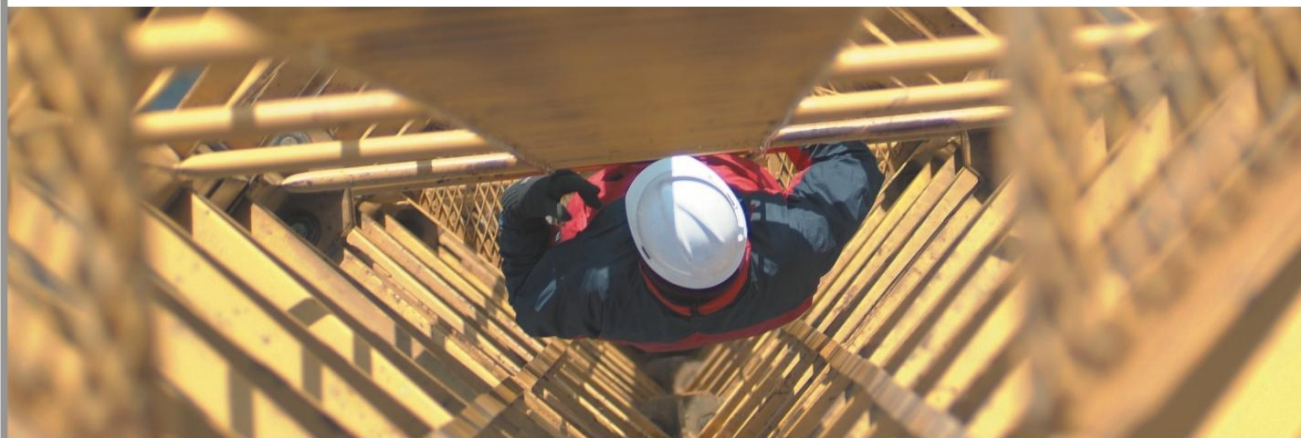


inpro



**REPORT OF THE MANAGEMENT BOARD
ON THE ACTIVITY OF THE INPRO SA
CORPORATE GROUP
IN 2018**



GDAŃSK, 3 April 2019

Approval
of the Report of the Management Board
on the Activity
of the INPRO SA Corporate Group
in 2018

This Report of the Management Board on the Activity of the INPRO SA Corporate Group in 2018 contains the Report on the Activity of the parent entity, INPRO Spółka Akcyjna.

Gdańsk, 3 April 2019

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

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1. Basic information

INPRO SA (the "Company," "Parent") 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 activity 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 prospectus offering the subscription, in the public offering, of not less than and not more than 10,010,000 ordinary series B bearer shares offered by the Issuer as part of the public subscription.

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

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

The main object of the INPRO SA Group is the construction and sale of residential and commercial real estate (the Issuer 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. until 30/06/2018),
- fit-out and finishing of flats (SML Sp. z o.o.),
- manufacture of precast concrete items, manufacture and assembly 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. Corporate group structure

The structure of the Corporate Group and the Company's share in the share capital of subsidiaries as at 31/12/2018 is presented in the table below:

Table 2. Structure of the share capital of INPRO SA Corporate Group as at 31/12/2018

Entity	Registered office	Share in the share capital	Share capital PLN	Object
Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o.	Gdańsk	59.57 %	300 800	Property development activity (popular flats)
SML Sp. z o.o.	Gdańsk	100 %	200 000	Fit-out and interior finish
inBet Sp. z o.o.	Kolbudy	80.32 %	13 790 840	Manufacture of concrete, reinforced concrete and steel elements
Przedsiębiorstwo Instalacyjne ISA Sp. z o.o.	Gdańsk	76.92 %	80 000	Plumbing and heating systems
The Mikołajki Hotel Sp. z o.o.	Mikołajki	100 %	17 980 000	Hotel services*
Dom Zdrojowy Sp. z o.o.	Jastarnia	100 %	19 140 385	Hotel services

* In relation to the paid tenancy agreement of 22/06/2018 concerning the Mikołajki Hotel, Hotel Mikołajki Sp. z o.o. changed its objects to renting and managing own real property (PKD 68.20. Z).

1) In the twelve months of 2018 the composition of the INPRO SA Corporate Group did not change against the status at 32/12/2017.

Attention should be paid, however, to the following events:

- a) On 22/06/2018 Hotel Mikołajki Sp. z o.o. signed with Dobry Hotel Mięczkowski Sp. komandytowa a lease agreement under which Dobry Hotel Mięczkowski Spółka komandytowa with its registered office in Sopot has leased the hotel facility in Mikołajki belonging to Hotel Mikołajki Sp. z o.o. as from 01/07/2018 (for 10 years). Dobry Hotel Mięczkowski Spółka komandytowa also took over the rights and obligations under lease agreements for apartments located in the same building as the hotel, but constituting separate units of real property, owned by third parties, as well as stepped into other obligation relations concerning the running of that hotel facility. The lease agreement was described in current reports Nos. 13/2018 of 12/06/2018, 18/2018 of 18/06/2018, 19/2018 of 22/06/2018, and 20/2018 of 29/06/2018.
- b) On 27/06/2018 the Extraordinary General Meeting of Hotel Mikołajki Sp. z o.o. adopted a resolution on the change of the company's registered office from 11-730 Mikołajki, ul. Spacerowa 11 to 80-320 Gdańsk, ul. Opata Jacka Rybińskiego 8. The resolution was adopted in relation to signing the lease agreement described in item a) above.

2) The Group did not discontinue any of the kinds of its current activity except for the events mentioned in item 1) above.

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 the Group's entities in short-term fixed-time deposits.

3. Capital structure of INPRO SA

As at 31/12/2018 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 31/12/2018 and 04/04/2019

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 %
Nationale – Nederlanden 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 30/06/2018. During the second half of 2018 and until the submission of this report, the shareholders did not advise of any change in the shareholdings in INPRO SA.

The Group's total equity as at 31/12/2018 was PLN 295,662,495.76.

The total equity of INPRO SA as at 31/12/2018 was PLN 271,572,359.01.

4. Situation in the trade

According to the preliminary estimates of the Central Statistical Office of Poland, the Gross National Product in 2018 hit record values again and was realistically higher by 5.1 % compared to 2017 (we noted economic growth at the level of 4.8 % in that year). Economic activity was supported mainly by individual consumption (a 4.5 % increase), supported by the improvement of the situation on the labour market and by the increase of real income (the average gross remuneration increased in 2018 by 7.1 % against the previous year). According to preliminary estimates by the Central Statistical Office of Poland, the unemployment rate went down in 2018 (5.8 % at the end of December). The deflation was 1.6 % y/y. Capital expenditure on fixed assets went up by 7.3 %.

Assessment of the situation in property development¹

According to the report by REAS, despite the drop of the number of units sold against the previous year, the level of transactions in 2018 was very high; it was even higher than in 2016, which was a very good year. Demand for flats continued to be based on Poland's good economic situation: the growth of GDP, a low unemployment rate, growing salaries and wages, and moderate inflation. As in previous years, the group of the buyers purchasing flats for cash (also as an investment) was considerably big.

¹ This data is based on the report titled the Housing Market in Poland by REAS, the 4th quarter 2018, and on the company's sources.

In 2018 developers placed approximately 65,700 flats or 3 % less than in the previous year on the market in six agglomerations (Kraków, Łódź, Poznań, the Tri-city, Wrocław and Warsaw).

At the same time, 64,800 units i.e. slightly below 11 % less than in the whole of 2017 were sold.

The number of flats on sale as at the end of December 2018⁶ in the six agglomerations was 50,700, a figure 5 % bigger than at the end of 2017 (given a 15.7 % increase of the number of flats placed on the market in 2018 compared to the previous year).

The level of the prices of flats placed on the market was growing during the year. The prices of flats placed on the market at the end of 2018 were 18.3 % higher on average compared to December 2017.

The range of flats on offer in the Tri-City expanded by 16.5 % against December 2017. The highest increase of the average price per square metre for flats on offer at the end of the year took place precisely in the Tri-City and amounted to 6.3 % q/q. Over the entire 2018, the drop of the transaction number in the entire agglomeration was 16 % y/y.

Assessment of the situation in the hotel trade²

As 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.

The hotel market in Poland comes to a point where it begins to stabilise. New hotel projects and short-term lease will cause several changes in the trade. This concerns primarily older hotels which will have to undertake heavy repairs and upgrade to maintain their level of proceeds. Market changes may be painful to hotels located in less attractive places.

The growth of the RevPAR factor was still observed in 2018, however, the growth pace was lower than in previous years. This was because of a smaller number of major events in Poland and the increasing supply of the number of hotel beds. In the first six months of 2018, hotels in Poland noted the growth of the RevPAR factor at the level of +2 %, which was achieved through the growth of the average ADR price. The occupancy rate did not change compared to the first six months of 2017. Most regions in Poland noted the increase of revenues per room. During summer holidays, there were 75 % more guests in Polish resorts in 2018 than in the previous year (mainly because of good weather).

As at 30/06/2018, the Polish hotel base consisted of 2,785 rated hotels offering 267,741 beds in 134,303 rooms.

The Polish market is attractive for the foreign MICE trade. Poland is becoming a country which is more and more willingly chosen owing to the fact that it is perceived as one of the safer places, even in Europe itself. The significant development of transport infrastructure is an additional factor.

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) prolonged

² Data based on information from the Central Statistical Office of Poland, the Company's own research and the special issue of the *Świat Hoteli* magazine: *The Hotel Market in Poland, the 2018 Report*

building permit procurement procedures, (iii) postponement of the deadline for the completion of construction works (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 units 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 units; (iii) structure of the offering; (iv) progress of construction; (v) the architectural layout of the units; (vi) credit on offer by the banks working with the developer. A less favourable business outlook in residential construction industry may influence the growth of competition on the property development market, which may imply the need to adjust 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.

Competition risk in the hotel trade

The hotel trade is highly competitive market. In leisure regions, where the Group's facilities operate, new hotels are built every year. Some of them belong to global operators with a wide network of facilities of recognisable brands, efficient loyalty programmes and high marketing budgets. Hotel operators also compete with one another to obtain new franchisees at attractive locations.

Stronger competition may adversely influence the prices and occupancy level in the facilities operated by the Group and, consequently, their financial performance.

Risk related to the Issuer subsidiaries' trades

The activity of the Issuer's Corporate Group is also connected with the manufacture of precast concrete units, the manufacture and assembly of steel structures as well as plumbing and heating systems by INBET and ISA, both belonging to the Group. Given that this activity depends on the business outlook for the construction industry, particularly with regard to the property development activity, most risks are similar to those related to the Group's basic activity. It should be emphasized that the activities of INBET and ISA has a much smaller influence on the Group's financial performance than in the case of the basic property development activity.

