Assessment of the management of the Group's financial resources

The management of the resources of the INPRO SA Capital Group is focused on ensuring the financial liquidity of all entities in the Group, including first of all in the property

development activity. For the Group, the crucial factor is the provision of finance for each project under way and keeping liquidity ratios at a safe level.

The Group's present liquidity ratios indicate its stable and safe financial situation and capacity to meet liabilities. The INPRO Group has a low net debt ratio compared to the property development trade.

Group companies analyse their financial assets and payment obligation on an ongoing basis.

Owing to the various property development projects being financed by credit, despite difficulties on the market from time to time, the Company pays its trade liabilities on time.

There has been no case of late payment in relation to credit agreements in the Company's history so far.

The Capital Group has been working with various banks on a long-term basis (risk diversification) to ensure the financing of both investing and current activities.

11. Assessment of the capacity to implementation contemplated construction projects with regard to the funds at hand and to possible changes in the financial structure of the activity

Property development projects are characterised by a long cycle and thus considerable expenditure at the preparation and construction stage, with a cash surplus occurring not sooner than after 12 months from the start of construction works. The Group attempts to manage each project in such a way that the positive cash flow is achieved as quickly as possible, therefore land purchase (and the costs of construction in the majority of cases as well) is co-financed with bank credits.

Property development projects are financed with funds from own assets, bank credits, from advances paid by customers towards the purchase of premises and from the issue of debt securities. The Management Board of INPRO channels its efforts into making the credit maturity structure match, first of all, the period of implementation of various projects.

It should be noted that INPRO and its subsidiaries have full capacity to finance projects now under way.

12. Information on basic products of the INPRO SA Capital Group

In 2014, the main source of income for the Group was the sale of residential and commercial premises and residential buildings as part of property development projects in modern technology available on the domestic market, in line with the profitability principle in using new solutions. The remaining sources of income from the sale of the Group's products are as follows: manufacture of hardware and of semi-precast floor slabs, and the hotel activity.

The sales revenue structure is presented in the following table:

Table 7. Capital Group's sales revenues by category (PLN '000)

Description	2014	Share (%)	2013	Share (%)	Change %
1. Sales revenues, including:	147 732	100%	178 348	100%	-17%
a. manufacture of hardware and semi-precast concrete floor slabs	1 713	1%	2 009	1%	-15%
b. hotel activity	22 241	15%	12 397	7%	79%
c. property development activity	123 778	84%	163 942	92%	-25%

The Group offers the following range of products (the property development activity refers):

- Multi-family buildings (flats and apartments) divided as follows:
 - Apartments – high standard flats in the inner city centre (of the Tri-City) or in popular holiday and tourist resorts, in buildings with up to 100 flats, with the price of 1 m² above PLN 10,000. Example: apartments in Mikołajki, the Kwartał Kamienic;
 - Increased standard flats – those built to an increased standard, in an attractive location in the city centre (of the Tri-City), at enclosed estates provided with a security service, with recreational grounds, a basement garage and outdoor car parks. Average prices per 1 m² from PLN 5,000 to PLN 8,500. Examples: Czwarty Żagiel, Chmielna Park, City Park;
 - Popular flats – those in good standard, located off the city centre, with recreational grounds and ground-based car-parks. Average prices per 1 m² from PLN 3,800 to PLN 6,500. Examples: Wróbla Staw multi-family buildings, the Osiedle Leszczynowe estate.
- Single-family houses – detached, semi-detached and terraced houses, at enclosed estates, with recreational grounds, with garages and ground-based car-parks. Examples: Wróbla Staw single-family houses, Golf Park.

Flats in the increased standard and popular flats segment are provided in the so-called "builder's finish," which means that the customer finishes the flat (provides internal doors, floor panelling, sanitary ware, wall and floor terra-cotta tiles) on his or her own. The so-called "turn-key" finish comprising the majority of finishing works is offered in selected apartment locations.

In 2014, the Group pursued the following housing projects:

1. Golf Park – Tuchom – an estate of 83 detached and semi-detached houses by the lake in Tuchom in the vicinity of Gdynia. Usable residential area – 14,590 m²; segment: single-family houses. The following stages are being implemented at the moment:
 - Stage A (the number of houses – 23, the usable residential area – 4,053 m²) – the first houses obtained an occupancy permit in October 2011, the last ones will be placed in service by September 2015;
 - Stage B (the number of houses – 22, the usable residential area – 3,918 m²) – the first houses obtained an occupancy permit in June 2013, the last ones will be placed in service by September 2015;
2. The Wróbla Staw single-family houses – an estate situated in the Jasień district in Gdańsk, Jasieńska street, by lake Wróbla Staw. The estate is divided into 4 stages, at which 84 detached and semi-detached houses will be built; the usable residential area is 12,346 m²; segment: single-family houses. The following stages were being implemented in 2014:
 - Stage D (the number of houses – 20, the usable residential area – 2,755 m²) – the works commenced in the fourth quarter of 2013; the last houses will be placed in service in the second quarter of 2015;
3. City Park – in Gdańsk Zaspą, a complex of six residential buildings with a service and shopping section. The number of premises – 515, the usable residential area – 27,564 m², segment: increased standard flats. The following stages were implemented in 2014:
 - Buildings E and F (the number of premises – 179, the usable residential area – 9,264 m²) – the construction works commenced in the third quarter of

2013, the scheduled completion of the works on building E in the 2nd quarter of 2015, on building F in the third quarter of 2015,

