



**REPORT OF THE MANAGEMENT BOARD
OF THE ACTIVITY OF THE GROUP OF
INPRO SA
IN 2015**



GDAŃSK, 21 MARCH 2016

Approval
of the report of the Management Board of the
activity
of the INPRO SA Group
in 2015

Gdańsk, 21 March 2016

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

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1. Basic information

INPRO SA (the "Company," "Parent Entity") is the parent entity of the INPRO SA 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 22/03/2011.

The main object of the INPRO SA Group is the construction and sale of residential and commercial real estate (the Company 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.),
- plumbing and heating systems (PI ISA Sp. z o.o.).

2. Group structure

The structure of the Group, and the Company's contribution as at 31/12/2015 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 Group as at 31/12/2015 – entities comprised by full consolidation

Entity	Registered office	Share in the share capital	Share capital PLN	Object
inBet Sp. z o.o. (previously: RUGBY Prefabrykaty Sp. z o.o.)	Kolbudy	72%	9 695 672	Manufacture of concrete, reinforced concrete and steel elements
Dom Zdrojowy Sp. z o.o.	Jastarnia	100%	19 140 385	Hotel services
Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o.	Gdańsk	59.57%	300 800	Property development activity (popular flats)
Hotel Mikołajki Sp. z o.o.	Mikołajki	100%	15 780 000	Hotel services
Przedsiębiorstwo Instalacyjne ISA Sp. z o.o.	Gdańsk	76.92%	80 000	Plumbing and heating systems

In the reporting period ended on 31 December 2015:

1) The composition of the INPRO SA Group changed as follows:

- a) 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, Mr Andrzej Meronk, to subscribe for the newly created shares. The capital was covered in 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 was 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.
- b) On 14/05/2015 the Extraordinary General Meeting of inBet Sp. z o.o. adopted a resolution under which the company's share capital was increased from PLN 6,331,192 to PLN 9,331,168, i.e. by the sum of PLN 2,999,976, by way of creation of 53,571 new shares of the nominal value of PLN 56 each, with the exclusion of the right of priority of a shareholder, Mr Andrzej Meronk, to subscribe for the newly created shares. The capital was covered in 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 119,980 i.e. 72% in the share capital. The increase of the capital was registered by the National Court Register on 17/06/2015.
- c) On 21/05/2015 the Extraordinary General Meeting of Dom Zdrojowy Sp. z o.o. adopted resolution No. 1/2015 on the change of the company's registered office to the following address: 84-140 Jastarnia, ul. Tadeusza Kościuszki 2A. The change of the registered office was registered by the National Court Register on 22/06/2015.

- d) On 21/05/2015 the Extraordinary General Meeting of Hotel Mikołajki Sp. z o.o. adopted resolution No. 1/2015 on the change of the company's registered office to the following address: 11-730 Mikołajki, Al. Spacerowa 11. The change of the registered office was registered by the National Court Register on 16/07/2015.
- e) On 27/05/2015 the sale agreement was concluded under which INPRO S.A. bought from Mr Cyprian Maj 20 shares of the nominal value of PLN 800 each in Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o. Following the registration of the agreement by the National Court Register, INPRO SA holds in PB DOMESTA Sp. z o.o. 224 shares of the total value of PLN 179,200, that amount constituting 59.57% of the share capital. The change in the shareholding structure was registered in the National Court Register on 27/08/2015.
- f) On 01/07/2015 the Company entered into three purchase agreements for the total of 270 shares in Przedsiębiorstwo Instalacyjne ISA Sp. z o.o. with its registered office in Gdańsk. On the basis of the signed agreements INPRO S.A. purchased 90 shares at the nominal value of PLN 200 each from each of the members of the Management Board of INPRO S.A., that is from Mr Piotr Stefaniak, Mr Krzysztof Maraszek and Mr Zbigniew Lewiński. After the purchase of the shares, INPRO S.A. holds in PI ISA Sp. z o.o. the total of 270 shares of the nominal value of PLN 54,000, such shares granting jointly 76.92% of the capital of that entity (PLN 80,000). The purchase agreement was registered in the National Court Register on 07/09/2015.
- g) On 09/07/2015 the Extraordinary General Meeting of Hotel Mikołajki Sp. z o.o., on the basis of resolution No. 5/2015, imposed the obligation on the sole shareholder (that is INPRO SA) to contribute a returnable additional payment to capital in the amount of PLN 2,227.48 per share held, that is the total amount of PLN 35,149,634.40. The additional payments contributed on 09/07/2015 were designated for the repayment of outstanding liabilities in relation to unpaid invoices for the main contracting of the construction of the hotel in Mikołajki and for the repayment of subordinate loans granted by INPRO SA.
- h) On 17/09/2015 the Extraordinary General Meeting of inBet Sp. z o.o adopted a resolution under which that company's share capital was increased from PLN 9,331,168 to PLN 9,695,672, i.e. by the amount of PLN 364,504, by way of creation of 6,509 new shares of the nominal value of PLN 56 each. New shares were subscribed for in the following way: INPRO SA subscribed for 4,687 shares of the total value of PLN 262,472, and Mr Andrzej Meronk subscribed for 1,822 shares of the total value of PLN 102,032. The capital was covered in cash and subscribed for by INPRO SA and Mr Andrzej Meronk as appropriate with regard to the shares subscribed for. After the registration of the capital increase, the number of shares held by INPRO SA in the company is 124,667 shares, which continue to constitute 72% of the share capital. The resolution was registered in the National Court Register on 04/11/2015.

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 31/12/2015, 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 31/12/2015

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%

The Group's total equity as at 31/12/2015 was PLN 228,816,843.55.

Table 4. Shareholding structure of the Parent Entity as at 21/03/2016

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 30/06/2015. During the second half of 2015 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

The real GDP increase in Poland in 2015 was even higher than a year before (3.6 per cent compared to 3.3 per cent). 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 (the average gross remuneration increased in 2015 by 4.2 per cent against the previous year). According to preliminary estimates by the Central Statistical Office, the unemployment rate went down in 2015 and deflation retained, and the Consumer Price Index was 99.1% y/y.