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

6. Directions of development of the INPRO SA Corporate Group

The Group intends to strengthen its solid 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 popular standard and upper-end flats on the Tri-City market and in the surroundings, in Pruszcz Gdański and Rumia. 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.

The Company regularly places new projects on the market. 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 (the planned extension to include a large conference and banquet hall for 200 persons and the refurbishment of some single rooms and the hotel reception), the Group does not plan other hotel projects in the near future. Since 01/07/2018, the Mikołajki Hotel has been leased for a fee by a third party company running a hotel activity in that facility (see current report No. 19/2018 of 22/06/2018).

The upgrade of the production plant of inBet Sp. z o. o. will be continued in 2019 – following the commissioning of the second precast concrete item (sandwich wall) production line, the establishment is planning the completion of thermal upgrading and extension of the production hall, the installation of a new concrete batch plant, purchase of a gantry crane and the modernisation of the office building. This will permit the high revenue and net profit growth pace not only to be maintained, but enhanced.

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 2018

a) Corporate governance principles followed by the Company in 2018

In compliance with the provisions of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information submitted by the issuers of securities and on the conditions for regarding information required by the law of a non-member state as equivalent, INPRO SA submits that the "*Best Practice for WSE Listed Companies 2016*" attached to Resolution No. 26/1413/2015 of the Exchange Council of 13 October 2015 is the document complied with by the Company since 1 January 2016, 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*).

b) The scope in which the Company departed from the set of corporate governance principles in the "*Code of Best Practice for WSE Listed Companies 2016*" referred to in item a), indication of those provisions and explanations of the reason for the departure

In 2018, the Company departed from the following provisions of the set of corporate governance principles titled "*Best Practice for WSE Listed Companies 2016*" referred to in item a) of the statement, however, the Company indicates below both the principles which were not followed by it throughout 2018 and which are not followed at present:

1) Part I – Disclosure Policy, Investor Communications

I.Z.1.20. Audio or video recording of a general meeting.

This principle is not followed.

Justification: The above principle is not followed as the sessions of the general meeting (assembly) are not audio or video-recorded. At the moment, non-registration of the sessions is due to the lack of recording media of sufficient quality which could reflect the course of a general meeting without the risk of an image defect. Moreover, in compliance with the binding provisions of law, general meeting sessions are minuted by a notary, and the resolutions adopted during those sessions published by the Company. In the Company's opinion, non-compliance with this principle is not related to any risk as the procedures for the convocation of general meetings and recording their course in compliance with the binding provisions of law ensure that the shareholders have both the opportunity to participate in the sessions of the Meeting and become familiar with its course later. The Company does not, however, rule out steps to procure and implement technical measures which may audio or video-record the course of a general meeting.

I.Z.2. A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

This principle is not applicable to the Company.

Justification: The above principle I.Z.2 does not apply with regard to the extent specified in principle I.Z.1 as the Company's shares do not participate in WIG20 or mWIG40 exchange indices. The compact structure of shareholders and the scope of activity do not support the application of that principle, either.

2) Part II – Management Board and Supervisory Board

II.Z.7. Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

This principle is not followed.

Justification: The committees mentioned in Annex I to the Commission Recommendation of 15 February 2005 i.e. the nomination committee and the remuneration committee do not operate at the Company at the moment. In view of the amendments made on 28 September 2017 to the Company's Statutes during the Extraordinary General Assembly of INPRO S.A, which amendments were caused by the requirements of the Act of 11 May 2017 on statutory auditors, audit companies and public supervision (Dz.U. [*Journal of Laws*] of 2017, No. 1089, only the separate Audit Committee operates at the Company at the moment. In view of the Company's size, the Management Board is of the opinion that the current regulations on the election of management board members appointed by the Supervisory Board and the principles of election of Supervisory Board members by the General Meeting are the correct and sufficient regulation in that regard and carry no risk of the lack of transparency and clarity of action and no risk of action violating the shareholders' equal rights. Moreover, the Company informs that the Statutes stipulate that at least two members of the Supervisory Board must be independent, the status as set out in the current wording of the Statutes. The By-Laws of the Supervisory Board stipulate that if the independent member's status is lost by a Supervisory Board member, such a person shall notify the Chairperson of the Supervisory Board and the President of the Company's Management Board immediately. Moreover, in conformity with the provision of § 9 item 7 of the By-Laws of the General Meeting, a candidate for member of the Supervisory Board shall, at the General Meeting at which he or she is to be appointed, make a statement on compliance or non-compliance with the status of an independent Supervisory Board member. The remuneration policy has not been created or endorsed at the Company. 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, the Company publishes information on the remuneration of the members of governing and managing bodies in compliance with the binding provisions of law. Owing to that circumstance the lack of the remuneration policy does not actually cause the violation of the above-mentioned recommendations, and salaries at the Company are transparent and so there is no risk or negative implications of non-compliance with that principle.

3) Part III – Internal Systems and Functions

III.R.1. The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.

This principle is not followed.

Justification: In view of the size and kind of activity, the Company's structure does not include separate units responsible for the performance of tasks in individual systems or functions. The current methods of control in the Company were detailed in comments on principle III.Z.1.

III.Z.1. The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.

This principle is not followed.

Justification: The Company indicates that the Management Board is responsible for the control of the Company's operating activity, including the control of the internal processes of its activity, along with risk management processes. At the Company there are, however, no formalised procedures, systems (instructions) or specialised units for managing internal control, risk and compliance processes. At the moment, the Management Board can see no need for the introduction of such processes unless the assessment conducted by the Supervisory Board indicates the need for doing so. The Company indicates that in view of its size and object the Company considers the current control, audit and risk management system to be sufficient. 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 29 March 2018 on current and periodic information submitted by the issuers of securities [...], the Company uses the control and risk management mechanisms with regard to the process of preparation of financial statements and consolidated financial statements, described below in point c) of the Statement. Financial statements (annual, semi-annual, separate and consolidated) are subject to an audit (review) by an independent statutory auditor. Irrespective of the above, the Company is assisted by an independent lawyers' office which reviews the Company's activity subjected to the assessment by that office for compliance with the provisions of law. The Company has an agreement with a tax consultancy office. In view of the above, in the Company's opinion, non-compliance with the above principle will not adversely affect the Company's activity and the systems described above eliminate the negative consequences, if any, of the Company's non-compliance with that principle.

III.Z.2. Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

This principle is not followed.

Justification: As it was already indicated with reference to the substantiation of non-compliance with principle III.Z.1, no units involved in risk management, internal audit and compliance were established at the Company; that is why the above rule in its literal sense is not followed. The Company indicates, however, that among the practices used by it at the moment, which are detailed in the substantiation of non-compliance with principle III.Z.1 above, the Finance Director (Chief Accountant) is directly responsible before the President of the Management Board. Moreover, the directors of various divisions at the Company report directly to the members of the Company's Management Board too. External entities providing advisory services, including legal consultancy, and entities conducting audits have constant and direct contact with the Company's Management Board. The Company has no mechanisms forbidding the submission of reports directly to the Supervisory Board. In this state of affairs, in the Company's opinion, the current organisational structure ensures the correct information flow and supervision over the activity of various persons as part of the activities described above.

III.Z.3. The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

This principle is not followed.

Justification: The Company has no separate internal audit unit and there is no separate position for the person heading that unit. The Company follows the principles detailed in

the substantiation of current non-compliance with principle III.Z.1 above. In the Supervisory Board, there is the separate Audit Committee, which was discussed in detail above in the substantiation of current non-compliance with principle II.Z.7. At least two Supervisory Board members meet the independence requirements described in the Company's Statutes and in the By-Laws of the Supervisory Board. Moreover, persons performing the audits and statutory auditors are independent of the Company. If an internal audit unit is established at the Company, the person who will be given the function of the manager of that unit will meet the requirements described in this principle.

III.Z.4. The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

This principle is not followed.

Justification: As it was already indicated in the substantiation of current non-compliance with principle III.Z.3 above, the Company has no separate internal audit unit and no separate position for a person heading that unit; in relation to that the Supervisory Board will not be presented by such entities with the assessment of the efficiency of the systems and functions referred to in that principle. The Management Board submits a report on the Company's activity to the General Meeting and Supervisory Board every year. At the moment, the Company will follow the principle under discussion with regard to the reports of the Management Board adequate to the current mechanisms described above and existing at the Company.

III.Z.5. The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among other things on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

This principle is not followed.

Justification: As it was already indicated in the substantiation of non-compliance with principle III.Z.1 above, at the Company there are no formalised procedures, systems (instructions) or specialised units for managing internal control, risk and compliance processes. In view of the above, compliance with principle III.Z.5 will be based on the assessment by the Supervisory Board of the activities described in the substantiation to item III.Z.1 with reports described in the substantiation to principle III.Z.4 above taken into account, and also on the basis of the activity of the Audit Committee.

4) Part IV – General Meeting, Shareholder Relations

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting,*
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,*
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.*

This principle is not applicable to the Company.

Justification: The above recommendation is not applicable because of the costs of related services and the need to ensure not only bilateral communication, but also the safety of such broadcasts and the need to develop the technical capacity to conduct voting and verify the rights of participation in a general meeting. The Company will consider the possibility of following recommendation IV.R.2 of the Best Practice for WSE Listed Companies 2016 in the future. In the event that the above-mentioned principle is introduced when the Company obtained necessary means and telecommunication and computer devices have complied with the requirements stated in that principle, INPRO SA will immediately give relevant information to the public. In the Company's opinion, non-compliance with that principle is not, at the moment, related to any risk as the procedures for the convocation of General Meetings in compliance with the mandatory provisions of law ensure that the shareholders have the opportunity to participate in the sessions of the Meeting. Moreover, the relatively compact structure of shareholders of the Company does not require the use of such forms of broadcast of the sessions of a general meeting.

IV.R.3. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

This principle is not applicable to the Company.

Justification: The Company's shares are traded on the domestic market only.

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

This principle is not applicable to the Company.

Justification: The current relatively compact structure of shareholders of the Company does not require the use of such forms of broadcast of the sessions of a general meeting. In the Company's opinion, non-compliance with that principle is not, at the moment, related to any risk as the procedures for the convocation of General Meetings in compliance with the mandatory provisions of law ensure that the shareholders have the opportunity to participate in the sessions of the Meeting.

5) Part V – Conflict of Interest, Related Party Transactions

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among other things provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

This principle is not followed.