4. Czwarty Żagiel – Gdańsk Przymorze, a seventeen-storey residential building situated 1.5 km from the sea. The number of premises – 144, the usable residential area – 7,778 m², segment: increased standard flats. Construction works commenced in the first quarter of 2013, the building was placed in service in November 2014.
5. Wróbla Staw multi-family buildings - an estate situated in the Jasień district in Gdańsk, Jasieńska street, by lake Wróbla Staw. The estate is divided into 3 stages, at which 14 multi-family buildings will be built. The number of premises – 320, the usable residential area - 17,406 m², segment: increased standard flats (available as part of the Flat for Young People programme. The following stages are being implemented at the moment:
Stage III – 4 multi-family buildings (the number of premises – 93, the usable residential area – 5,270 m²) – construction works commenced in the third quarter of 2013, the construction finished in October 2014.
Stage II – 5 multi-family buildings (the number of premises – 109, the usable residential area – 6,079 m²) – construction works commenced in the second quarter of 2014, the scheduled completion of the works in the third quarter of 2015.
Stage I – 5 multi-family buildings (the number of premises – 118, the usable residential area – 6,054 m²) – construction works commenced in the fourth quarter of 2014, the scheduled completion of the works in the fourth quarter of 2015.
6. Chmielna Park – Gdańsk, the Granary Island, a complex of three residential and commercial buildings. The number of premises – 306, the usable residential area – 17,723 m², segment: increased standard flats. The following stages were being implemented in 2014:
Building B (the number of premises – 117, the usable residential area – 6,097 m²) – the works commenced in the fourth quarter of 2013, the scheduled completion of the works in the third quarter of 2015,
7. Osiedle Leszczynowe estate (Domesta) – Gdańsk Jasień; the number of premises – 577; the usable residential area 31,530 m²; segment: popular flats. The following buildings are being built at the moment:
Building No. 11 (the number of premises – 33, the usable residential area – 1,832 m²) – the building placed in service in June 2014;
Building No. 12 (the number of premises – 48, the usable residential area – 2,714 m²) – scheduled for placing in service in the second quarter of 2015;
Building No. 13 (the number of premises – 28, the usable residential area – 1,534 m²) – the building placed in service in November 2014;
Building No. 14 (the number of premises – 24, the usable residential area – 1,240 m²) – scheduled for placing in service in the fourth quarter of 2015.

Additionally, INPRO SA as the main contractor carried out, upon order from the Gdańsk University of Technology, the refurbishment of rooms in the Main Library of that University and the refurbishment of the entrance hall with side corridors in the Main Building. The works were completed in September 2014.

13. Sales markets and distribution channels

In 2014 the INPRO Group sold 100% its products and services on the domestic market, mainly in Gdańsk.

Customers for the services

INPRO SA has the greatest contribution to the Group's sales – the Company's sales are 68% of those of the entire Group.

The whole of the sales of INPRO's products is targeted at retail customers: natural persons and business entities. No permanent group of customers can be distinguished. Owing to that fact, one cannot speak of the Company being dependent on any of its customers; that is because of the diversification into a numerous, variable and ever-changing group of customers.

In 2014 none of the Group's customers had a higher share than 4% of the revenues from sales.

Sales are effected through the following distribution channels:

- the sales and marketing department at the Company's registered office,
- sales outlets at project sites:
- cooperation with selected intermediaries,
- sales through the Internet.

In 2014 INPRO did not have branch offices (establishments) in which activity was conducted.

Service suppliers

In the opinion of the Management Board, the Group is not dependent on suppliers. In 2014, the share of the biggest supplier was not bigger than 7% of the Group's costs of sales, however, in the opinion of the Management Board, the Group can always replace the present suppliers. Moreover, construction works, services or deliveries are provided by entities each time selected by way of tender or tender enquiries. Owing to such a policy, the Group has a considerable influence on the range of goods and services on offer, their quality, price and timely performance.

It should be emphasized that the Group is somewhat independent of third party subcontractors owing to its own construction capacity i.e. the Construction Division of INPRO SA (a group of approximately 80 skilled workers; the scope of works done by them comprises building substructures).

14. Information on significant agreements for the Capital Group's activity

The Group considers agreements to be significant if their value exceeds 10% of INPRO's equity as at 31/12/2014, that is exceeds 20,360,965.08 zlotys.

Construction work agreements

On 16/06/2014 the Company signed an agreement for the comprehensive extension of the English Pub (to include apartment number A.2.1.4) in the building of the "Mikołajki Hotel*****" on the Birds' Island in Mikołajki, with the deadline for completion of the works being 05/07/2014. The value of the agreement does not exceed 10% of equity. The agreement was described in current report No. 24/2014 of 17/06/2014.

On 17/09/2014 the Company signed with Hotel Mikołajki Sp. z o.o. an agreement for the construction of an enclosed foot bridge connecting the Birds' Island in Mikołajki with the peninsula, with the deadline for completion of the works being 31/05/2016. The value of the agreement does not exceed 10% of equity. The agreement was described in current report No. 35/2014 of 17/09/2014.

Land purchase agreements

On 28/10/2014 an agreement was signed with a natural person for the transfer of the title to plots of land located in Gdynia, Strzelców street, of the area of 20,110 m² for PLN 12,000,000.00.

Land sale agreements

In 2014, the INPRO SA Capital Group did not enter into significant land sale agreements.

Financial agreements

In 2014, the INPRO SA Capital Group did not enter into significant financial agreements.