Assessment of the situation in property development¹

Again, in accordance with the report by REAS consulting company: the property development trade has gone through an exceptionally good year in its history. Moreover, buyers wishing to use the last months in which it was possible to obtain credit with 10% buyer's equity contribution. Demand was stimulated by several factors such as relatively stable prices of flats, deflation, advantageous interest rates for borrowers, and the growth of income. The "Flat for Young People" ("MDM") programme also had significant influence on the sales as companies adjusted their offer to the programme rules well.

In 2015 developers placed 51,900 flats or 9% 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 51,800 premises i.e. 20% more than in the whole of 2014 were sold.

The number of flats on sale as at the end of December 2015 in the six agglomerations was 47,800, a 4% increase against the end of 2014.

The Tri-City new flats market in 2015 behaved in a similar way to the markets in the biggest Polish agglomerations, the only difference being that the average gross price of the flats on offer increased considerably i.e. by 6.7% y/y. As in previous years, the Tri-City market was one of the biggest beneficiaries of the MDM programme (the number of applications for an additional payment towards flats being sold increased by 31%).

In the sales offer in the Tri-City, there were 1.1% fewer premises than in the previous year.

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

2015 was a very good year for Polish hotels. Many of them noted record profits in their history. It follows from the research that for 68% of the hotels 2015 was better than 2014. The occupancy rate in hotels in the biggest cities increased by 3–5%, and also the average price in the majority of them went up by 3–4%. This was related to the increase of the RevPAR index by 6–12%.

According to STR Global, the business outlook in the Polish hotel trade improved considerably in 2015, and will probably be even better in 2016. Those opinions are based not only on growing economy which provides hotels with business and tourist guests, who are sure of their increasing salaries, but also, quite unexpectedly, on the geopolitical situation. Poland is becoming a country which is more and more willingly chosen for relaxation by both Poles and foreigners owing to the fact that it is perceived one of the safest places, even in Europe itself. The significant development of transport infrastructure is an additional factor.

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.

¹ This data is based on the report titled the Housing Market in Poland by REAS, the 4th quarter 2015, and on the company's sources.

² Data based on the Company's own research and presented by the Hotelarz monthly.

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 may influence the growth of competition on the property development market, which requires: the adjustment of the offer to market conditions (including price reduction), more intense implementation of projects, takeover of skilled workers and, possibly, moving the business off the Tri-City. The above factors may cause a cost increase and thus 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 the development of the INPRO SA 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 2011-2015 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, the Group does not plan other hotel projects for the near future.

The upgrade strategy for the production plant of inBet Sp. z o. o. will be continued in 2016 – the first changes made in 2015 brought with them positive results, clearly seen at the level of net profit of that subsidiary.

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 2015

a) Corporate governance rules followed by the Company in 2015

In 2015 INPRO SA followed the corporate governance rules binding in that year and contained in a document titled the "*Code of Best Practice for WSE Listed Companies*" except for those described in point b) below.

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 "*Code of Best Practice for WSE Listed Companies*" is available from the official web site of the Warsaw Stock Exchange (https://www.gpw.pl/dobre_praktyki_spolek_regulacje).

The Company used those rules from the moment when the rights to the Company's shares were allowed on the Warsaw Stock Exchange (i.e. 15/02/2011) to 31/12/2015.

INPRO S.A. informs that the document followed by it from 1 January 2016 is the "*Code of Best Practice for WSE Listed Companies 2016*" attached to Resolution No. 26/1413/2015

of the Stock Exchange Council of 13 October 2015, which became effective on 1 January 2016 (*the document is available from the official web site of the Warsaw Stock Exchange, www.corp-gov.gpw.pl*), and the relevant information is provided in point I) of this statement.

b) The scope in which the Company departed from the set of corporate governance rules in the „Code of Best Practice for WSE Listed Companies” referred to in item a), indication of those provisions and explanations of the reason for the departure.

In 2015 the Company departed from the below-mentioned provisions of the corporate governance rules in the „Code of Best Practice for WSE Listed Companies” 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 was not 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 was not 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 makes 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 was not and will not be followed because of the 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 was not followed because of the 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 separate 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 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 accounts are 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 31/12/2015

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 30/06/2015. During the second half of 2015 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 2015.

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 2015 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 2015 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 2015 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 31/12/2015:

The Management Board

a) **personal composition**

Piotr Stefaniak	- President of the Management Board
Zbigniew Lewiński	- Vice-President of the Management Board
Krzysztof Maraszek	- 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 the right of perpetual usufruct of land. In conformity with the Statutes, the Supervisory Board must, however, give consent to the performance by the Management Board of those activities if the value of real estate or that 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 2015 and as at the date of making this statement.

The Supervisory Board:

a) personal composition in 2015

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.

On 18 December 2015 the Management Board of INPRO SA received a statement from a Member of the Supervisory Board, Mr Robert Maraszek, on resignation from his function as a member of the Supervisory Board effective on 31 December 2015.

The resignation does not contain any reasons.

In relation to the above, on 18/12/2015 the Supervisory Board, while taking advantage of its power under clause 10 item 2 of the Company's Statutes, adopted resolution No. 35/2015 on the basis of which the Supervisory Board elected Mr Łukasz Maraszek new Member of the Supervisory Board.

Mr Łukasz Maraszek was appointed member of the Supervisory Board for the period from 01/01/2016 to the election of a new Member of the Supervisory Board by the nearest General Assembly.

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 the death or resignation of the Member of the Board.

In conformity with clause 2 item 2 of the Company's Statutes, in the event that the membership in the Supervising Personnel expires as a result of resignation or due to ill-fated reasons, the Supervisory Board may elect a new member, who shall perform his or her activities until election by the nearest General Assembly.

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 a 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 2015 and as at the date of making this statement.

In 2015, In 2015 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.

I) Additional information on compliance with the rules and principles contained in the Best Practice for WSE Listed Companies 2016 from 1 January 2016

At the same time INPRO S.A. with its registered office in Gdańsk informs that, while meeting the obligation set out in §29 par. 3 of the By-Laws of the Warsaw Stock Exchange (WSE), on 1 January 2016 INPRO S.A. published a report on compliance with the new "*Code of Best Practice for WSE Listed Companies 2016*" attached to Resolution No. 26/1413/2015 of the Stock Exchange Council of 13 October 2015, which became effective on 1 January 2016 (*the document is available from the official web site of the Warsaw Stock Exchange, www.corp-gov.gpw.pl*). Fulfilling its obligation set out in Rule I.Z.1.13, INPRO S.A. published current information on compliance by the Company with the principles and recommendations contained in the "*Best Practice for WSE Listed Companies 2016*" on its web site:

(<http://www.inpro.com.pl/relacje-inwestorskie/lad-korporacyjny/oswiadczenia-spolki-o-stosowaniu-ladu-korporacyjnego>)

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.