Justification: The Company informs that it does have a set of internal regulations complying with the requirements of the above-mentioned regulations. The Company has taken steps to check the possibility of a conflict of interest with regard to the Company's activity and to prepare a relevant document. Following the preparation and endorsement of such a document by the Company, the above principle will be followed. The Company will use the existing relevant regulations, in particular the provisions of the Statutes requiring the expression of consent by the Supervisory Board to the conclusion of an agreement with a related party, the provisions of the By-Laws of the Supervisory Board regarding the obligation of a Supervisory Board member to report the rise or the possible rise of a conflict of interest and to abstain from taking the floor in a discussion or voting

on a resolution in which such a conflict has or could have arisen, and also regarding the obligation on the Supervisory Board members to report their relations with the company's shareholders representing not less than 5 % of the total vote at the General Meeting. It should also be indicated that in conformity with the provision of § 10 of the By-Laws of the Management Board, its members are also obliged to advise the Management Board of the existing or potential conflict of interest and to exclude themselves from resolving the matters comprised by such a conflict. If a conflict of interest arises in relation to the employees of the Company or persons acting upon its instruction, the Management Board will review each reported or noticed instance of such an existing or potential conflict of interest and attempt to resolve it.

6) Part VI – Remuneration

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

This principle is not followed.

Justification: 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. Owing to that circumstance the remuneration principles at the Company are transparent and there is no risk or negative implications of non-compliance with that principle.

VI.R.2. The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

This principle is not followed.

Justification: As indicated in the comments on recommendation VI.R.1, the Company does not have a remuneration policy. The remuneration principles at the Company comply, however, with the requirements specified in recommendation VI.R.2.

VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

This principle is not applicable to the Company.

Justification: A remuneration committee does not operate at the Company.

VI.Z.1. Incentive schemes should be constructed in a way necessary among other things to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

This principle is not applicable to the Company.

Justification: The Company does not have any incentive schemes at the moment. The principles regarding the remuneration of the Company's employees are specified in the Remuneration Rules binding at the Company. The form and structure of the remuneration of the Management Board members is, however, fixed by the Supervisory Board, which should be guided by its best knowledge and will. The amount of the remuneration for the Supervisory Board is fixed by the shareholders at a general meeting. The Management Board declares, however, that if incentive schemes are introduced, they will be constructed on the basis of the above principle.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

This principle is not applicable to the Company.

Justification: The Company does not have any incentive schemes at the moment. The principles regarding the remuneration of the Company's employees are specified in the Remuneration Rules binding at the Company. The form and structure of the remuneration of the Management Board members is, however, fixed by the Supervisory Board, which should be guided by its best knowledge and will. The amount of the remuneration for the Supervisory Board is fixed by the shareholders at a general meeting. The Management Board declares, however, that if incentive schemes are introduced, they will be constructed on the basis of the above principle.

Moreover, the Company indicates that the statements regarding the application of the principles set out by the "Best Practice for WSE Listed Companies 2016" were published, in conformity with the applicable principles, at the Company's web site.

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 29 March 2018 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, among other things, in accounting, the Company's reporting, making the Group's consolidated statements (for the years from 2007 to 2015 and for 2018), 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. The consolidated statements for 2016 and 2017 were made by a third party entity on the basis of the information prepared by the Finance and Accounting Department.
- 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 Preparation 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 buyers of the units. The Sales Director makes a programme showing the planned receipt of advances in relation to the purchase of units and the number of units 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 4. Shareholding structure of the Parent as at 31/12/2018

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 %
Nationale – Nederlanden OFE	A	2 100 000	210 000	17.93 %	2 100 000	17.93 %
	B	5 077 704	507 770		5 077 704	
Shareholders holding 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 30/06/2018. During the second half of 2018 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 2018.

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.

At the Company, three persons are appointed who have the joint (combined) power of proxy with a member of the Management Board or with another 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 require consent from the Supervisory Board if the value of real estate or encumbrance thereon exceeds 20,000,000.00 zlotys.
- Before the Company concludes a significant agreement with a related entity and with a shareholder holding at least 5 % of the total number of votes in the Company, the Management Board is obliged to ask the Supervisory Board for approval of that agreement. The foregoing obligation does not apply only to typical transactions and transactions at arm's-length made as part of the Company's operating activities between the Company and members of its group.

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 2018 and as at the date of making this statement.

i) Description of the rules concerning the amendment to 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 2018 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 on 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) Decisions 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 a 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 2018 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 31/12/2018:

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.

The Company's Supervisory Board, at its session on 14/06/2018, while acting on the basis of Article 201 § 4 of the Commercial Companies Code, in connection with § 7 par. 4 and 5 of the Company's Statutes, adopted resolutions Nos. 13, 14 and 15 on the appointment of the Members of the Management Board for the next 5-year term of office i.e. for 2018 - 2023, in the bench consisting of three persons (the President and two Vice-Presidents of the Management Board), that is:

- appointment of Mr Piotr Stefaniak member of the Management Board and giving him the function of the President of the Management Board,
- appointment of Mr Krzysztof Maraszek member of the Management Board and giving him the function of the Vice-President of the Management Board,
- appointment of Mr Zbigniew Lewiński member of the Management Board and giving him the function of the Vice-President of the Management Board,

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 acts 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 acts if the value of real estate or that right or an encumbrance on it exceeds PLN 20,000,000.00.

Moreover, the Supervisory Board must give consent to the conclusion by the Company's Management Board of a significant agreement with a related entity and shareholder holding at least 5 % of the total number of votes in the Company. The foregoing obligation does not apply only to typical transactions and transactions at arm's-length made as part of the Company's operating activities between the Company and members of its group.

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 2018 and as at the date of making this statement.

The Supervisory Board:

a) personal composition in 2018

Jerzy Glanc	- Chairman of the Supervisory Board
Krzysztof Gąsak	- Deputy Chairman of the Supervisory Board
Łukasz Maraszek	- Secretary of the Supervisory Board
Szymon Lewiński	- Member of the Supervisory Board
Wojciech Stefaniak	- Member of the Supervisory Board

No personal changes in the composition of this body occurred in the period in question.

b) description of the activity of the Supervisory Board

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 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,
- j) adopt the By-Laws of the Audit Committee.

The powers of the Supervisory Board also include giving approval of the conclusion by the Company's Management Board of a significant agreement with a related entity and shareholder holding at least 5 % of the total number of votes in the Company. The foregoing obligation does not apply only to typical transactions and transactions at arm's-length made as part of the Company's operating activities between the Company and members of its group.

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 2018 and as at the date of making this statement.

Audit Committee

At the session of the Supervisory Board of INPRO S.A. on 12 October 2017, pursuant to § 10 para. 19 of the Company's Statutes, the Supervisory Board appointed the **Audit Committee** consisting of:

Krzysztof Gąsak - Chairman of the Audit Committee, independent member
Jerzy Glanc - independent member of the Audit Committee
Łukasz Maraszek - member of the Audit Committee.

The Audit Committee in the bench mentioned above meets the independence criteria and other requirements set out in Article 129 paragraphs 1, 3, 5 and 6 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Dz.U. [*Journal of Laws*] of 2017, No. 1089).

Mr Krzysztof Gąsak meets the statutory independence criteria and has the knowledge of and skills in accounting and the audit of financial statements (he is a graduate of the University of Gdańsk, Faculty of the Economics of Transport, currently the Regional Banking Director for Small and Medium Enterprises, BGŻBNP PARIBAS S.A.; he also completed many courses including the "Selected issues in advanced financial analysis of SME"). Mr Jerzy Glanc meets the statutory independence criteria. Mr Łukasz Maraszek has the knowledge of the trade in which INPRO SA operates (a graduate of the Gdańsk University of Technology, the Faculty of Architecture and Town Planning, the joint owner of companies dealing with architectural planning and interior design, development of design documentation for property development projects, and in the manufacture and assembly of architectural concrete items).

At the same session, while acting on the basis of § 8 para. 1 point k of its By-laws, also bearing in mind Article 128 para. 1 of the Act, the Company's Supervisory Board adopted the By-laws of the Audit Committee of INPRO S.A. The By-laws are available at www.inpro.com.pl, the Information for Investors tab.

Audit Committee's activity

The Audit Committee is a permanent committee of the Company's Supervisory Board and has the consultation and advisory function for the Supervisory Board. The Audit Committee operates, in particular, on the basis of: The Act of 11 May 2017 on statutory auditors, audit firms and public supervision, the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, Best Practice for WSE Listed Companies and the By-Laws of the Audit Committee. The Audit Committee consists of at least 3 members.

The work of the Audit Committee is managed by its chairperson. At least one of the members of the Audit Committee should have the knowledge of and skills in accounting or the audit of financial statements. Audit Committee members should have the knowledge of and skills in the trade in which the Company operates. The condition is met if at least one member of the Audit Committee has the knowledge of and skills in the trade or the various members have the specific knowledge of and skills in the trade.

As regards the rules of the Audit Committee, the By-laws stipulate that its sessions shall take place at least every six months on dates fixed by the chairperson of the Audit Committee. Additional sessions of the Committee may be convened by its chairperson upon initiative of a member of the Audit Committee or another member of the Supervisory Board, and upon request from the Management Board or an internal or external auditor.

The tasks of the Audit Committee include, in particular:

- a) monitoring the financial reporting process at the Company and Corporate Group,
- b) monitoring the efficiency of internal control, risk management and internal audit systems, including financial reporting,
- c) monitoring of financial revision, in particular of the audit conducted by the audit firm,
- d) monitoring the Company's relations with related entities,
- e) relevant cooperation with statutory auditors,
- f) submission of the recommendations aiming at the assurance of the reliability of the Company's financial reporting process,
- g) monitoring of the independence and objectivity of the statutory auditor and the entity authorised to audit financial statements;
- h) control of the nature and scope of any other services ordered from the selected statutory auditor,

The Audit Committee held 5 sessions in 2018.

Pursuant to the Act on statutory auditors, audit firms and public supervision and the Regulation No 537/2014 of the European Parliament on specific requirements regarding statutory audit of public-interest entities, the Audit Committee endorsed INPRO SA Policy and procedure regarding on the selection of the entity authorised to conduct a statutory audit of the financial statements and the Policy on the provision of additional services by the audit company, an entity associated with the audit firm or by a member of its network. Pursuant to the provisions of those documents, the entity authorised to audit financial statements shall be selected by the Supervisory Board on the basis of the recommendations from the Audit Committee. The Policy sets out the auditor selection criteria and the selection process, for which the Finance Director is responsible.