Other agreements

As part of its activity, the Group concluded the following significant agreements not described in previous items:

1. On 20/01/2014 the Company's Management Board signed annexe No. 2 to agreement No. 4359/2011 of 01/08/2011 with Hotel Mikołajki Sp. z o.o. for the construction in the main contracting system of the Hotel and Apartment Complex at land situated in Mikołajki, Okrężna street, and on the Birds' Island. The annexe was concluded as several additional works were done as specified in variation order requests and, in accordance with the annexe, the total remuneration of INPRO SA as the contractor was set at PLN 71,184,685.43 net, and the deadline for additional works at 31/01/2014. The annexe was described in current report No. 4/2014 of 20/01/2014.
2. On 12/03/2014 INPRO SA signed with Hotel Mikołajki Sp. z o.o. an offset agreement of 11/03/2014 for a loan of PLN 13,025 k described in item 17 of the Report. The offset agreement was described in current report No. 10/2014 of 12/03/2014;
3. To secure the bank's claims of PLN 15,000 k under a credit agreement, on 26/03/2014 the Company concluded an agreement for the transfer of rights under the construction risks property insurance policy for the residential and commercial complex in Gdańsk, the City Park estate, with the consortium of Bank Polskiej Spółdzielczości SA with its registered office in Warsaw and Powiślański Bank Spółdzielczy w Kwidzynie with its registered office in Kwidzyn. The agreement was described in current report No. 12/2014 of 26/03/2014;
4. To secure the bank's claims of PLN 8,200 k under a credit agreement, on 23/06/2014 the Company concluded with Alior Bank SA with its registered office in Warsaw the agreement for the transfer of rights under the fire and other misfortunes property insurance policy for the building in the Kwartał Kamienic project (the assignment concerns the share of INPRO SA in the insurance agreement). The agreement was described in current report No. 25/2014 of 24/06/2014;
5. To secure the bank's claims of PLN 11,000 k under a credit agreement, on 27/06/2014 the Company concluded with the consortium of SGB - Bank SA with its registered office in Poznań and Bank Spółdzielczy w Tczewie with its registered office in Tczew the agreement for the transfer of rights under the construction risks property insurance policy for the construction of stage II of the Wróbla Staw multi-family buildings. The agreement was described in current report No. 26/2014 of 27/06/2014;
6. On 29/07/2014 Hotel Mikołajki Sp. z o.o. signed a letter of intent with mLeasing Sp. z o.o. regarding the sale and lease-back lease of the complex of premises and land of the Mikołajki Hotel 4* in Mikołajki. The letter was described in current report No. 28/2014 of 30/07/2014.
7. To secure the bank's claims of PLN 25,474 k under a credit agreement, on 14/08/2014 the Company concluded with Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw the agreement for the transfer of rights under the construction risks insurance policy for the building in Gdańsk, Chmielna street. The agreement was described in current report No. 31/2014 of 14/08/2014;
8. On 29/09/2014 INPRO SA signed with Hotel Mikołajki Sp. z o.o. an agreement for abolishing the joint ownership of the plots of land covered by land and mortgage register No. OL1M/00026392/3 and located in Mikołajki. The agreement was described in current report No. 36/2014 of 30/09/2014;
9. On 10.10.2014 Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o. concluded an operating lease agreement with Volkswagen Leasing GMBH Sp. z o.o., Branch Office in Poland, with its registered office in Warsaw, the object of that

agreement being an AUDI Q5 worth PLN 182 k. The agreement was concluded for 24 months;

10. On 06/11/2014 the Company entered into annexe No. 3 to agreement No. 4359/2011 of 01/08/2011 with Hotel Mikołajki Sp. z o.o. for the construction in the main contracting system of the Hotel and Apartment Complex at land situated in Mikołajki, Okrężna street, and on the Birds' Island.

The annexe was concluded following arrangements between the parties about the reduction of the substantive scope of the agreement by way of exclusion from that scope of the works consisting in the redevelopment by the Company of Aleja Spacerowa in Mikołajki. The annexe was described in current report No. 40/2014 of 07/11/2014;

11. To secure the bank's claims of PLN 10,000 k under a credit agreement, on 04/12/2014 the Company concluded with Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw the agreement for the transfer of rights under a property insurance policy (concerning the Company's registered office). The agreement was described in current report No. 44/2014 of 04/12/2014.

Cooperation agreements

In 2014 the INPRO SA Capital Group did not enter into significant cooperation agreements with other entities other than the agreements described above.

15. Information on significant transactions effected by INPRO SA or a subsidiary with related entities on conditions other than market conditions

All the transactions by the Company or its subsidiaries with related entities were entered into on market conditions.

The description of transactions with related entities was presented in note 33 of the Group's consolidated financial statements for 2014.

16. Information on credits and loans incurred

Credits terminated

No credit agreements were terminated in the reporting period 2014 or in the period from the balance sheet date to the date of this Report of the Company's activity.