The Parent Entity prepares separate and consolidated financial statements in conformity with the IFRS, and the other entities within the Group keep their books in conformity with the principles and practices generally used by Polish enterprises – 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 01/01/2015 to 31/12/2015:

- 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,
- 5) Przedsiębiorstwo Instalacyjne ISA Sp. z o.o. – by means of the full consolidation method.

Statement of total income

In 2015 the INPRO SA Group achieved revenues from sales of approximately PLN 211 m, i.e. 43% higher than in the previous year, with a simultaneous double increase of net profitability (from 6% to 12%). The improvement of profits was related to the property development cycle – in 2015 INPRO SA and PB DOMESTA Sp. z o.o. delivered significantly more flats than in the previous year (556 units compared to 334), with a higher margin on sales.

The total level of the management and sales costs was approximately 17% higher than in 2014. In 2015, more new projects were launched and more projects completed, a fact related to higher operating costs. Additionally, the management costs in 2015 included the costs of PI ISA Sp. z o.o. (approximately PLN 1 m), which was not a part of the Group in 2014 (INPRO SA bought shares in PI ISA Sp. z o.o. in July 2015).

The high level of operating costs is due to, among other things, a deposit paid towards the security of the purchase of an apartment in Mikołajki, which purchase was not effected yet. The costs of other operating activities in 2015 are lower than in the year with which they are compared, as the damage due to the flooding of some rooms in the Mikołajki Hotel was booked in the costs in 2014.

The financial costs decreased considerably compared to the previous period in relation to lower credit exposure of INPRO SA in credits and to the drop of interest rates.

Consolidated statement of the financial position

In the presented period, the asset structure did not change considerably compared to the previous year, with fixed assets still constituting nearly 30% of total assets.

In the structure of equity and liabilities, in relation to 2014, an increase in the share of equity from 55% to 62% in the balance sheet total can be seen (in view of a higher level of net profit). Given the simultaneous decrease of long-term credit debt, the share of fixed capital in the balance sheet total increased slightly (from 70% to 73%).

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 Group in 2015 and 2014 have been presented below.

Table 6. Ratios characterising the financial position of the INPRO SA Group for 2015 and 2014

Ratio	Way of calculation	2015	2014
Net profitability	Net profit (loss) * 100% / Sales revenues	12%	6%
Return on sales	Gross profit (loss) on sales * 100% / Sales revenues	27%	23%
Net return on assets (ROA)	Net profit (loss) * 100% / Total assets	7%	2%
Return on equity (ROE)	Net profit (loss) * 100% / Equity	11%	4%
Current liquidity	Current assets / Short-term liabilities	2.65	2.42
Cash to liability ratio	(Current assets – inventory) / Short-term liabilities	0.49	0.51
Trade receivables turnover in days	Final state of trade receivables * 360 / Sales revenues	20	12
Trade liabilities turnover in days	Final state of trade liabilities * 360 / Cost of sales	81	42
Inventory turnover in days	Final state of inventory * 360 / Cost of sales	501	672
Asset structure	Fixed assets * 100% / Current assets	41%	38%
Asset financing structure	Equity * 100% / Total assets	62%	55%
Sustainability of financing	(Equity + long-term liabilities) / Total assets	73%	70%
Net debt ratio	(Financial debt – cash and cash equivalents) / Equity	12%	26%

The Group's financial situation described above is confirmed in the ratio analysis. As it follows from the data presented, the inventory turnover period became shorter and the receivables and liabilities turnover ratios increased in 2015 compared to 2014. Financing structure indices improved. Current liquidity increased, and quick liquidity decreased. Profitability ratios are at a higher level than in the previous year.

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

Key factors influencing the Group's financial performance in 2015:

- In total, the Group sold 545 flats and houses net (in the meaning of preliminary agreements, with terminated ones taken into account), including INPRO SA with 444 premises. That result is much better than in the previous year (2014: the Group: 421 units – an increase by 29%, INPRO SA: 350 units – an increase by 27%). The gross value of flats sold by the Group in the period under review was approximately PLN 229 m, which was higher by 29% than the value achieved in 2014. Such a significant level of the preliminary 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. Flats in the MDM programme and those purchases for investment purposes were very popular.
- 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 2015, INPRO SA placed many projects in service: City Park building E (April), Wróbla Staw Multi-Family Buildings stage II (July), City Park building F (September), Wróbla Staw Multi-Family Buildings stage I (October), Chmielna Park building B (October), and the total of 14 single-family houses at the Wróbla Staw and Golf Park estates. Przedsiębiorstwo Budowlane Domesta Sp. z o.o. delivered two buildings Nos. 12 and 14 at the Osiedle Leszczynowe estate in 2015 (in June and November respectively). 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 therefore significantly higher than in the previous year (a 66% increase compared to 2014). Consequently, the revenues generated on property development activity went up considerably. The increase of the revenues level and thus of the net profit level compared to the previous year was also influenced by the satisfactory profitability of projects completed in 2015.
- a very good year in the hotel trade, which translates to the results achieved by Dom Zdrojowy Sp. z o.o.

- the increase of revenues from operating activities of Hotel Mikołajki (in addition to the sale of apartments) – in a natural way, after more than 2 years of activity, the facility enjoys a growing interest among customers.
- Activities taken in previous years by persons managing inBet Sp. z o.o. (cost cutting, focus on the most profitable areas of activity, plant modernisation) yielded the first results – for twelve months of 2015 the company noted net profit in the amount of approximately PLN 750 k.

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 influence of the "Flat for Young People" programme, of recommendation S3, and work on the update of the property development act, the adoption of the 500+ programme,
- the way of building a portfolio of flats to let by BGK Nieruchomości,
- 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 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 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 construction (and sometimes land purchase 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 Group

In 2015, 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, the hotel activity and plumbing systems.