The policy concerning the selection of the entity authorised to audit financial statements is based on the following main assumptions:

- a) the price offered by the entity authorised to conduct the audit;
- b) the possibility of providing the full scope of services specified by INPRO S.A. (the audit of separate and consolidated statements, reviews etc.);
- c) previous experience of that entity in the audit of the statements of entities with the operation profile similar to that of the INPRO SA Corporate Group;
- d) previous experience of that entity in the audit of the statements of public-interest entities;
- e) professional skills and experience of the persons directly involved in the audit at the INPRO Group;
- f) number of persons available for the audit at INPRO group companies;
- g) availability of skilled specialists in issues special for financial statements, such as the analysis of tax issues and public and private partnership projects;
- h) ensuring the audit in conformity with the International Financial Auditing and Attestation Standards and compliance with the International Quality Control Standard 1;
- i) the possibility of conducting the audit on dates specified by INPRO S.A.;
- j) the reputation on financial markets of the entity authorised to audit;
- k) confirmation of the independence of the e. as early as at the selection stage; such confirmation shall concern both INPRO S.A. and the INPRO Corporate Group.

The policy implemented at INPRO S.A. concerning the provision of additional services by the audit firm, an entity related to the audit firm or a member of its network, is based on the assumption that neither the statutory auditor, audit firm conducting the statutory audit of INPRO S.A. and the INPRO Corporate Group, nor the entity related to the audit firm and none of the members of its network, to which the statutory auditor or audit firm belongs, provide any prohibited services, directly or indirectly, to the Company and related companies, which are not the audit of the financial statements or the financial revision activities. The prohibited services are not the services identified in Article 136 para. 2 of the Act. The provision of the services mentioned above is only possible to the extent not related to the tax policy of INPRO S.A., following the assessment of the risks to independence and safeguards, upon consent from the Audit Committee. The Audit Committee issues relevant criteria concerning the services as applicable.

Any services provided by the audit firm or related entities require a previous assessment of the risks to independence and safeguards, and consent from the Audit Committee. The audit firm, Deloitte Audyt Sp. z o.o. Sp. K., and other companies related to it, did not render any services in 2018 except the audit of financial statements. Deloitte Audyt Sp. z o.o. Sp. K. conducted the audit of financial statements for the years 2015, 2016, 2017 and 2018. The selection of the audit firm in 2018 was preceded by a relevant process complying with the procedure endorsed by the Audit Committee.

1) Description of the diversity policy applied to the Issuer's administration, managing and supervising bodies

On the basis of principle No. I.Z.1.15 in fine of the "Best Practice for WSE Listed Companies 2016, "INPRO S.A. with its registered office in Gdańsk informs that it does not have or use the diversity policy in relation to the Company's governing bodies and its key managers as required by the principle mentioned above. The Company explains that the principle allowing for a diversity policy with regard to the Company's governing bodies and its key managers, in particular with regard to conditions such as gender, education, age, professional experience, and the goals of the diversity policy, is not followed at the moment because all decisions concerning staff at each level at the Company are based on individual skills and qualifications of various persons, with respect for equal chances of each person no matter his/her age or gender. Moreover, current regulations related to the election of the members of the Company's governing bodies, always appointed by collegiate bodies, that is: (i) in the case of the members of the management board, election by the Supervisory Board and in (ii) in the case of the members of the Supervisory Board by the General Assembly, are in the Company's opinion the correct and sufficient regulations pertaining to the correct and independent assessment of candidates with the application of objective substantive criteria no matter the candidate's age or gender. Managerial staff is selected and hired by the Management Board on the basis of the substantive election rules specified above, based on the person's skills and qualifications.

8. Consolidated financial statements and principles for their preparation

Rules for the preparation of financial statements

Both the consolidated and separate financial statements were prepared on the assumption that the Group companies will continue as the 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.

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

While the Parent prepares the financial statements in conformity with the International Financial Reporting Standards ("IFRS") endorsed by the European Union, the remaining Group entities keep their accounting books in conformity with the principles commonly applied and practices followed 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 corporate groups by entities other than banks, insurance companies and reinsurance companies and in conformity with the Commercial Companies Code.

Companies comprised by consolidation

The following companies were comprised by direct consolidation with INPRO SA for the period from 01/01/2018 to 31/12/2018:

- 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,
- 6) SML Sp. z o.o. – by means of the full consolidation method.

Statement of the Group's total income

In 2018 the INPRO SA Corporate Group achieved revenues from sales of nearly PLN 259 m, i.e. 28 % more than in the previous year, with a simultaneous increase of net profitability (from 15 % to 16 %). Net profit for 2018 increased by 35 % against 2017 to the level of PLN 40.9 m. The Group's higher profitability is primarily related to the increase of the net profitability of inBet Sp. z o.o. and Hotel Mikołajki Sp. z o.o., with the same profitability level of the property development activity.

The overall level of the selling and administration costs remained at an almost identical level to the comparable year. The increase of the revenues and costs on other operating activities is the result of the takeover by the Gdańsk City Hall of a part of the plot at the Chmielna Park estate for a public road. The increase of financial costs by 41 % is the result of the increase of that item at various Group companies – in the case of INPRO SA this concerned interest on issued bonds.

Consolidated statement of the financial position

In the period being presented, the contribution of current assets to the balance sheet total increased (from 72 % in 2017 to 76 %) because of the increase of inventory and cash at escrow accounts. Among non-current assets, the transfer of assets from property, plant and equipment to investment property is noticeable. This concerns investment property related to the agreement for the paid lease of the Mikołajki Hotel.

In the structure of equity and liabilities, in relation to 2017, a decrease of the share of equity from 62 % to 54 % in the balance sheet total can be seen (because of the increase of short-term liabilities: advances towards the purchase of units). Equity share in the balance sheet total decreased less dynamically as the long-term debt (the issue of bonds by INPRO SA) increased.

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 units).

Key ratios characterising the financial and economic position of the INPRO SA Corporate Group in 2018 and 2017 are presented below.

Table 5. Ratios characterising the financial position of the INPRO SA Group for 2018 and 2017

Ratio	Way of calculation	2018	2017
Net profitability	Net profit (loss) * 100 % / Sales revenues	16 %	15 %
Return on sales	Gross profit (loss) on sales * 100 % / Sales revenues	33 %	35 %
Net return on assets (ROA)	Net profit (loss) * 100 % / Total assets	8 %	7 %
Return on equity (ROE)	Net profit (loss) * 100 % / Equity	14 %	11 %
Current liquidity	Current assets / Short-term liabilities	2.28	2.61
Cash to liability ratio	(Current assets – inventory) / Short-term liabilities	0.67	0.56
Trade receivables turnover in days	Final state of trade receivables * 360 / Sales revenues	33	32
Trade liabilities turnover in days	Final state of trade liabilities * 360 / Cost of sales	47	56
Inventory turnover in days	Final state of inventory * 360 / Cost of sales	602	657
Asset structure	Non-current assets * 100 % / Current assets	31 %	38 %
Asset financing structure	Equity * 100 % / Total assets	54 %	62 %
Sustainability of financing	(Equity + long-term liabilities) / Total assets	67 %	72 %
Net debt ratio	(Financial debt – cash and cash equivalents) / Equity	19 %	21 %

The Group's financial situation described above is confirmed in the ratio analysis. As it follows from the data presented, the liabilities and inventory turnover ratios decreased and the receivables turnover remained almost at the same level. Financing structure indices deteriorated slightly. Current and quick liquidity are at a safe level. Profitability ratios are generally at a higher level than in the previous year.

9. Separate financial statements

Statement of total income

In 2018 INPRO SA achieved revenues from sales of approximately PLN 162.7 m, i.e. 32 % higher than in the previous year, with the same net profitability (18 %). The revenue increase in 2018 is correlated to a higher number of units delivered by INPRO SA (451 compared to 318), the profitability of the projects completed in both periods being the same.

The total level of selling and administration costs was approximately 6 % lower than in 2017 (the costs of celebrations of INPRO SA 30th anniversary and some costs of the Company's registered office upgrade were book in 2017). The increase of the revenues and costs on other operating activities is the result of the takeover by the Gdańsk City Hall of a part of the plot at the Chmielna Park estate for a public road. Financial revenues increased by 48 % – this is the result of a higher cash balance at bank accounts and a higher dividend paid to INPRO SA by PB DOMESTA Sp. z o.o. The financial cost increase concerns interest on issued bonds.

Statement of the financial position

In the period being presented, the non-current asset level remained at practically the same level, and current assets increased by 35 % because of the increase in inventory and cash, including escrow accounts.

In the structure of equity and liabilities, however, in relation to 2017, a decrease in the share of equity from 72 % to 62 % in the balance sheet total can be seen. Given the simultaneous increase of long-term debt (the bond issue), the share of fixed capital in the balance sheet total decreased less dynamically (from 76 % to 71 %). The increase of short-term liabilities was influenced by the increase of the level of advances towards the purchase of units (such an increase being correlated to the cash balance).

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 units).

Key ratios characterising the financial and economic position of INPRO SA in 2018 and 2017 have been presented below.

Table 6. Ratios characterising the financial position of INPRO SA for 2018 and 2017

Ratio	Way of calculation	2018	2017
Net profitability	Net profit (loss) * 100% / Sales revenues	18 %	18 %
Return on sales	Gross profit (loss) on sales * 100% / Sales revenues	32 %	35 %
Net return on assets (ROA)	Net profit (loss) * 100% / Total assets	7 %	6 %
Return on equity (ROE)	Net profit (loss) * 100% / Equity	11 %	9 %
Current liquidity	Current assets / Short-term liabilities	2.57	2.87
Cash to liability ratio	(Current assets – inventory) / Short-term liabilities	0.85	0.60
Trade receivables turnover in days	Final state of trade receivables * 360 / Sales revenues	47	43
Trade liabilities turnover in days	Final state of trade liabilities * 360 / Cost of sales	54	59
Inventory turnover in days	Final state of inventory * 360 / Cost of sales	710	869
Asset structure	Non-current assets * 100% / Current assets	33 %	44 %
Asset financing structure	Equity * 100% / Total assets	62 %	72 %
Sustainability of financing	(Equity + long-term liabilities) / Total assets	71 %	76 %
Net debt ratio	(Financial debt – cash and cash equivalents) / Equity	8 %	11 %

The Company's financial situation described above is confirmed in the ratio analysis. As it follows from the data presented, the liabilities and inventory turnover ratios decreased and the trade receivables turnover increased slightly in 2018 compared to 2017. Financing structure indices are slightly worse. Current and quick liquidity are at a safe level. The net profitability ratio remained at the same level, sales profitability is lower than in the previous year, and the other ratios in that category improved.