Credits incurred

The following credit agreements were concluded in 2014:

1. On 07/02/2014 INPRO SA signed with Alior Bank SA with its registered office in Warsaw a working capital credit agreement for PLN 4,300,000 for the refinancing of a part of expenditure for the purchase land designated for residential and commercial development in Gdańsk, Al. Jana Pawła II / Rzeczypospolitej streets. The agreement was described in current report No. 6/2014 of 07/02/2014;
2. On 07/03/2014 Dom Zdrojowy Sp. z o.o. signed an overdraft agreement with Bank Polska Kasa Opieki SA for PLN 500 k with the validity date of 28/02/2015. The security for the repayment of the credit includes, among other things, a registered pledge on the set of movable things being hotel equipment of the book value of PLN 716,362.65 and a letter of support issued by INPRO SA. In that letter, in addition to the general provisions pertaining to the support of the subsidiary by INPRO SA so that no financial institution working with the subsidiary will incur a loss in relation to such cooperation, the Company undertook to advise the bank of the sale of the whole or part of the shares of Dom Zdrojowy Sp. z o.o

with sufficient notice. The purpose is to enable the bank to reconsider the financing in question at its convenience;

3. On 26/03/2014 INPRO SA signed a working capital credit agreement for PLN 15,000,000 with a consortium of Bank Polskiej Spółdzielczości SA with its registered office in Warsaw and Powiślański Bank Spółdzielczy w Kwidzynie with its registered office in Kwidzyn. The credit is designated for the financing of a part of the construction of the City Park estate in Gdańsk, buildings E and F. The agreement was described in current report No. 12/2014 of 26/03/2014;
4. On 23/06/2014 INPRO SA signed with Alior Bank SA with its registered office in Warsaw a working capital credit agreement for PLN 8,200,000 for the refinancing of a part of expenditure for the construction of 6 commercial premises and 3 residential premises in the Kwartał Kamienic project. The agreement was described in current report No. 25/2014 of 24/06/2014;
5. On 27/06/2014 INPRO SA signed with the consortium of SGB – Bank SA with its registered office in Poznań and Bank Spółdzielczy w Tczewie with its registered office in Tczew a working capital credit agreement for PLN 11,000,000.00 for the financing of the costs of construction of stage II of Wróbla Staw multi-family buildings in Gdańsk Jasień. The agreement was described in current report No. 26/2014 of 27/06/2014;
6. On 14/08/2014 INPRO SA signed with Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw the revolving working capital credit agreement for PLN 25,473,873.00 for the financing of the construction of building B at the Chmielna Park estate in Gdańsk. The agreement was described in detail in current report No. 31/2014 of 14/08/2014;
7. On 30/10/2014 the Company signed a working capital credit agreement for PLN 8,000,000.00 for the partial refinancing of the costs of purchase of land located in Gdynia, Wielkopolska street, with the consortium of SGB Bank SA with its registered office in Poznań and Kaszubski Bank Spółdzielczy w Wejherowie with its registered office in Wejherowo. The agreement was described in current report No. 38/2014 of 30/10/2014;
8. On 17/11/2014 Hotel Mikołajki Sp. z o.o. signed an operating lease agreement with PKO Leasing SA with its registered office in Łódź, the object of lease being an organic waste disposal device of the net value of PLN 157 k. The agreement was described in current report No. 42/2014 of 18/11/2014;
9. On 04/12/2014 INPRO SA signed a working capital overdraft agreement for PLN 10,000,000.00 with Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw. The agreement was described in detail in current report No. 44/2014 of 04/12/2014.

Credits repaid

The Group repaid the following credits in 2014:

1. On 23 January 2014 the Company effected the full early repayment of the working capital credit in the amount of PLN 6,000,000 granted by Powszechna Kasa Oszczędności Bank Polski SA in 2012 for the financing of the costs of construction of the Chmielna Park project, building A;
2. On 14 April 2014 the Company effected the full early repayment of the working capital credit in the amount of PLN 20,000,000.00 granted by Powszechna Kasa Oszczędności Bank Polski SA in 2013 for the partial refinancing of the costs of construction of residential and commercial premises at the Kwartał Kamienic project.

3. On 26 June 2014 inBet Sp. z o.o. effected the full repayment of the overdraft facility granted by BNP Paribas Bank Polska SA in 2008. The credit agreement expired on 26/08/2014.
4. On 31 December 2014 the Company effected the full early repayment of the working capital credit in the amount of PLN 22,500,000 granted by Powszechna Kasa Oszczędności Bank Polski SA in 2013 for the financing of the costs of construction of the Czwarty Żagiel project;

The following changes took place in credit agreements in 2014:

1. On 07/02/2014 the Company signed annexe No.2 to the working capital credit agreement with Alior Bank SA for the financing of the costs of the construction of Wróbla Staw stages B and C single family houses in Gdańsk Jasień. Based on the annexe, the provisions concerning the proceeds on the bank account were revised (the required limit reduced).
2. On 24/02/2014 inBet Sp. z o.o. signed an annexe to the overdraft agreement for PLN 200 k with BNP Paribas Bank Polska SA. Based on the annexe, the credit availability period was extended until 26/08/2014; it was also agreed that the credit limit would be reduced by PLN 25 k on days on which interest is due each month, commencing from 05/03/2014.
3. On 26/03/2014 the Company signed with Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw an annexe to the working capital credit agreement for the financing of the construction of the Czwarty Żagiel project in Gdańsk. On the basis of the annexe, the credit use period was extended from 31/03/2014 to 30/06/2014, and the repayment programme was adjusted to that change, with the final repayment date of 17/03/2016 retained.
4. On 31/07/2014 INPRO SA signed with Powszechna Kasa Oszczędności Bank Polski SA an annexe to the working capital credit agreement for the financing of the construction of the Czwarty Żagiel project in Gdańsk. On the basis of the annexe, the credit use period was extended from 30/06/2014 to 31/12/2014, and the repayment programme was adjusted to that change, with the final repayment date of 17/03/2016 retained. The annexe was described in current report No. 29/2014 of 31/07/2014.
5. On 30/12/2014 Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o. concluded annexe No. 3 to the overdraft agreement for PLN 1,000,000 with Bank Polska Kasa Opieki SA. Based on the annexe, the credit availability period was extended until 31/12/2015.