The sales revenue structure is presented in the following table:

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

Description	2015	Share (%)	2014	Share (%)	change %
1. Sales revenues, including:	211 021	100%	147 732	100%	43%
a. manufacture of hardware and semi-precast concrete floor slabs	3 181	2%	1 713	1%	86%
b. hotel activity	27 114	13%	22 241	15%	22%
c. plumbing and heating systems	2 077	1%	-	-	-
d. property development activity	178 649	84%	123 778	84%	44%

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.
 - 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.
 - 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 5,500.
- Single-family houses – detached, semi-detached and terraced houses, at enclosed estates, with recreational grounds, with garages and ground-based car-parks.

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 2015 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 were implemented in 2015:

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 June 2017;

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 December 2016;

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 2015:

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 were placed in service in the second quarter of 2015;

Stage H (the number of houses – 18, the usable residential area – 2,437 m²) – the works commenced in the second quarter of 2015; the last houses will be placed in service in the third quarter of 2016;

3. City Park – in Gdańsk, the Zaspas district, a complex of six residential buildings with a service and shopping section. The number of premises – 515, the usable residential area - 27564m², segment: increased standard flats. The following stages were implemented in 2015:

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 and ended on building E in April 2015, and on building F in September 2015;

4. Wróbla Staw multi-family buildings - an estate situated in the Gdańsk, the Jasień district, Jasieńska street, by lake Wróbla Staw. The estate is divided into 3 stages, at which 14 multi-family buildings were 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 were implemented in 2015:

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 occupancy permit was issued in July 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 occupancy permit was issued in October 2015;

5. Chmielna Park – Gdańsk, the Granary Island, a complex of three residential and commercial buildings. The number of premises – 306, the usable residential area – 17,680 m², segment: increased standard flats. The following stages were being implemented in 2015:

Building B (the number of premises – 117, the usable residential area – 6,097 m²) – the works commenced in the fourth quarter of 2013 and finished in October 2015;

Building C (the number of premises – 130, the usable residential area – 7,959 m²) – the works commenced in the first quarter of 2015, the completion of the works is scheduled for the 4th quarter of 2016;

6. Kwartal Uniwersytecki – Gdańsk, the Przymorze district, two buildings with three, five and eight storeys, located at the boundary of a popular office quarter in Gdańsk. The number of premises – 175, the usable residential area – 8,612 m², segment: increased standard flats. Construction works commenced in the first quarter of 2015 and end in the 4th quarter of 2016;
7. Osiedle Leszczynowe estate (Domesta) – Gdańsk, the Jasień district; the number of premises – 577; the usable residential area 31,530 m²; segment: popular flats. The following buildings were being implemented in 2015:
Building No. 12 (the number of premises – 48, the usable residential area – 2,714 m²) – the building placed in service in June 2015;
Building No. 14 (the number of premises – 24, the usable residential area – 1,240 m²) – the building placed in service in November 2015;
Building No. 16 (the number of premises – 28, the usable residential area – 1,579 m²) – scheduled for placing in service in the third quarter of 2016;
Building No. 17 (the number of premises – 28, the usable residential area – 1,540 m²) – scheduled for placing in service in the second quarter of 2016;
Building No. 18 (the number of premises – 28, the usable residential area – 1,540 m²) – scheduled for placing in service in the third quarter of 2016;
Building No. 19 (the number of premises – 24, the usable residential area – 1,282 m²) – scheduled for placing in service in the fourth quarter of 2016.

In addition, INPRO SA was pursuing as the main contractor, upon order from Hotel Mikołajki Sp. z o.o., the works related to the addition of an enclosed foot bridge connecting the hotel and apartment building on the Birds' Island on Lake Mikołajskie with the restaurant and conference building on the peninsula. The works are scheduled for completion in April 2016.

13. Sales markets and distribution channels

In 2015 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 76% 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 2015 none of the Group's customers had a higher share than 2% 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 2015 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 2015, the share of the biggest supplier was not bigger than 5% 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 70 skilled workers; the scope of works done by them comprises building substructures).

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

The Group considers agreements to be significant if their value exceeds 10% of INPRO SA's equity as at 31/12/2015, that is exceeds 22,665,513.12 zlotys.

Construction work agreements

On 18/12/2015 the Company signed with Hotel Mikołajki Sp. z o.o. Annexe No. 1 to the agreement of 17/09/2014 for the construction of an enclosed foot bridge connecting the Birds' Island in Mikołajki with the peninsula. Based on the annexe, the final remuneration of the Main Contractor for the performance of the object of the agreement was fixed. The value of the agreement does not exceed 10% of equity. The annexe was described in current report No. 48/2015 of 18/12/2015.

Land purchase agreements

On 08/05/2015 PB DOMESTA Sp. z o.o. purchased 5,243 m² of land in the Szadółki district of Gdańsk for the price not exceeding 10% of the Issuer's equity.

On 13/07/2015 INPRO SA signed an agreement for the purchase of 22,656 m² of land located in Gdańsk, Myśliwska street, for the price not exceeding 10% of the Issuer's equity.

On 26/10/2015 the Company signed a land purchase agreement for land of the area of 97,017 m² located in Gdańsk, Stężycka street. The agreement was described in current report No. 44/2015 of 27/10/2015.

On 27/11/2015 PB DOMESTA Sp. z o.o. purchased 11,651 m² of land in the Łostowice district of Gdańsk for the price not exceeding 10% of the Issuer's equity.

On 08/12/2015 INPRO SA signed with the Municipality of the City of Gdańsk an agreement for the perpetual use of 2 plots of the total area of 2,493 m² located in Gdańsk, Opacka street, for the price not exceeding 10% of the Issuer's equity.

Land sale agreements

In 2015, the INPRO SA Group did not enter into significant land sale agreements.