10. Events with significant influence on activity and financial results

Key factors influencing financial performance in 2018:

- The Group sold the total of 801 flats and houses net (in the meaning of concluded preliminary sale agreements net i.e. with the resignations taken into consideration: preliminary sale agreements concerning completed projects, agreements with entities other than customers who are natural persons, and agreements concerning commercial units, as well as documents issued to customers advising them on the conditions of the conclusion of property development agreements, such documents enabling the customers to file an application for funds for the financing of the property development agreements), including INPRO SA – 535 units. That result is better than in the previous year (2017: the Group: 739 units – an increase by 8.4 %, INPRO SA: 493 units – an increase by 8.5 %). The gross value of flats sold by the Group in the period under review was over PLN 352 m, which was higher by 20 % than the value achieved in 2017. Whilst the sales improved on the accumulative basis over the four quarters of the year, the INPRO SA Group noted a gradual sales decrease year by year, which is a general tendency on the property development market.
- 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 units to the buyers. During the entire year 2018, INPRO SA placed the following projects in service: Kwartał Uniwersytecki stage II (September), Harmonia Oliwska stage II (October), Debiut stage I (November) and the total of 9 single-family houses at the Golf Park estate. Przedsiębiorstwo Budowlane Domesta finished the works on buildings Nos. 2, 3, 4 and 5 (124 flats in total) at the Leszczynowy Staw estate and on buildings Nos. 1 2, and 3 (125 flats in total) at the Nowa Niepołomicka estate. In total, the construction of 543 units and single-family houses was completed, including INPRO with 294 units (the construction of 466 units including INPRO with 372 units was completed in 2017). The number of flats delivered to the buyers in the reporting period is higher than

in the previous year as 679 units/houses were delivered (a 57 % increase compared to 2017).

- the level of revenues from the hotel activities in 2018 was influenced by the paid lease transaction of 22 June 2018 concerning the Mikołajki Hotel. The seasonality of the revenues from that entity was removed and lease revenues are now spread evenly over the whole year.
- activities taken in previous years by the managers of inBet Sp. z o.o. (cost cutting, focus on the most profitable areas of activity, plant modernisation) continue to bring good results – for twelve months of 2018 the company noted gross profit in the amount of approximately PLN 6,237 k (gross profit was approximately PLN 4,120 k in 2017).

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

- the macroeconomic situation in Poland and in the world,
- the development of the property development market with special consideration for its competitiveness (a growing number of flats on the market, and the growth of workmanship costs),
- government regulatory activities, in particular work on the amendment to the Property Development Act, on the Town Planning and Construction Code abandoning planning permissions, the development of the National Housing Programme and the special housing act,
- the policy of the National Bank of Poland concerning interest rates on the banking market,
- the banks' policy in mortgage loans, readiness to offer escrow accounts and credit for developers,
- the possibility of procurement of various administrative decisions and permits,
- availability of land for new property development projects.

11. Assessment of the management of 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. Both the INPRO Group and the Issuer have a low debt ratio in 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, first of all INPRO SA, has been working with various banks on a long-term basis (risk diversification) to ensure the financing of both investing and current activities.

12. 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. INPRO SA 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 credit.

Property development projects are financed with funds from own assets, bank credit, from advances paid by customers towards the purchase of units 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.

13. Information on basic products

The main source of income for the Group in 2018 was the sale of residential and commercial units 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, plumbing systems and renting real property.

The sales revenue structure is presented in the following table:

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

Description	2018	Share (%)	2017	Share (%)	Change %
1. Sales revenues, including:	258 982	100 %	202 891	100 %	28 %
a. Manufacture of precast items	18 449	7 %	15 916	8 %	16 %
b. hotel activity	20 520	8 %	30 827	15 %	- 33 %
c. plumbing and heating systems	658	1 %	3	1 %	- 62 %
d. renting real property (from 01/07/2018)	2 880	1 %			Not applicable
d. property development activity	216 475	83 %	154 405	76 %	40 %

Table 8. INPRO SA sales revenues by category (PLN '000) PLN)

Description	2018	Share (%)	2017	Share (%)
1. Revenues from the sale of products (without services), including:	160 307	99 %	123 274	100 %
a. upper-end flats	100 287	62 %	96 409	78 %
b. apartments	0	0 %	1 361	1 %
c. single-family houses	6 077	4 %	5 770	5 %
d. commercial facilities	3 000*	2 %	0	0 %
e. popular flats	50 943	31 %	19 734	16 %
2. Revenues from the sale of goods for resale and materials	2 366	1 %	1	0 %
3. Total sales revenues	162 673	100%	123 275	100%

* the following is included in this item:

- revenues from the refurbishment works in the Dom Zdrojowy in Jastarnia – the refurbishment of some single rooms and the hotel reception

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 12,000.
 - Upper-end flats – those built to an increased standard, in an attractive location, at enclosed estates provided with a security service, with recreational grounds, a basement garage and outdoor car parks. Average prices per 1 m² are from PLN 7,000 to PLN 12,000.
 - Popular flats – those in good standard, located off the city centre, with recreational grounds and ground-based car-parks, sometimes with basement garages. Average prices per 1 m² are from PLN 4,500 to PLN 7,000.
- 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 buyer of a flat in selected locations can sign a fit-out agreement with SML Sp. z o.o., in which agreement the buyer can choose one out of three various options for the finish of the units.

In 2018, the Group pursued the following housing projects:

1. Golf Park – Tuchom – an estate of 81 detached and semi-detached houses by the lake in Tuchom not far from Gdynia. The usable residential area: 14,274 m²; segment: single-family houses. The following stages were implemented in 2018:

Stage C (the number of houses: 17, usable residential area: 3,164 m²) – the works commenced in the first quarter of 2016; the last houses were placed in service in April 2018;

Stage D (the total number of houses: 22, usable residential area: 3,918 m², 18 houses with the usable residential area of 2,961 m² were placed on the market; the works started in the third quarter of 2017; the last houses will be placed in service in the third quarter of 2019;

2. Kwartal Uniwersytecki stage II – Gdańsk Przymorze, a nine storey building located at the boundary of a popular office quarter in Gdańsk. The number of units: 96, usable residential area: 4,017 m², segment: upper-end flats. Construction works commenced in the second quarter of 2017, the building was placed in service in September 2018;
3. Kwartal Uniwersytecki stage III – Gdańsk Przymorze, a nine storey building located at the boundary of a popular office quarter in Gdańsk. The number of units: 72, usable residential area: 3,215 m², segment: upper-end flats. Construction works commenced in the first quarter of 2018; the scheduled date of placing in service: third quarter of 2019;
4. Harmonia Oliwska – Gdańsk Oliwa, an estate consisting of 10 buildings located very close to the Oliwa Park. The number of units: 554, usable residential area: 32,004 m², segment: upper-end flats. The following stages were being implemented in 2018:

Stage II (the number of units: 84, usable residential area: 4,330 m²) - construction works commenced in the second quarter of 2017, the building was placed in service in November 2018;

Stage III (the number of units: 157, usable residential area: 9,396 m²) - construction works commenced in the third quarter of 2017; the scheduled date of placing in service: third quarter of 2019;

Stage IV (the number of units: 174, usable residential area: 9,805 m²) - construction works commenced in the third quarter of 2018; the scheduled date of placing in service: third quarter of 2020r.;

5. Optima, stage II – Gdańsk Jasień; the project consists of 5 multi-family buildings. The number of units: 200, usable residential area: 9,886 m², segment: popular flats. Construction works commenced in the fourth quarter of 2018; the scheduled date of placing in service: third quarter of 2020r.;
6. Debiut – Pruszcz Gdański, an estate consisting of 11 buildings, merely 10 km from the Gdańsk centre. The number of units: 285, usable residential area: 17,113 m², segment: popular flats. The following stages were being implemented in 2018:

Stage I (the number of units: 105, usable residential area: 6,192 m²) - construction works commenced in the second quarter of 2017; the buildings were placed in service in November 2018;

Stage II (the number of units: 89, usable residential area: 5,655 m²) - construction works commenced in the second quarter of 2018; the scheduled date of placing in service: fourth quarter of 2019;

7. Azymut – Gdynia, Mały Kack; the estate consists of 7 buildings with a beautiful view of the nearby forests and the Bay of Gdańsk. The number of units: 193, usable residential area: 10,942 m², segment: upper-end flats. Construction works commenced in the second quarter of 2017; the scheduled date of placing in service: second quarter of 2019;

8. Leszczynowe estate (Domesta) – Gdańsk Jasień; the number of units: 223; usable residential area: 11,363 m²; segment: popular flats. The following buildings were being built in 2018:

Building No. 2 (the number of units: 31, the usable residential area: 1,523 m²) – the building placed in service in March 2018;

Building No. 4 (the number of units: 31, the usable residential area: 1,523 m²) – the building placed in service in June 2018;

Building No. 5 (the number of units: 31, the usable residential area: 1,523 m²) – the building placed in service in October 2018;

Building No. 3 (the number of units: 31, usable residential area: 1,523 m²) – the building placed in service in December 2018;

Building No. 6 (the number of units: 34, the usable residential area: 1,873 m²) – scheduled for placing in service in the fourth quarter of 2019;

Building No. 7 (the number of units: 34, the usable residential area: 1,873 m²) – scheduled for placing in service in the second quarter of 2019;

9. Nowa Niepołomicka estate (Domesta) – Gdańsk Chełm; the number of units: 197; usable residential area: 9,674 m²; segment: popular flats. The following buildings were being built in 2018:

Building No. 1 (the number of units: 47, the usable residential area: 2,241 m²) – the building placed in service in April 2018;

Building No. 2 (the number of units: 37, the usable residential area: 1,727 m²) – the building placed in service in July 2018;

Building No. 3 (the number of units – 41, the usable residential area – 2,247 m²) – the building placed in service in November 2018;

Building No. 4 (the number of units: 36, the usable residential area: 1,729 m²) – scheduled for placing in service in the fourth quarter of 2019;

Building No. 5 (the number of units: 36, the usable residential area: 1,729 m²) – scheduled for placing in service in the second quarter of 2019;

10. Ambiente estate (Domesta) – Gdańsk Piecki Migowo; the building consisting of two 4-storey above-ground parts; the number of units: 57; the usable residential area: 3,354 m²; segment: upper-end flats. The scheduled date of placing in service: second quarter of 2019;

11. HAVLOVE estate (Domesta) – Gdańsk Chełm; number of units: 276 residential and 14 commercial; the usable residential area: 13,797 m²; segment: **upper end flats**. The following buildings were being built in 2018:

Commercial building No. 1 (the number of commercial units: 7, the usable residential area: 627 m²) – scheduled for placing in service in the second quarter of 2020.

Building No. 3 (the number of units: 46, the usable residential area: 2,344 m²) – scheduled for placing in service in the third quarter of 2020.

Building No. 6 (the number of units: 44, the usable residential area: 2,344 m²) – scheduled for placing in service in the second quarter of 2020.

14. Sales markets and distribution channels

In 2018 the INPRO Group sold its products and services first of all on the domestic market, mainly in Gdańsk. Only inBet Sp. z o.o. noted sales outside the domestic market (mainly in Sweden) – nearly 27 % of the company's total revenues.