Detailed information concerning the structure of credit agreements as at 31/12/2014 is included in note No. 29 of the Group's consolidated financial statements for the financial year 2014.

Loans incurred

INPRO SA did not take any loan-related liabilities in the financial year 2014.

17.Information on loans granted in the financial year

No agreement was terminated in the reporting period.

INPRO SA as the parent company granted the following loans in 2014:

Table 8. The structure of loans granted by INPRO SA in 2014 (PLN)

Borrower	Date of the loan agreement	Value in PLN	Term	Repayment	Current debt	Interest rate
Hotel Mikołajki Sp. z o.o.	11/03/2014	13 025 170.25	Until 31/01/2028	1 x 13 025 170	13 025 170.25	3M WIBOR + margin
inBet Sp. z o.o.	08/08/2014	300 000.00	Until 31/12/2014	1 x 300 000	0.00	3M WIBOR + margin
TOTAL		13 325 170.25			13 325 170.25	

18. Information on sureties and guarantees granted and received in the financial year

The Company did not receive any sureties in 2014 or give any new guarantees.

On 24/07/2014 the Company signed annexe No. 1 to the performance insurance and defect liability guarantee of 29/11/2013 constituting security for the agreement signed with the Gdańsk University of Technology for the development of design documentation and the refurbishment of rooms in the Main Library and for the refurbishment of the entrance hall with side corridors in the Main Building. Based on the annexe, extended was the validity of the performance guarantee (from 05/10/2014 to 22/10/2014) and of the defect liability guarantee (from 21/10/2017 to 06/11/2017) and the guarantee sums were increased to PLN 657,017.29 (from PLN 602,085) and PLN 197,105.19 (from PLN 180,625.50) respectively.

INPRO SA received the following guarantees in 2014:

1. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 145,300,00 with the expiry of 30/06/2014;
2. performance guarantee from Gastro Tech PUH J. Przybyłowski in the amount of PLN 17,437.71 with the expiry date of 29/12/2016;
3. the warranty and quality guarantee from MENARD POLSKA Sp. z o.o. in the amount of PLN 16,000 with the expiry of 01/10/2018;
4. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 80,865.00 with the expiry of 20/09/2014;
5. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 80,865.00 with the expiry of 20/02/2015.

19. Description of the utilisation of proceeds from the issue of securities in the period covered by the report

The Company did not issue any new securities in 2014.

On 20/01/2014, however, two thousand series A bonds of the nominal value of PLN 20,000 k, issued by INPRO SA on 14/08/2013 on the basis of the agreement with Bank Gospodarki Żywnościowej SA of 06/08/2013, were introduced into the alternative trading system on the Catalyst. The first day of quotation was set for 24 January 2014.

The issue of the bonds was described in current report No. 36/2013 of 14/08/2013.

20. Information on pending proceedings concerning the liabilities or receivables of INPRO SA or its subsidiaries

In the reporting period, none of the following proceedings were pending before a court, a body competent for arbitration proceedings or a public administrative body:

- proceedings concerning INPRO's or its subsidiary's liabilities or receivables whose value would be at least 10% of the Company's equity;

- two or more cases of proceedings concerning liabilities or receivables whose total value is at least 10% of the Company's equity respectively.

21. Difference between the financial performance indicated in the annual report and forecasts for a given year published previously

The Company did not publish financial forecasts for 2014.

22. Unusual factors and events which may affect the profit or loss

No unusual factors and events affecting the profit or loss for the financial year were noted in 2014.

23. Group's activity during the financial year 2014

In view of the fact that the property development activity is the main activity of the Group, the major achievements of INPRO SA and PB DOMESTA Sp. z o.o. will be presented below:

Buildings placed in service in 2014:

Table 9. Buildings placed in service in 2014 by INPRO SA and PB DOMESTA Sp. z o.o

Project	Decision on the occupancy permit	Number of premises	Kind of project
Gdańsk, Wróbla Staw Multi-Family Buildings, stage III Four buildings (Bażantowa street)	October 2014	93	Increased standard flats
Gdańsk, Czwarty Żagiel (Olsztyńska street)	November 2014	144	Increased standard flats
Tuchom, the Golf Park estate	October 2014	4	Single-family houses
Gdańsk, the Wróbla Staw estate (Jasieńska street)	December 2014	8	Single-family houses
Gdańsk, the Osiedle Leszczynowe estate – building No. 11	June 2014	33	Popular flats
Gdańsk, the Osiedle Leszczynowe estate, building No. 13	November 2014	28	Popular flats

Sales (understood as the number of preliminary sales agreements gross) at various projects in 2014:

Table 10. Sales by INPRO SA with Hotel Mikołajki Sp. z o.o. and PB DOMESTA Sp. z o.o. by project in 2014