Financial agreements

In 2015, the INPRO SA 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 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.
2. 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.
3. 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 SA and Bank Spółdzielczy in Tczew.
4. On 01/04/2015 the Company signed an agreement with Powszechna Kasa Oszczędności Bank Polski SA for the transfer of a cash claim following from the business property insurance of the enterprises (within the scope related to the insurance of the office building in Gdańsk, ul. Opata Jacka Rybińskiego 8). The agreement constitutes a legal security for the repayment of the overdraft facility in the amount of PLN 10 m granted by the Bank and was described in current report No. 14/2015 of 01/04/2015.
5. On 02/06/2015 inBet Sp. z o.o. signed an agreement for the purchase of a construction accessories production line for the selling price of EUR 1,165,000 with EBAWE Anlagentechnik GmbH with its registered office in Eilenburg (Germany). The payment of 75% of the price is being transferred on the basis of an irrevocable and confirmed letter of credit issued upon order from inBet Sp. z o.o. Line installation (the turn of 2015/2016) will enable the competitiveness of inBet Sp. z o.o. to improve thus increasing the company's revenues.
6. On 29/06/2015 INPRO SA signed with Hotel Mikołajki Sp. z o.o. a memorandum of understanding concerning the costs of establishing by the Company of a security for credit repayment in the form of a civil law surety. The agreement was described in current report No. 29/2015 of 29/06/2015.
7. On 10/07/2015 inBet Sp. z o.o. signed a fixed interest rate operating lease agreement with PEKAO Leasing Sp. z o.o for the period of 60 months. The object of lease is a construction accessories production line worth PLN 5,011,131 net. The security for the agreement is a blank promissory note guaranteed by INPRO SA and a joint contractual mortgage up to the sum of PLN 5,000,000 on real estate belonging to inBet Sp. z o.o. and located in Kolbudy, Przemysłowa street, with the assignment of rights resulting from an all-risk insurance policy.
8. On 13/07/2015 INPRO SA signed with inBet Sp. z o.o. a memorandum of understanding concerning the costs of establishing by the Company of a security for lease repayment in the form of a surety for the bill of exchange. In consideration for granting the security, INPRO SA is entitled to remuneration at 0.3% per annum of the value of the lease debt as at the last day of the year preceding the calendar year for which the fee is due. For the period from 10/07/2015 to 31/12/2015, the remuneration is calculated pro rata to the actual number of days of the surety being in force, and the basis for the calculation is PLN 5,347,553.56.

9. On 24/07/2015 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, each up to the sum of PLN 5,000 k on the assets of INPRO SA, 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 SA and Bank Spółdzielczy in Pruszcz Gdański.
10. On 25/08/2015 the Gdańsk-North District Court in Gdańsk, 3rd Land and Mortgage Register Division, recorded in division IV of land and mortgage register No. GD1G/00087942/1 the contractual real estate mortgage up to the sum of PLN 8,210 k INPRO SA's assets, such mortgage constituting a legal security for the repayment of the credit in the amount of PLN 5,473 k granted by Alior Bank SA.
11. On 23/09/2015 the Gdańsk-North District Court in Gdańsk, 3rd Land and Mortgage Register Division, recorded in division IV of land and mortgage register No. GD1G/00065617/4 and GD1G/00232555/3 the joint contractual real estate mortgage up to the sum of PLN 51,900 k on INPRO SA's assets, such mortgage constituting a legal security for the repayment of the credit in the amount of PLN 34,600 k granted by mBank SA.
12. On 02/12/2015 the Company signed with three natural persons an agreement for the purchase of non-residential premises in Gdańsk, ul. Opata Jacka Rybińskiego 8, for the price not exceeding 10% of the Issuer's equity.

Detailed information concerning the lease agreements as at 31/12/2015 is included in note No. 27 of the Group's consolidated financial statements for the financial year 2015.

Cooperation agreements

In 2015 the INPRO SA 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 31 of the Group's consolidated financial statements for 2015.

16. Information on credits and loans incurred

Credits terminated

No credit agreements were terminated in the reporting period 2015 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 2015:

1. On 26/02/2015 INPRO SA signed with the consortium of banks: SGB – Bank SA with its registered office in Warsaw and Bank Spółdzielczy in Tczew with its registered office in Tczew a working capital credit agreement for PLN 5,000,000 for financing a part of the costs of construction of stage I of Wróbla Staw Multi-Family Buildings. The agreement was described in current report No. 9/2015 of 27/02/2015.

2. On 11/06/2015 INPRO SA signed with Alior Bank SA with its registered office in Warsaw a working capital credit agreement for PLN 5,473,000 for the refinancing of a part of expenditure for the construction of premises on the Czwarty Żagiel project in Gdańsk, Olsztyńska street. The agreement was described in current report No. 21/2015 of 11/06/2015.
3. On 16/07/2015 INPRO SA signed with the consortium of banks: SGB – Bank SA with its registered office in Warsaw and Bank Spółdzielczy in Pruszcz Gdański with its registered office in Pruszcz Gdański a working capital credit agreement for PLN 5,000,000 for financing a part of the costs of construction of stage I of Wróbla Staw Multi-Family Buildings. The agreement was described in current report No. 32/2015 of 17/07/2015.
4. On 30/07/2015 INPRO SA signed with mBank SA with its registered office in Warsaw a working capital credit agreement for PLN 34,600,000 for the financing of the costs of construction of the Kwartal Uniwersytecki project in Gdańsk, Szczecińska street. The agreement was described in current report No. 35/2015 of 30/07/2015.
5. On 22/12/2015 INPRO SA signed with mBank SA with its registered office in Warsaw a working capital credit agreement for PLN 24,300,000 for the financing of the costs of construction of the Chmielna Park project, building C, in Gdańsk, Chmielna street. The agreement was described in current report No. 50/2015 of 22/12/2015.

Credits repaid

The Group repaid the following credits in 2015:

1. On 28/02/2015 Dom Zdrojowy Sp. z o.o. effected the full repayment of the overdraft facility in the amount of PLN 500 k obtained from Bank Polska Kasa Opieki SA.
2. On 01/04/2015 the Company repaid the whole of the working capital credit in the amount of PLN 15,000,000 granted by Bank Polskiej Spółdzielczości SA in 2014 for the financing of the costs of the construction of the City Park project, buildings E and F.
3. On 13/10/2015 the Company effected the full early repayment of the working capital credit in the amount of PLN 25,473,873.00 granted by Powszechna Kasa Oszczędności Bank Polski SA in 2014 for the partial financing of the costs of construction of the Chmielna Park project, building B.
4. On 27/11/2015 the Company effected the full early repayment of the working capital credit in the amount of PLN 9,500,000.00 granted by SGB-Bank SA in 2013 for the partial financing of the costs of the construction of the Wróbla Staw Multi-Family Buildings, stage III.
5. On 31/12/2015 the Company effected the full early repayment of the working capital credit in the amount of PLN 5,473,000 granted by Alior Bank SA in 2015 for the refinancing of a part of the expenditure for the construction of premises at the Czwarty Żagiel project in Gdańsk.