Customers for the services

INPRO SA has the greatest contribution to the Group's sales – the Company's sales are 61 % 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 2018, none of the Group's customers had a higher share than 3 % of the revenues from sales.

INPRO SA sales are effected through the following distribution channels:

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

In 2018 INPRO did not have branch offices (establishments) in which activity was conducted.

Service providers

In the opinion of the Management Board, the Group is not dependent on suppliers. In 2018, 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).

15. Information on agreements significant for the activity

Construction work agreements

In 2018 INPRO SA did not enter into significant agreements for the execution of construction works.

Land purchase agreements

1. On 05/01/2018 PB Domesta Sp. z o.o. signed a purchase agreement for land at Jesienna Street in Gdańsk. The purchase price of the land does not exceed 10 % of equity.

2. On 17/01/2018 INPRO SA signed a purchase agreement for land at 39 and 37 Szczecińska Street in Gdańsk (Kwartał Uniwersytecki, stage III). The purchase price of the land does not exceed 10 % of the Issuer's equity.
3. On 24/01/2018 INPRO SA signed a preliminary purchase agreement for land in Rumia. The purchase price of the land does not exceed 10 % of the Issuer's equity.
4. On 15/02/2018 INPRO SA signed a perpetual usufruct agreement for a plot of land at Opacka Street in Gdańsk. The fee does not exceed 10 % of the Issuer's equity.
5. On 01/03/2018 PB DOMESTA Sp. z o.o. signed a purchase agreement for land at Vaclava Havla Street in Gdańsk. The purchase price of the land does not exceed 10 % of the Issuer's equity.
6. On 09/03/2018 PB DOMESTA Sp. z o.o. signed a preliminary purchase agreement for land at Struga Street in Gdańsk. The purchase price of the land does not exceed 10% of the Issuer's equity.
7. On 29/03/2018 INPRO SA signed a preliminary purchase agreement for land in Gdańsk (the Siedlce district). The purchase price of the land does not exceed 10 % of the Issuer's equity.
8. On 23/04/2018 PB Domesta Sp. z o.o. signed a purchase agreement for land at Struga in Gdańsk. The purchase price of the land does not exceed 10% of the Issuer's equity.
9. On 07/06/2018 INPRO SA signed a preliminary purchase agreement for land in Rumia. The purchase price of the land does not exceed 10 % of the Issuer's equity.
10. On 29/06/2018 PB Domesta Sp. z o.o. signed a purchase agreement for land in Gdańsk, the Łostowice district. The purchase price of the land does not exceed 10% of the Issuer's equity.
11. On 27/07/2018 INPRO SA signed a purchase agreement for land in Gdańsk (the Siedlce district). The purchase price of the land does not exceed 10 % of the Issuer's equity.
12. On 16/08/2018 INPRO SA signed a purchase agreement for land in Pruszcz Gdański (Brawo II). The purchase price of the land does not exceed 10% of the Issuer's equity.
13. On 30/10/2018 INPRO SA signed a purchase agreement for land in Rumia, which is described at 3) above. The purchase price of the land does not exceed 10% of the Issuer's equity.

Land sale agreements

Neither INPRO SA nor any other Group company signed a land sale agreement (outside the ordinary property development activity) in 2018.

Financial agreements

In 2018, the INPRO SA Group did not enter into significant financial agreements other than those described in the report.

Other agreements

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

1. On 19/04/2018 INPRO SA signed three operating lease agreements for 48 months with Toyota Leasing Polska Sp. z o.o. for the purchase of three Toyotas. The total net value of the objects of lease is PLN 145 k.
2. On 24/04/2018 PB Domesta Sp. z o.o. signed an operating lease agreement for 48 months with mLeasing Sp. z o.o. for the purchase of 13 office cabins, a welfare cabin and a security guard cabin. The net value of the objects of lease is PLN 273.5 k. The security for the agreement is a blank promissory note.
3. On 09/05/2018 PB DOMESTA Sp. z o.o. signed an operating lease agreement for 24 months with Volkswagen Leasing GmbH for the purchase of an AUDI Q5. The net value of the object of lease is PLN 213 k.
4. On 14/05/2018 PB DOMESTA Sp. z o.o. signed an operating lease agreement for 36 months with Volkswagen Leasing GmbH for the purchase of a SKODA Rapid. The net value of the object of lease is PLN 46 k.
5. On 17/05/2018 INPRO SA signed an operating lease agreement for 60 months with Toyota Leasing Polska Sp. z o.o. for the purchase of a Toyota Rav4. The net value of the object of lease is PLN 98 k.
6. On 25/10/2018 inBet Sp. z o.o. signed an operating lease agreement for 60 months with PEKAO Leasing Sp. z o.o for the purchase of the rail-mounted double girder hook gantry crane. The net value of the object of lease is PLN 172.5 k. The security for the agreement is a blank promissory note.
7. On 25/10/2018 inBet Sp. z o.o. signed an operating lease agreement for 60 months with PEKAO Leasing Sp. z o.o for the purchase of the double girder hook gantry crane. The net value of the object of lease is PLN 145 k. The security for the agreement is a blank promissory note.
8. On 25/10/2018 inBet Sp. z o.o. signed an operating lease agreement for 60 months with PEKAO Leasing Sp. z o.o for the purchase of the supported battery-operated transport platform. The net value of the object of lease is PLN 234.8 k. The security for the agreement is a blank promissory note.
9. On 30/11/2018 inBet Sp. z o.o. signed an operating lease agreement for 60 months with ING LEASE (Polska) Sp. z o.o for the purchase of the Zeppelin Hyster H5.0FT fork-lift truck. The net value of the object of lease is EUR 33 k. The security for the agreement is a blank promissory note.

Detailed information concerning the structure of lease agreements as at 31/12/2018 is included in note No. 28 of the Group's consolidated financial statements for the financial year 2018.

Cooperation agreements

In 2018 the INPRO SA Group did not enter into significant cooperation agreements with other entities other than the agreements described above.

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

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

The description of transactions with related entities was presented in note 33 of the Group's consolidated financial statements for the financial year 2018.

17. Information on credit and loans incurred

Terminated credit

No credit agreements were terminated in 2018, or in the period from the balance sheet date to the date of making this Report on Activity.

Credit incurred

The following credit agreements were concluded in 2018:

1. On 16/01/2018 inBet Sp. z o.o. signed an overdraft agreement for PLN 1,000,000 with PEKAO SA. The term of the agreement is until 31/01/2019, and the legal security of credit repayment is the statement by INPRO SA on the support of the borrower in the letter of comfort formula, a promissory note and power of attorney to the account. Credit interest rate: 1 M WIBOR + the bank's margin.
2. On 16/03/2018 INPRO SA signed with mBank SA a working capital credit agreement for PLN 34,200,000 for the financing of the costs of construction of the stage III of the Harmonia Oliwska. The agreement was described in current report No. 3/2018 of 16/03/2018.
3. On 19/04/2018 PB DOMESTA Sp. z o.o. signed a working capital credit agreement for PLN 8,000 k for the partial financing of the costs of purchase of land located in Gdańsk, Struga Street, with the consortium of Bank Spółdzielczy in Tczew and SGB Bank SA. The legal securities of credit repayment are: mortgages up to the sums of PLN 1,500 k and 10,500 k, blank promissory note, statement on submission to enforcement, power of attorney to the current account, transfer of claims from the current account, bridging insurance at Concordia Polska TUW for the credit amount until mortgage establishment has become valid in law. Credit interest rate: 3 M WIBOR + the bank's margin.
4. On 28/06/2018 PB Domesta Sp. z o.o. signed a working capital credit agreement for PLN 2,310 k for the partial financing of the purchase of land located in Gdańsk, the Łostowice district, with the consortium of Bank Spółdzielczy in Tczew and Bank Spółdzielczy in Skórcz. The legal securities of credit repayment are: mortgages up to the sums of PLN 2,079 k and 1,386 k, blank promissory note, statement on submission to enforcement, power of attorney to the current account, and a transfer of claims from the current account. Credit interest rate: 3 M WIBOR + the bank's margin.
5. On 09/08/2018 INPRO SA signed with Millennium Bank SA a working capital credit agreement for PLN 6,000 k financing the construction of stage III of the Harmonia Oliwska residential estate. The legal security on credit repayment is as follows: a mortgage up to PLN 9,000 k on the real property being credited, the assignment under the construction insurance policy, the claim assignment agreement for claims in relation to the sale of units, the assignment under a suspensory condition of all the rights to site records and a statement on enforcement under Article 777 of the Civil Procedure Code. Credit interest rate: 1 M WIBOR + the bank's margin.
6. On 10/08/2018 INPRO SA signed with the consortium of banks: Kaszubski Bank Spółdzielczy in Wejherowo and SGB Bank SA, a working capital credit agreement for PLN 16,300 k for the partial financing of the construction of the Debiut estate, stage II, in Pruszcz Gdański. The agreement was described in current report No. 24/2018 of 10/08/2018.
7. On 22/09/2015 INPRO SA signed with Alior Bank SA a working capital credit agreement for PLN 8,250 k for the partial refinancing of the costs of the purchase of land in Gdańsk, Opacka Street (designated for an office building). The agreement was described in current report No. 27/2018 of 21/08/2018.

8. On 13/11/2018 INPRO SA signed a working capital credit agreement for PLN 5,000 k refinancing the cost of purchase of land in Gdynia Fleszarowej – Muskat Street (repeated refinancing). The legal security on the repayment is as follows: a contractual real estate mortgage up to PLN 7,500,000 on real property being credited, a blank promissory note and a power of attorney to the account. Credit interest rate: 3 M WIBOR + the bank's margin.
9. On 21/12/2018 PB Domesta Sp. z o.o. signed an overdraft agreement for PLN 4,000 k with Alior Bank SA. The legal security on credit repayment is as follows: a mortgage up to PLN 6,000 k on real property in Gdańsk, Cementowa Street, the assignment of rights under real property insurance policy, power of attorney to the current account, the de minimis guarantee for 15 months up to 60 % of the credit amount. The deadline for credit repayment is 20/12/2019. Credit interest rate: 3 M WIBOR + the bank's margin.