Project	Number of flats sold gross	Kind of project
Gdańsk, the Nowiec estate	1 (100% accumulative)	Single-family houses
Gdańsk, Wróbla Staw – single-family houses Stages B, C, D	8 (86.4% accumulative)	Single-family houses
Tuchom, Golf Park, stages A and B	2 (66.6% accumulative)	Single-family houses
Gdańsk, Kwartał Kamienic The hotel in Mikołajki	7 (88.3% accumulative) 7 (74.9% accumulative)	Apartments Apartments
Gdańsk, Brętowska Brama	1 (100% accumulative)	Increased standard flats
Gdańsk, City Park, buildings A - B	1 (100% accumulative)	Increased standard flats
Gdańsk, City Park, buildings C - D	14 (100% accumulative)	Increased standard flats
Gdańsk, City Park, buildings E - F	105 (72.6% accumulative)	Increased standard flats

Gdańsk, Trzy Żagle, buildings A-C	2 (100% accumulative)	Increased standard flats
Gdańsk, Chmielna Park, building A	7 (88.3% accumulative)	Increased standard flats
Gdańsk, Chmielna Park, building B	58 (48% accumulative)	Increased standard flats
Gdańsk, Czwarty Żagiel	86 (73.9% accumulative)	Increased standard flats
Wróbla Staw multi-family buildings, stage III	40 (80% accumulative)	Increased standard flats
Wróbla Staw multi-family buildings, stage II	75 (58.6% accumulative)	Increased standard flats
Gdańsk, the Jabłoniowa estate, stage II	1 (100% accumulative)	Popular flats
Gdańsk, the Osiedle Leszczynowe estate, buildings 9, 10, 11, 12, 13 (DOMESTA)	78	Popular flats
TOTAL GROSS SALES	408 pcs (Inpro) +7 pcs (Hotel Mikołajki) +78 pcs (Domesta) = 493 pcs	

24. Important development factors and prospects

The most important internal factors influencing the current activity include:

- attractive and diversified housing offer targeted at several customer segments, including premises comprised by the Flat for Young People programme,
- the quality and timely performance of housing projects,
- offer concerning various customer financing programmes for the purchase of premises,
- the marketing policy,
- the flexibility in pricing the premises, in the layout of buildings, additional services (interior design, deficiencies etc.),
- long-term cooperation with banks (ease of obtaining finance and signing an open escrow account).

The following may be counted among the most important external factors affecting the Group:

- the macroeconomic situation in Poland and in the world
- the development of the property development market with special consideration for its competitiveness (a growing offer of flats),
- regulatory activities of the government, in particular the endorsement in September 2013 of the act concerning the "Flat for Young People" programme, recommendation S3 becoming effective, and work on the update of the flat acquirers' rights protection act,
- the possibility of procurement of various administrative decisions and permits,
- the policy of the National Bank of Poland concerning interest rates on the banking market,
- the policy pursued by the banks financing the developers and flat buyers,
- improvement of the situation in the hotel trade.

The forecasts about the Group's development taking into account the factors mentioned above and the risks relating to the property development activity as described in item 5 indicate that the sales level in 2015 will be at least 10% higher than in 2014. This is because of a greater number of projects planned to be placed in service as part of INPRO SA's activity.

In accordance with the Company's strategy, further expansion is assumed onto the market of flats in good locations, of good quality and at a reasonable price, which market

has turned out to be better adapted to the recently observed fluctuations of the business outlook, primarily owing to the opportunities to purchase premises under the "Flat for Young People" programme.

The Company reviewed building permit designs of the proposed projects as the demand for cheaper and smaller flats in the various size categories continues to exist.

Intensive work is being carried out on the procurement of new sites ensuring the further development of the enterprise.

At the beginning of the current year 118 flats from stage I of the Wróbla Staw multi-family buildings were introduced into the offer. INPRO SA is also planning to launch the sale of the first 90 flats in the very attractively located project in Gdańsk Oliwa, Grunwaldzka street (land purchased from TVP SA). Other sales plans of the Group for 2015 include:

- Chmielna Park, building C at the Granary Island (130 premises)
- Kwatera Uniwersytecki in the Przymorze district in Gdańsk (175 premises);
- an estate in Gdynia, Wielkopolska street (100 premises);
- Wróbla Staw single-family houses, stage H (18 houses);
- Golf Park in Tuchom (36 houses);
- Osiedle Leszczynowe estate, buildings Nos. 14 (24 premises) and 17 (28 premises).

The Group is planning to introduce 719 new flats and houses into its offer in 2015.

25. Changes in the basic rules of enterprise management

No substantial changes in the basic rules of enterprise management at the INPRO Capital Group occurred during 12 months of 2014.

26. Agreements entered into with managers, which provide for compensation

In the reporting period, no agreement were concluded between INPRO SA and managers, which provide for compensation in the event of their resignation or dismissal without an important cause or when recalling or dismissal of such persons takes place because of a business combination by acquisition.

The members of the Company's Management Board constitute a partnership called INPRO MANAGEMENT Zbigniew Lewiński, Krzysztof Maraszek i Piotr Stefaniak. Under the management agreement (of 29 December 2008), for the performance of the Manager's duties, in 2014 that partnership received the monthly remuneration of PLN 150,000 net and additional remuneration payable if the Company achieves profit in a given calendar year and if the Company's General Assembly approves the financial statements. The notice provided for in the agreement is three months.

27. Remuneration, prizes and benefits for each of the persons managing and supervising the Company

In 2014 the value of the remuneration, prizes and benefits paid, due or potentially due separately to each of the persons managing and supervising the Company is as follows.