The following changes took place in credit agreements in 2015:

1. 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.
2. On 25/06/2015 Hotel Mikołajki Sp. z o.o. concluded with Powszechna Kasa Oszczędności Bank Polski SA. annexe No. 4 to the agreement for an investment

credit financing the construction of the hotel and apartment complex in Mikołajki. One of the conditions of the annexe was granting by INPRO SA of a civil law surety for the liabilities of Hotel Mikołajki Sp. z o.o. The annexe to the agreement was described in current report No. 25/2015 of 25/06/2015 and in current report No. 27/2015 of 26/06/2015.

3. On 23/09/2015 Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o. concluded an annexe to the overdraft agreement for PLN 1,000,000 with Bank Polska Kasa Opieki SA. Based on the annexe, the legal security for the credit in the form of mortgage up to PLN 2,000,000 on real estate located in Gdańsk, the Jasień district, was replaced with mortgage up to PLN 2,000,000 on real estate located in Gdańsk, Cementowa street.
4. On 30/11/2015 the Company signed annexe No. 1 to the overdraft agreement with Powszechna Kasa Oszczędności Bank Polski SA. Based on the annexe, the time for credit use was extended to 02/12/2016. The annexe was described in current report No. 46/2015 of 01/12/2015.
5. On 22/12/2015 the Company signed annexe No. 1 to the working capital credit agreement with mBank SA for the financing of the costs of the construction of the Kwartal Uniwersytecki project in Gdańsk, Szczecińska street. Based on the annexe, the deadlines for launching the various tranches were slightly postponed.
6. On 29/12/2015 Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o. concluded an annexe 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 31/12/2016 and the percentage margin slightly increased.

Detailed information concerning the structure of credit agreements as at 31/12/2015 is included in note No. 27 of the Group's consolidated financial statements for the financial year 2015.

Loans incurred

INPRO SA did not take any loan-related liabilities in the financial year 2015.

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 2015:

Table 8. The structure of loans granted by INPRO SA in 2015 (PLN)

Borrower	Date of the loan agreement	Value in PLN	Expiry date	Repayment	Debt as at 31/12/2015	Interest rate
Hotel Mikołajki Sp. z o.o.	25/02/2015	2 000 000.00	31/12/2015	1 x 2 000 000	0.00	3M WIBOR + margin
inBet Sp. z o.o.	05/03/2015	300 000.00	31/12/2015	1 x 300 000	0.00	3M WIBOR + margin
TOTAL		2 300 000.00			0.00	

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

In 2015 the Company did not receive any sureties or give any new guarantees.

INPRO SA received the following guarantees in 2015:

1. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 125,550.00 with the expiry date of 01/05/2015.

2. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 91,800.00 with the expiry date of 20/02/2016.
3. the advance repayment guarantee from Schindler Polska Sp. z o.o. in the amount of PLN 225,086.53 with the expiry date of 13/02/2015.

On 25/06/2015 INPRO SA granted a civil law surety for the liabilities of Hotel Mikołajki Sp. z o.o. in relation to an investment credit granted for the financing of the construction of the hotel and apartment complex in Mikołajki by Powszechna Kasa Oszczędności Bank Polski SA. The surety comprises the liabilities under the above-mentioned credit agreement up to the amount of PLN 28,517,303.81 and is irrevocable and valid sine die, and the final deadline for the repayment of the credit agreement is 31/12/2027. The surety was described in current report No. 27/2015 of 26/06/2015.

On 10/07/2015 INPRO SA granted a surety for a blank promissory note issued by inBet Sp. z o. o. as a security for an operating lease agreement signed with PEKAO Leasing Sp. z o. o. The object of the lease agreement is a construction accessories production line worth PLN 5,011,131. The lease agreement was signed for 60 months.

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 2015.

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 2015.

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 2015.

23. Group's activity during the financial year 2015

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 2015:

Table 9. Buildings placed in service in 2015 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 II Five buildings (Bażantowa street)	July 2015	109	Increased standard flats
Gdańsk, Wróbla Staw Multi-Family Buildings, stage I Five buildings (Bażantowa street)	October 2015	118	Increased standard flats
Gdańsk, City Park Building E (Jana Pawła II street)	April 2015	90	Increased standard flats
Gdańsk, City Park Building F (Jana Pawła II street)	September 2015	89	Increased standard flats
Chmielna Park Building B (the Granary Island)	October 2015	117	Increased standard flats
Tuchom, the Golf Park estate	November 2015	2	Single-family houses
Gdańsk, the Wróbla Staw estate (Świstaka street)	February, June, July 2015	12	Single-family houses
Gdańsk, the Osiedle Leszczynowe estate – building No. 12	June 2015	48	Popular flats
Gdańsk, the Osiedle Leszczynowe estate, building No. 14	November 2015	24	Popular flats

Sales (understood as the number of preliminary sales agreements gross) at various projects in 2015:

Table 10. Sales by INPRO SA with Hotel Mikołajki Sp. z o.o. and PB DOMESTA Sp. z o.o. by project in 2015

Project	Number of flats sold gross	Kind of project
Gdańsk, Wróbla Staw single-family houses Stages B, C, D, H	26 (95.2% accumulative)	Single-family houses
Tuchom, Golf Park, stages A and B	4 (75.6% accumulative)	Single-family houses
Gdańsk, Kwartał Kamienic	3 (97.7% accumulative)	Apartments
The hotel in Mikołajki	4 (81.4% accumulative)	Apartments
Gdańsk, Brętowska Brama	1 (100% accumulative)	Increased standard flats
Gdańsk, City Park, buildings E - F	67 (100% accumulative)	Increased standard flats
Gdańsk, Chmielna Park, building A	4 (91.7% accumulative)	Increased standard flats
Gdańsk, Chmielna Park, building B	75 (83.8% accumulative)	Increased standard flats
Gdańsk, Chmielna Park, building C	98 (65.4% accumulative)	Increased standard flats
Gdańsk, IV Żagiel	39 (100% accumulative)	Increased standard flats
Wróbla Staw multi-family buildings, stage III	9 (89.1% accumulative)	Increased standard flats
Wróbla Staw multi-family buildings, stage II	30 (82.1% accumulative)	Increased standard flats
Wróbla Staw multi-family buildings, stage I	106 (77.5% accumulative)	Increased standard flats
Gdańsk, Kwartał Uniwersytecki	65 (27.7% accumulative)	Increased standard flats
Gdańsk, the Osiedle Leszczynowe estate, buildings 9, 11, 12, 13, 14, 16, 17, 18 (DOMESTA)	142	Popular flats
TOTAL GROSS SALES	527 pcs (Inpro) +4 pcs (Hotel Mikołajki) +142 pcs (Domesta) = 673 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 influence of the "Flat for Young People" programme, of recommendation S3, and work on the update of the property development act, the adoption of the 500+ programme,
- 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 2016 will be lower than in 2015. This is because of a smaller 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.