Credit repaid

The Group repaid the following credit in 2018:

1. On 08/05/2018 Dom Zdrojowy Sp. z o.o. effected the total repayment of the loan extended by INPRO SA.
2. On 24/05/2018 INPRO SA signed with mBank SA an annexe to the working capital credit in the amount of PLN 16,700,000 for the financing of stage II of the Harmonia Oliwska; based on that annexe, in relation to a financial surplus on the project, the credit was prematurely fully closed on 28/05/2018.
3. On 24/05/2018 INPRO SA effected the full early repayment of the working capital credit in the amount of PLN 22,500 k signed in 2016 with the consortium of banks: SGB – Bank SA and Bank Spółdzielczy in Tczew, for financing the costs of construction of the Optima estate, stage I.
4. On 28/09/2018 INPRO SA effected the full early repayment of the working capital credit in the amount of PLN 7,000 k signed in 2016 with the consortium of banks: SGB – Bank SA and Bank Spółdzielczy in Tczew, for the refinancing of the costs of purchase of land in Gdynia, Fleszarowej - Muskat Street.
5. On 04/10/2018 INPRO SA signed with Alior Bank SA an agreement under which, in relation to surplus cash at the escrow account, the credit agreement of 2017 for PLN 14,800 k financing the construction of the Debiut stage I estate in Pruszcz Gdański was terminated on 04/10/2018.

The following changes took place in credit agreements in 2018:

1. On 16/01/2018 PI ISA Sp. z o.o. signed an annexe to the overdraft agreement for PLN 300 k with Bank Millennium SA. Based on the annexe, the credit use period was extended until 04/02/2019.
2. On 23/05/2018 inBet Sp. z o.o. signed with PEKAO SA an annexe to the overdraft agreement increasing the limit level from PLN 1,000,000 to PLN 1,500,000. The remaining provisions of the agreement were not changed.
3. On 13/07/2018 INPRO SA signed with mBank SA annex No. 1 to the working capital credit agreement for PLN 14,800 k financing the construction of stage I of the Debiut estate. The annexe to the agreement was described in current report No. 22/2018 of 13/07/2018.
4. On 26/07/2018 Hotel Mikołajki Sp. z o.o signed an annexe to credit agreement No. 59 1020 1811 0000 0796 0048 7611 of 05/09/2011, as amended, with the bank

financing the construction of the hotel facility in Mikołajki i.e. with Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw. The annex was signed in relation to the conclusion on 22 June 2018 of the lease agreement by Hotel Mikołajki with Dobry Hotel Mięczkowski Spółka komandytowa under which agreement Dobry Hotel Mięczkowski Spółka komandytowa has leased the hotel facility belonging to Hotel Mikołajki Sp. z o.o. The annexe to the credit agreement was described in current report No. 23/2018 of 26/07/2018.

5. On 23/08/2018 INPRO SA signed with mBank SA an annexe to the working capital credit agreement for PLN 34,200 k financing the construction of stage III of the Harmonia Oliwska estate. Based on the annexe, in relation to the release of cash from the residential escrow account kept for the project being credited, the credit amount was lowered to the level of PLN 29,280 k.
6. On 05/09/2018 INPRO SA signed with Alior Bank SA an annexe to the overdraft agreement for PLN 16,000 extending the term of the agreement until 19/09/2019. The agreement was described in current report No. 29/2018 of 05/09/2018.
7. On 06/11/2018 INPRO SA signed with mBank SA yet another annexe to the working capital credit agreement for PLN 34,200 k financing the construction of stage III of the Harmonia Oliwska estate. Based on the annexe, in relation to the release of cash from the residential escrow account kept for the project being credited, the credit amount was lowered to the level of PLN 19,580 k.

Detailed information concerning the structure of credit agreements as at 1/12/2018 is included in note No. 27 of the of the Group's consolidated financial statements for the financial year 2018.

Loans incurred

INPRO SA did not contract any loan-related liabilities in the financial year 2018.

18. Information on loans granted in the financial year

No loan agreements were terminated in the reporting period 2018, or in the period from the balance sheet date to the date of making this Report on the Activity.

On 27/07/2018 INPRO SA granted Hotel Mikołajki Sp. z o.o. a long-term subordinate loan in the amount of PLN 1,000,000 for the financing of current liabilities. Loan repayment is subjected to the repayment of the long-term investment credit of 05/09/2011 granted to Hotel Mikołajki by PKO BP SA and falls on 31/01/2028. The loan interest rate: 3 M WIBOR + the bank's margin.

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

In 2018 INPRO SA did not receive any sureties or give any new guarantees and sureties.

INPRO SA received the following guarantees in 2018:

1. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 272,873,00 with the expiry date of 30/06/2018.
2. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 64,800.00 with the expiry date of 08/06/2018.
3. the advance repayment guarantee from Schindler Polska Sp. z o.o. in the amount of PLN 102,060 with the expiry date of 14/06/2018.
4. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 56,451,06 with the expiry date of 31/03/2019.
5. the advance repayment guarantee from OTIS Polska Sp. z o.o. in the amount of PLN 66,420.00 with the expiry date of 19/09/2018.
6. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 57,758.67 with the expiry date of 28/09/2018.

7. the advance repayment guarantee from KONE Sp. z o.o. in the amount of PLN 81,540.27 with the expiry date of 31/03/2019.
8. the advance repayment guarantee from Schindler Polska Sp. z o.o. in the amount of PLN 84,693.60 with the expiry date of 29/04/2019.

On 12/07/2018 PB DOMESTA granted a surety for its subcontractor who buys materials at inBet Sp. z o.o. The surety expiry date is 30/06/2019. The surety amount for the supplies effected by inBet Sp. z o.o. to the subcontractor of Domesta Sp. z o.o. is PLN 528 k.

On 27/09/2018 INPRO SA signed with Dom Zdrojowy Sp. z o.o. a surety agreement for the bond issuer under which agreement Dom Zdrojowy established a mortgage on the Dom Zdrojowy hotel in Jastarnia up to PLN 37,500,000 as a security for 25,000 bonds with the nominal value of PLN 25,000,000 issued by INPRO SA.

On 07/11/2018 PEKAO SA upon instruction from inBet Sp. z o.o. granted an advance return guarantee to a foreign contractor, UAB "Litana ir ko" for EUR 23.8 k which expires on 30/06/2019.

On 16/11/2018 ING Bank Śląski SA upon order from Strzegomskie Zakłady Mechaniczne ZREMB Sp. z o.o. granted an advance return guarantee to inBet for PLN 279.5 k with the validity date of 20/02/2019.

20. Description of the use of proceeds from the issue of securities in the period covered by the report

On 23/08/2018 INPRO SA signed the organisation agreement for the issue of bonds up to PLN 20,000,000 for 3 years with Michael / Ström Dom Maklerski SA. The technical agency agreement was also signed with the same entity. The agreement was described in current report No. 28/2018 of 23/08/2018. By way of the annexe of 27/09/2018 to the organisation agreement, the planned issue value was increased to PLN 25,000,000.00.

On 27/09/2018 the Management Board of INPRO SA adopted the resolution on the issue of 25,000 three-year secured bearer bonds with the nominal value of PLN 1,000 each and the total nominal value up to PLN 25,000,000. The bonds were registered in the National Depository for Securities on 10 October 2018. The bond buyout date is 10/10/2021.

On 10/10/2018 the National Depository for Securities registered the bonds issued by INPRO SA for the total of PLN 25,000,000. The bond buyout date is 10/10/2021. This event was described in current report No. 34/2018 of 10/10/2018.

Part of the funds, which is PLN 7,000 k, was allocated in 2018 to the purchase of land for further property development projects. The rest of the funds will be spent on expanding the land bank in 2019 and possibly in further years. By 04/04/2019, INPRO SA spent PLN 7,700 k in 2019.

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

In the reporting period, no important proceedings were pending with regard to the liabilities or claims of INPRO SA or its subsidiary before a court, a body competent for arbitration proceedings or a public administrative body.

22. 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 2018.

23. 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 2018.

24. Group's activity during the financial year 2018

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 2018:

Table 9. Buildings placed in service by INPRO SA and PB DOMESTA Sp. z o.o. in 2018

Project	Decision on the occupancy permit	Number of units	Kind of project
Gdańsk, Harmonia Oliwska stage II (Opacka Street)	October 2018	84	Upper-end flats
Gdańsk, Kwartał Uniwersytecki stage II (Szczecińska Street)	September 2018	96	Upper end flats
Pruszcz Gdański, Debiut, stage I (Dybowski Street)	November 2018	105	Popular flats
Tuchom, the Golf Park estate	April and May 2018	9	Single-family houses
Gdańsk, the Leszczynowy Staw estate – building No. 2	March 2018	31	Popular flats
Gdańsk, the Leszczynowy Staw estate – building No. 4	June 2018	31	Popular flats
Gdańsk, the Leszczynowy Staw estate – building No. 5	October 2018	31	Popular flats
Gdańsk, the Leszczynowy Staw estate – building No. 3	December 2018	31	Popular flats
Gdańsk, Nowa Niepołomska estate, building 1	April 2018	47	Popular flats
Gdańsk, Nowa Niepołomska estate, building 2	July 2018	37	Popular flats
Gdańsk, Nowa Niepołomska estate, building 3	November 2018	41	Popular flats

Sales (understood as the number of preliminary sales agreements gross i.e. without resignations) at various projects in 2018:

Table 10. Sales by INPRO SA with PB DOMESTA Sp. z o.o. by project in 2018

Project	Number of flats sold gross	Kind of project
Tuchom, Golf Park, stage A, C i D	7 (75 % accumulative)	Single-family houses
Gdańsk, Chmielna Park, building B	9 (98 % accumulative)	Upper-end flats
Gdańsk, Chmielna Park, building C	1 (100 % accumulative)	Upper-end flats
Gdańsk, Harmonia Oliwska, stage I	32 (100 % accumulative)	Upper-end flats
Gdańsk, Harmonia Oliwska, stage II	44 (100 % accumulative)	Upper-end flats
Gdańsk, Harmonia Oliwska, stage III	182 (100 % accumulative)	Upper-end flats
Gdańsk, Harmonia Oliwska, stage IV	29 (16 % accumulative)	Upper-end flats
Gdańsk, Kwartał Uniwersytecki II	12 (100 % accumulative)	Upper-end flats
Gdańsk, Kwartał Uniwersytecki, stage III	83 (98 % accumulative)	Upper-end flats
Gdynia, Azymut	100 (47 % accumulative)	Upper-end flats
Pruszcz Gdański, Debiut, stage I	89 (91 % accumulative)	Popular flats

Pruszcz Gdański, Debiut, stage II	33 (31 % accumulative)	Popular flats
Gdańsk, Optima, stage I	37 (100 % accumulative)	Popular flats
Gdańsk, Optima, stage II	9 (4 % accumulative)	Popular flats
Gdańsk, Optima, the commercial building	2 (6 % accumulative)	Commercial units:
Gdańsk, Leszczynowe estate, building 27 (DOMESTA)	1	Popular flats
Gdańsk, the Leszczynowy Staw estate, buildings 1, 2, 3, 4, 5, 6, 7 (DOMESTA)	88	Popular flats
Gdańsk, Nowa Niepołomska estate, building 1, 2, 3, 4, 5 (DOMESTA)	111	Popular flats
Gdańsk, Ambiente estate (DOMESTA)	33	Upper-end flats
Gdańsk, Havlove estate (DOMESTA)	59	Upper-end flats
TOTAL GROSS SALES	669 pcs (Inpro) +292 pcs (Domesta)= 961 pcs	

25. 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,
- the quality and timely performance of housing projects,
- offer concerning various customer financing programmes for the purchase of units,
- the marketing policy,
- the flexibility in pricing the units, 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 number of flats on the market, and the growth of workmanship costs),
- government regulatory activities, in particular work on the amendment to the Property Development Act, on the Town Planning and Construction Code abandoning planning permissions, the development of the National Housing Programme and the special housing act,
- the possibility of procurement of various administrative decisions and permits,
- the policy of the National Bank of Poland concerning interest rates on the banking market,
- the policy pursued by the banks financing the developers and flat buyers,
- improvement of the situation in the hotel trade.