Table 11. Remuneration paid to the members of governing bodies of INPRO SA in 2014 (PLN)

		In the Company	Remuneration in relation to the employment relationship in INPRO SA	Dividends paid in 2014	In other entities in the Group
1	MANAGEMENT BOARD – remuneration on the basis of the civil law agreement with Inpro Management s.c.				
	Piotr Stefaniak	651 811		846 000	

	Krzysztof Maraszek	651 811		946 000	
	Zbigniew Lewiński	651 811		1 001 000	
	TOTAL	1 955 433		2 793 000	
2.	SUPERVISORY BOARD IN THE GROUP				
	Piotr Stefaniak				39 600.00
	Krzysztof Maraszek				39 600.00
	Zbigniew Lewiński				39 600.00
	TOTAL				118 800.00
3	SUPERVISORY BOARD OF INPRO SA				
	Jerzy Glanc	17 000.00			
	Krzysztof Gąsak	14 000.00			
	Robert Maraszek	12 000.00	166 499.50		
	Wojciech Stefaniak	7 600.00			
	Szymon Lewiński	7 600.00	27 642.72		
	TOTAL	58 200.00	194 142.22		
	TOTAL	2 013 633	194 142.22	2 793 000	118 800.00

28. Total number and nominal value of all stock (shares) in the Company and of stock and shares in related entities, held by persons managing and supervising the Company

The shareholdings of the members of the Management Board and Supervisory Board of INPRO SA as at 31/12/2014 were as follows:

Table 12. Members of the Management Board holding shares of INPRO SA as at 31/12/2014

	Shares Number of shares	Shares Nominal value
Management Board		
Piotr Stefaniak – President of the Management Board	8 460 000	PLN 846 000.00
Zbigniew Lewiński – Vice-President of the Management Board	9 460 000	PLN 946 000.00
Krzysztof Maraszek – Vice-President of the Management Board	10 010 000	PLN 1 001 000.00
Total	27 930 000	PLN 2 793 000.00

The members of the Management Board did not hold stock (shares) in other entities of the Group.

To the best of the Company's knowledge, the members of the Supervisory Board did not hold stock (shares) in any entity of the Group.

It should be noted that the entities related to INPRO SA are as follows:

- Hotel Oliwski Sp. z o.o., a company personally related through Mr Piotr Stefaniak – 162 shares of the nominal value of PLN 10,000 each. In November 2013 Mr Piotr Stefaniak bought from 54 shares of the nominal value of PLN 10,000 each from Mr Krzysztof Maraszek and 54 shares of the nominal value of PLN 10,000 each from Mr Zbigniew Lewiński thus obtaining the total of 100% of the shares in that entity's capital (PLN 1,620,000),
- Przedsiębiorstwo Instalacyjne "ISA" Sp. z o.o., a personally related entity through Mr Piotr Stefaniak (90 shares of the nominal value of PLN 200 each), Mr Krzysztof Maraszek (90 shares of the nominal value of PLN 200 each) and Mr Zbigniew Lewiński (90 shares of the nominal value of PLN 200), jointly holding 67.5% of the shares in that entity's capital (PLN 80,000),

- INPRO MANAGEMENT Zbigniew Lewiński, Krzysztof Maraszek i Piotr Stefaniak Spółka Cywilna – a partnership established by the members of the Company's Management Board to perform the manager's duties.

29. Information on agreements known to the Company as a result of which changes in the proportion of shares held by current shareholders may take place in the future

The Company is not aware of any agreements as a result of which changes in the proportion of shares held by current shareholders may take place in the future.

30. Information on the employee share control system

There is no employee share ownership plan at the Company.

31. Information on agreements with an entity authorised to audit and review financial statements

On 08/04/2014 INPRO SA signed an agreement for the following with Audytorium Biegli Rewidenci Grabowski, Pigoń Spółka Partnerska with its registered office in Gdańsk – an entity authorised to audit the financial statements:

- a) the review of the interim separate financial statements of INPRO SA for the period 01/01/2014-30/06/2014; remuneration: PLN 11,000.00,
- b) the review of the interim consolidated financial statements of the INPRO SA Group for the period 01/01/2014-30/06/2014; remuneration: PLN 15,000.00,
- c) the audit of the separate financial statements of INPRO SA for the period 01/01/2014-31/12/2014; remuneration: PLN 21,000.00,
- d) the audit of the consolidated financial statements of the INPRO Group for the period 01/01/2014-31/12/2014; remuneration: PLN 15,000.00.

Moreover, the following agreements were concluded with Audytorium Biegli Rewidenci Grabowski, Pigoń Spółka Partnerska with its registered office in Gdańsk for the audit of the financial statements of subsidiaries comprised by the Capital Group:

- a) inBet Sp. z o. o. – on 08/04/2014 for the audit of the annual financial statements as at 31/12/2014, made to the Polish Accounting Standards; remuneration: PLN 10,000.00,
- b) Dom Zdrojowy Sp. z o. o. – on 08/04/2014 for the audit of the annual financial statements as at 31/12/2014, made to the Polish Accounting Standards; remuneration: PLN 10,000.00,
- c) PB Domesta Sp. z o. o. – on 07/04/2014 for the audit of the annual financial statements as at 31/12/2014, made to the Polish Accounting Standards; remuneration: PLN 14,000.00,
- d) Hotel Mikołajki Sp. z o. o. – on 08/04/2014 for the audit of the annual financial statements as at 31/12/2014, made to the Polish Accounting Standards; remuneration: PLN 9,000.00,

On 03/07/2013 INPRO SA signed an agreement for the following with Audytorium Biegli Rewidenci Grabowski, Pigoń Spółka Partnerska with its registered office in Gdańsk – an entity authorised to audit the financial statements:

- a) the review of the interim separate financial statements of INPRO SA for the period 01/01/2013-30/06/2013; remuneration: PLN 9,000.00,
- b) the review of the interim consolidated financial statements of the INPRO SA Group for the period 01/01/2013-30/06/2013; remuneration: PLN 9,000.00,
- c) the audit of the separate financial statements of INPRO SA for the period 01/01/2013-31/12/2013; remuneration: PLN 19,000.00,
- d) the audit of the consolidated financial statements of the INPRO Group for the period 01/01/2013-31/12/2013; remuneration: PLN 12,000.00.