In 2015 the Company purchase plots of land of the total area of over 122 k m², and PB Domesta Sp. z o.o. purchased land of the total area of nearly 17,000 m². This satisfies the needs of those companies for the nearest 3 years of activity. At the same time, 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, INPRO SA introduced into its offer 151 flats on stage I of the Harmonia Oliwska estate and 6 single-family houses at the Golf Park estate on the market. Other sales plans of the Group for 2016 include:

- the Optima estate at Steżycka street in Gdańsk (192 premises),
- the Azymut estate in Gdynia, Wielkopolska street (200 premises),
- Osiedle Leszczynowe estate, buildings Nos. 19 (24 premises), 20 (35 premises) and 21 (35 premises),
- a residential estate in Gdańsk-Łostowice, Niepołomska street (94 premises in total).

The Group is planning to introduce 737 new flats and houses into its offer in 2016.

25. Changes in the basic rules of enterprise management

No substantial changes in the basic rules of enterprise management at the INPRO Group occurred during 12 months of 2015.

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

As at 31/12/2015, the Vice-President of the Management Board, Krzysztof Maraszek, is employed in the basis of the management contract, and the remuneration of the other members – President of the Management Board, Piotr Stefaniak, and Vice-President of the Management Board, Zbigniew Lewiński, is fixed during their term of office by the Company's Supervisory Board.

In accordance with the provisions of the management contract of Mr Krzysztof Maraszek, in the event of the termination of the contract by either of the parties with notice specified in the contract and in the event of the termination of the contract with immediate effect by the Member of the Management Board for reasons described in the contract, the Company is obliged to pay the Board Member the severance pay in the amount of PLN 1,200,000 gross. Mr Krzysztof Maraszek is obliged to abstain from competitive business during the term of the contract and for 12 months after its end. For the period in which the restriction continues to be in force after the end of the contract, the Company undertook to pay the Member of the Management Board the monthly compensation equal to 75% of the basic remuneration for the last full calendar month of the fulfilment of the function.

In conformity with the resolutions of the Company's Supervisory Board, in the event of Mr Piotr Stefaniak's / Mr Zbigniew Lewiński's dismissal by the Company's Supervisory Board from the function of the President / Vice-President of the Management Board or their resignation from the functions in the Company's Management Board, the Company is obliged to pay a Member of the Management Board a severance pay in the amount of PLN 1,200,000. The above-mentioned severance pay shall not be due if the dismissal from the function of a Member of the Management Board takes place because of gross negligence, as a result of which the Company suffered real damage significantly affecting its financial liquidity or in the event of a Member of the Management Board committing an offence ascertained by a legally valid court judgement and preventing him, in compliance with the absolutely binding provisions of law, from further fulfilling the functions of the Member of the Management Board. At the same time, the Supervisory Board resolved that Messrs Piotr Stefaniak and Zbigniew Lewiński are banned from competitive business during the term of the mandates and for 12 months after their end. For the period in which the restriction continues to be in force after the end of the term of office, the Company undertook to pay those Members of the Management Board the monthly compensation equal to 75% of the basic remuneration for the last full calendar month of the fulfilment of the function.

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

In 2015 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 2015 (PLN)

REMUNERATION OF THE MANAGEMENT BOARD OF INPRO SA					
		Remuneration on the basis of the civil law agreement with Inpro Management S.C.	Remuneration in relation to the employment relationship with INPRO SA	Dividends paid in 2015	In other entities in the Group
1	MANAGEMENT BOARD – fixed remuneration				
	Piotr Stefaniak	450 000*	350.000**		
	Krzysztof Maraszek	450 000*	350 000**		
	Zbigniew Lewiński	450 000*	350 000**		
	TOTAL	1 350 000	1 050 000*		
2	MANAGEMENT BOARD – variable remuneration				
	Piotr Stefaniak	25 400		761 400	
	Krzysztof Maraszek	25 400		900 900	
	Zbigniew Lewiński	25 400		851 400	
	TOTAL	76 200		2 513 700	
3	SUPERVISORY BOARD IN THE GROUP				
	Piotr Stefaniak				51 600
	Krzysztof Maraszek				51 600
	Zbigniew Lewiński				51 600
	TOTAL				154 800
	TOTAL FOR THE MANAGEMENT BOARD	1 426 200	1 050 000	2 513 700	154 800
REMUNERATION OF THE SUPERVISORY BOARD OF INPRO SA					
		In the Company – for the sessions of the Supervisory Board	Remuneration in relation to the employment relationship with INPRO SA	Dividends paid in 2015	In other entities in the Group
4	SUPERVISORY BOARD OF INPRO SA				
	Jerzy Glanc	30 000			
	Krzysztof Gąsak	24 000			
	Robert Maraszek	17 500	183 497,19		
	Wojciech Stefaniak	18 000			
	Szymon Lewiński	18 000	34 415,95		
	TOTAL	107 500	217 913,14		
	TOTAL	107 500	217 913,14	-	-

* From 01/01/2015 to 31/07/2015 the Management Board received remuneration on the basis of the agreement concluded by INPRO SA with Management S.C.

** From 01/08/2015 the Management Board of INPRO SA has been paid in conformity with the rules described below in item 28 Remuneration policy at the Company.

28. Remuneration policy at the Company

In view of the size and kind of its activity, the Company does not have a formalised remuneration policy. In conformity with the Company's Statutes, the remuneration of the Supervisory Board members is fixed by the General Meeting and the remuneration of the Management Board members by the Supervisory Board. Moreover, each year the Company publishes information on the remuneration of the members of governing and managing bodies in compliance with the binding provisions of law. The remuneration of the managers is fixed on the basis of the Remuneration Rules prepared in conformity with the requirements of the Labour Code.