All the amounts given above are net.

32. Achievements in research and development

The Group did not pursue any activities in research and development in the period in question.

33. Acquisition of own shares

During 12 months of the financial year 2014 INPRO SA did not effect any transaction concerning the acquisition of own shares.

34. Description of significant off-balance sheet items

In the reporting period, there were not other significant off-balance sheet items other than those described above.

35. Material events after the balance sheet date

- a) On 16/01/2015 INPRO SA signed with SGB – Bank SA a working capital credit agreement for PLN 9,500 k for the financing of the construction of stage III of Wróbla Staw multi-family buildings. Based on the annexe, the Bank expressed consent to organising entries in division four of land and mortgage registers for real estate at which the project was being implemented, in relation to the effected division of plots by means of land surveying methods.
- b) On 08/01/2015 the Management Board of Hotel Mikołajki Sp. z o. o. issued an official letter to mLeasing Sp. z o.o. with an explanation of the reasons why further talks concerning the finance lease of the real estate constituting the five-star Mikołajki Hotel in Mikołajki and the signing of the lease agreement were abandoned. The letter of intent concerning the transaction and concluded by the parties was described in current report No. 28/2014 of 30/07/2014.
- c) On 26/01/2015 the Management Board of INPRO SA adopted a resolution on the premature total buyout of 2,000 bonds introduced into the alternative trading system on the Catalyst market. The Management Board specified that the date of fixing the rights to benefits under the bonds would be 03/03/2015, and the date of payment of those benefits would be 11/03/2015.
- d) On 28//01/2015 the Management Board of INPRO SA signed a preliminary purchase agreement with four natural persons for land located in Gdańsk, Stężycka street. The agreement was described in current report No. 5/2015 of 29/01/2015.
- e) On 05/02/2015, upon request from the Company, there came to an ended the period of using the working capital credit for funding the costs of construction of the City Park estate, buildings E and F, such credit obtained in the consortium of the following banks: BPS SA with its registered office in Warsaw and Powiślański Bank Spółdzielczy w Kwidzynie with its registered office in Kwidzyn. The first premature partial repayment of the credit took place on 09/03/2015.
- f) On 23/02/2015 the Company's Supervisory Board adopted resolution No. 3/2015 on the basis of which the monthly fixed remuneration of the INPRO SA's manager, that being Messrs: Zbigniew Lewiński, Krzysztof Maraszek and Piotr Stefaniak, the partners in a partnership called INPRO MANAGEMENT, was increased to PLN 210,000 net effective from 01/03/2015 i.e. by the amount of PLN 60,000 net in relation to the amount binding previously.
- g) On 25/02/2015 INPRO SA as the lender signed with Hotel Mikołajki Sp. z o.o. as the borrower a short-term loan agreement for PLN 2,000,000.00 with the

- repayment deadline on 31/03/2015. The agreement was described in current report No. 8/2015 of 26/02/2015.
- h) On 25/02/2015 the building permit for the construction of the Kwartał Uniwersytecki estate in Gdańsk became valid in law.
 - i) As from 26/02/2015, trading in series A bonds quoted on the Catalyst market, was suspended in relation to the planned full premature buyout.
 - j) On 26/02/2015 INPRO SA signed with the consortium of banks: SGB – Bank SA and Bank Spółdzielczy in Tczew a working capital credit agreement for PLN 5 m for financing the costs of construction of stage I of Wróbla Staw Multi-Family Buildings. The credit agreement was described in current report No. 9/2015 of 27/02/2015.
 - k) On 28/02/2015 Dom Zdrojowy Sp. z o.o. effected the full repayment of the overdraft facility in the amount of PLN obtained from Bank Polska Kasa Opieki SA.
 - l) On 05/03/2015 the Gdańsk-North District Court in Gdańsk, 3rd Land and Mortgage Register Division, recorded in division IV of land and mortgage register No. GD1G/00268666/5 two contractual real estate mortgages, the first up to the sum of PLN 7,000 k and the other one up to PLN 3,000 k, on the assets of INPRO SA of considerable value, such mortgages constituting a legal security for the repayment of the credit in the amount of PLN 5,000 k granted by the consortium of banks: SGB-Bank S.A. and Bank Spółdzielczy in Tczew, as described in item i) above.
 - m) On 11/03/2015 INPRO SA effected the full premature buyout of 2,000 bonds of the nominal value of PLN 10,000 each, registered in the alternative trading system on the Catalyst market.
 - n) On 19/03/2015 BondSpot SA decided to withdraw 2,000 bonds issued by INPRO SA, of the nominal value of PLN 10,000 each, from trading on the Catalyst market.

Piotr Stefaniak – President of the Management Board	Krzysztof Maraszek – Vice- President of the Management Board	Zbigniew Lewiński – Vice- President of the Management Board

Gdańsk, 23/03/2015