Until 31/07/2015, the members of the Company's Management Board constituted 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, that partnership received in the previous year the monthly remuneration of PLN 150,000 net until February 2015 and PLN 210,000 net as from March 2015 as well as additional remuneration payable if the Company achieves profit in a given calendar year and if the Company's General Assembly approves the financial statements.

In accordance with the resolution of the Company's Supervisory Board of 20/07/2015, the management agreement was terminated effective on 31/07/2015.

As from 01/08/2015, Vice-President of the Management Board, Krzysztof Maraszek, and Vice-President of the Management Board, Zbigniew Lewiński, have been employed at INPRO SA on the basis of management contracts, and the remuneration of the President, Piotr Stefaniak, in the period of in which he fulfils his function, was fixed by the Supervisory Board.

On the basis of the resolution of the Supervisory Board of 04/09/2015, the management contract of Mr Zbigniew Lewiński was terminated effective on 31/08/2015, and from 01/09/2015 the Supervisory Board has fixed the remuneration for the Vice-President of the Management Board, Zbigniew Lewiński, for the period during which he fulfils his function.

Since March 2015, the level of the remuneration of each Member of the Management Board has remained unchanged, irrespective of the method of employment, and has been PLN 70,000 gross monthly for each person.

The right to additional annual remuneration subject to the Company achieving profit for a given calendar year and to the approval of the financial statements by the General Assembly has remained an element of the remuneration of each Member of the Management Board after 01/08/2015. The amount of that remuneration element will be determined each time by way of a resolution of the Supervisory Board.

All the changes in the method of remunerating the Members of the Management Board were described in the following current reports: No. 33/2015 of 20/07/2015, No. 36/2015 of 30/07/2015, No. 38/2015 of 13/08/2015, No. 41/2015 of 04/09/2015 and No. 42/2015 of 04/09/2015.

The Members of the Management Board and key managers are not entitled to any significant non-financial remuneration components other than those included in the in-work benefit package as a standard, such as: medical care and a company car also used for private purposes.

In view of the fact that the Management Board includes the Company's main shareholders, the remuneration system adopted by the Company ensures full transparency and guarantees the efficient and correct functioning of the Company and motivates the Management Board to work on the continuous growth of the value of the enterprise.

29. 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 31/12/2015 were as follows:

Table 12. Members of the Management Board holding shares of INPRO SA as at 31/12/2015

	Shares Number of shares	Shares Nominal value PLN
Management Board		
Piotr Stefaniak – President of the Management Board	8 460 000	846 000.00
Zbigniew Lewiński – Vice-President of the Management Board	9 460 000	946 000.00
Krzysztof Maraszek – Vice-President of the Management Board	10 010 000	1 001 000.00
Total	27 930 000	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 as at 31/12/2015 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 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),

30. 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.

31. Information on the employee share control system

There is no employee share ownership plan at the Company.

32. Sponsoring, charity and other similar policies

In the reporting year, INPRO SA transferred approximately PLN 73 k for charity purposes to 15 entities, both natural persons and various organisations such as schools, volunteer fire brigade as well as prosocial organisations and foundations.

Decisions on any activities of sponsoring and charitable character are taken by the Company's Management Board on the basis of case-specific financing requests filed by the entities concerned.

Relevant assistance is rendered on a local scale.

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

On 08/06/2015 INPRO SA entered into an agreement for the following with Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw – an entity authorised to audit financial statements:

- a) the review of the interim separate financial statements of INPRO SA for the period 01/01/2015-30/06/2015; remuneration: PLN 22,000.00,
- b) the review of the interim consolidated financial statements of the INPRO SA Group for the period 01/01/2015-30/06/2015; remuneration: PLN 4,000.00,
- c) the audit of the separate financial statements of INPRO SA for the period 01/01/2015-31/12/2015; remuneration: PLN 32,000.00,
- d) the audit of the consolidated financial statements of the INPRO Group for the period 01/01/2015-31/12/2015; remuneration: PLN 4,000.00.

Moreover, the following agreements were concluded with Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw for the audit of the financial statements of subsidiaries comprised by the Group:

- a) inBet Sp. z o.o. – on 26/08/2015 for the audit of the annual financial statements as at 31/12/2015, made to the Polish Accounting Standards; remuneration: PLN 10,000.00,
- b) Dom Zdrojowy Sp. z o. o. – on 26/08/2015 for the audit of the annual financial statements as at 31/12/2015, made to the Polish Accounting Standards; remuneration: PLN 10,000.00,
- c) PB Domesta Sp. z o. o. – on 07/09/2015 for the audit of the annual financial statements as at 31/12/2015, made to the Polish Accounting Standards; remuneration: PLN 14,000.00,
- d) Hotel Mikołajki Sp. z o. o. – on 26/08/2015 for the audit of the annual financial statements as at 31/12/2015, made to the Polish Accounting Standards; remuneration: PLN 9,000.00,

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 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.

All the amounts given above are net.

34. Achievements in research and development

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

35. Acquisition of own shares

During 12 months of the financial year 2015 INPRO SA did not effect any transaction concerning the acquisition of own shares.

36. Description of significant off-balance sheet items

In the reporting period, there were no significant off-balance sheet items other than those described above.

37. Material events after the balance sheet date

- a) On 26/01/2016 INPRO SA signed with the consortium of banks: SGB – Bank SA and Bank Spółdzielczy in Tczew a working capital credit agreement for PLN 6,000 k refinancing the construction of 24 premises in Gdańsk, buildings A and B at the Chmielna Park residential estate. The agreement was described in current report No. 2/2016 of 26/01/2016.
- b) On 12/02/2016 the building permit for the construction of stage I of the estate at Stężycka street in Gdańsk became valid in law.
- c) On 01/03/2016 INPRO SA signed with the Municipality of the City of Gdańsk an agreement for the perpetual use of the plot in Gdańsk, Opacka street, for the price not exceeding 10% of the Issuer's equity.
- d) On 10/03/2016 INPRO SA signed with mBank SA a working capital credit agreement for PLN 31,000 k financing the construction of stage I of the Harmonia Oliwska residential estate. The agreement was described in current report No. 5/2016 of 10/03/2016.

Gdańsk, 21/03/2016