The forecasts about the Group's development taking into account the factors mentioned above and the risks relating to the property development activity as described in item 5 indicate that the sales level achieved by both the Group and the Issuer in 2019 will be at a level comparable to 2018. This is because of the number and value of projects planned for placing in service as part of INPRO SA 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.

The Company reviewed building permit designs of the proposed projects; the demand for cheaper two-room flats in is the greatest, although a growing interest in three- and four-room apartments can be seen.

In 2018 the Company completed its land bank with plots of land of the total area of approximately 40,000 m², and PB Domesta Sp. z o.o. purchased land of the total area of

nearly 21,300 m². Those plots will enable a greater diversity of the Group's offer in the nearest years of its activity. At the same time, work is being carried out on the procurement of new attractive sites ensuring the further development of the enterprises.

In 2019 the INPRO SA Group intends to introduce into its offer both new interesting locations and further stages of the projects now under way:

- Debiut estate in Pruszcz Gdański, stage I (93 units),
- City Park, stage II, Gdańsk (189 units),
- Wróbla Staw single-family houses, stage II (4 houses),
- Golf Park, stage D (4 single-family houses),
- Brawo estate in Pruszcz Gdański, stage I (127 units),
- Start estate in Gdańsk (160 units),
- Ostoja estate in Rumia (138 units),
- Nowa Niepołomicka estate, stage II, Gdańsk, buildings No. 1 (48 units) and No. 2 (44 units),
- Havlove estate in Gdańsk, building No. 4-5 (46 units), No. 8-9 (46 units), No. 10 (46 units),
- Traffic estate in Gdańsk, building C (90 units),

The Group is planning to introduce 1.035 new flats and houses into its offer in 2019.

26. Changes in the basic rules of enterprise management

No substantial changes in the basic rules of enterprise management occurred at the INPRO Corporate Group or in INPRO itself during 12 months of 2018.

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

As at 31/12/2018 the Vice-President of the Management Board, Krzysztof Maraszek, was employed on 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.

28. Remuneration, prizes and benefits for each of the managers and supervisors of the Company

In 2018 the value of the remuneration, prizes and benefits paid, due or potentially due separately to each of the managers and supervisors of the Company is as follows:

Table 11. Remuneration paid to the members of governing bodies of INPRO SA in 2018 (PLN)

REMUNERATION OF THE MANAGEMENT BOARD OF INPRO SA					
		Remuneration under a civil law agreement at INPRO SA	Dividends paid in 2018	In other entities in the Group	
1	MANAGEMENT BOARD – fixed remuneration				
	Piotr Stefaniak	840 000.00			
	Krzysztof Maraszek	840 000.00			
	Zbigniew Lewiński	840 000.00			
	TOTAL	2 520 000.00			
2	MANAGEMENT BOARD – variable remuneration				
	Piotr Stefaniak	75 837.00	2 115 000.00		
	Krzysztof Maraszek	75 837.00	2 502 500.00		
	Zbigniew Lewiński	75 837.00	2 365 000.00		
	TOTAL	227 511.00	6 982 500.00		
3	SUPERVISORY BOARD IN THE GROUP				
	Piotr Stefaniak			39 600	
	Krzysztof Maraszek			39 600	
	Zbigniew Lewiński			39 600	
	TOTAL			118 800	
	TOTAL FOR THE MANAGEMENT BOARD	2 747 511.00	6 982 500.00	118 800	
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 2018	In other entities in the Group
4	SUPERVISORY BOARD OF INPRO SA				
	Jerzy Glanc	65 500.00			
	Krzysztof Gąsak	65 500.00			
	Łukasz Maraszek	39 000.00			
	Wojciech Stefaniak	22 500.00			
	Szymon Lewiński	12 000.00	33 126.89		
	TOTAL	204 500.00	33 126.89		

* Including the Audit Committee

29. Value of pension obligations and similar benefits to former managers and supervisors

No pension obligations and similar benefits to former managers, supervisors or former members of administration bodies and liabilities contracted in relation to such pensions occurred in 2018.

30. Remuneration policy

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.

As described in item 28 above, as at 31/12/2018 the Vice-President of the Management Board, Krzysztof Maraszek, was employed on 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.

During the entire year, the level of the remuneration of each Member of the Management Board has remained unchanged, irrespective of the method of employment, and was PLN 70,000 gross per month per 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 was an element of the remuneration of each member of the Management Board, too. The amount of that remuneration element is determined each time by way of a resolution of the Supervisory Board.

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.

31. Total number and nominal value of all stock (shares) in the Company and of stock and shares in related entities, held by the managers and supervisors of the Company

The shareholdings of the members of the Management Board and Supervisory Board of INPRO SA as at 31/12/2018 were as follows:

Table 12. Members of the Management Board holding shares of INPRO SA as at 31/12/2018

	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 31/12/2018 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.

32. 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.

33. Information on the employee share control system

There is no employee share ownership plan at the Company or in subsidiaries.

34. Disclosure of non-financial and diversity information

The Company and entities within the Corporate Group do not meet the criteria set out in Directive 2014/95/EU obliging companies to disclose non-financial and diversity information.

35. Sponsoring, charity and other similar policies

In the reporting year, INPRO SA transferred approximately PLN 121 k for charity purposes, both to natural persons and to various organisations such as schools, pro-social organisations and foundations (the total of 10 beneficiaries).

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.

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

On 29/05/2018 INPRO SA entered into an agreement for the following with Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw, an entity authorised to audit financial statements:

- a) the review of the separate interim consolidated financial statements of INPRO SA and of the consolidated financial statements of the INPRO SA Corporate Group for the period 01/01/2018-30/06/2016; remuneration: PLN 31,000.00,
- b) the audit of the separate consolidated financial statements of INPRO SA and of the consolidated financial statements of the INPRO SA Corporate Group for the period 01/01/2018-31/12/2018; remuneration: PLN 45,000.00,

Moreover, the following agreements were concluded with Deloitte Audyt 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) Hotel Oliwski Sp. z o.o., receptionist – on 02/07/2018 for the audit of the annual financial statements as at 31/12/2018, made to the Polish Accounting Standards; remuneration: PLN 10,000.00,
- b) Dom Zdrojowy Sp. z o. o. – on 02/07/2018 for the audit of the annual financial statements as at 31/12/2018, made to the Polish Accounting Standards; remuneration: PLN 10,000.00,
- c) PB Domesta Sp. z o. o. – on 14/08/2018 for the audit of the annual financial statements as at 31/12/2018, made to the Polish Accounting Standards; remuneration: PLN 14,000.00,
- d) Hotel Mikołajki Sp. z o. o. – on 02/07/2018 for the audit of the annual financial statements as at 31/12/2018, made to the Polish Accounting Standards; remuneration: PLN 9,000.00,

On 12/06/2017 INPRO SA entered into an agreement for the following with Deloitte Audyt 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 01/01/2017-30/06/2017; remuneration: PLN 22,000.00,
- b) the review of the interim consolidated financial statements of the INPRO SA Group for the period 01/01/2017-30/06/2017; remuneration: PLN 4,000.00,
- c) the audit of the separate financial statements of INPRO SA for the period 01/01/2017-31/12/2017; remuneration: PLN 32,000.00,
- d) the audit of the consolidated financial statements of the INPRO Group for the period 01/01/2017-31/12/2017; remuneration: PLN 4,000.00.

The subsidiaries entered into an agreement with Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw in 2017 for the audit of the annual financial statements as at 31/12/2017 on the same price conditions as in 2017.

All the amounts given above are net.

In the reporting year, INPRO SA did not use other services provided by Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw.

The selection of the statutory auditor to audit the Company's financial statements is within the powers of the Supervisory Board.

37. Achievements in research and development

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

38. Acquisition of own shares

During 12 months of the financial year 2018, INPRO SA did not effect any transaction concerning the acquisition of own shares.

39. Description of significant off-balance sheet items

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

40. Material events after the balance sheet date

- a) On 02/01/2019, inBet Sp. z o.o. signed with PEKAO SA annexe No. 2 to the overdraft agreement thus increasing the overdraft limit from PLN 1,500,000 to PLN 2,000,000, and the deadline for the payment was extended until 31/01/2020.
- b) On 02/01/2019 PI ISA Sp. z o.o. signed with Millennium Bank SA an annexe to the overdraft agreement for PLN 300 k thus extending the repayment deadline until 04/02/2020. Other terms of the agreement remained undisturbed.
- c) On 11/01/2019 the Company prematurely repaid the whole of the working capital credit in the amount of PLN 6,850 k signed in 2017 with Alior Bank SA for the refinancing of the costs of purchase of land in Gdańsk, Stężycka Street.
- d) On 11/01/2019 inBet Sp. z o.o. signed an operating lease agreement for 70 months with PEKAO Leasing Sp. z o.o for the FEGO container heating system. The net value of the object of lease is PLN 211 k. The security for the agreement is a blank promissory note.
- e) On 11/01/2019 inBet Sp. z o.o. signed an operating lease agreement for 72 months with PEKAO Leasing Sp. z o.o for the purchase of the concrete batch plant. The net value of the object of lease is PLN 1,397.5 k. The security for the agreement is a blank promissory note.
- f) On 15/01/2019 the Gdańsk-North District Court in Gdańsk, 3rd Land and Mortgage Register Division, recorded in division IV of land and mortgage registers Nos. GD1G/00279506/6, GD1G/00281583/6, GD1G/00300460/8, GD1G/00284240/1 the joint contractual real estate mortgage up to PLN 12,375 k on INPRO SA assets, such a mortgage constituting a legal security for the working capital credit refinancing the cost of purchase of land in Gdańsk, Opacka Street (the part for office blocks) in the amount of PLN 8,250 k granted by Alior Bank SA.
- g) On 16/01/2019 SML Sp. z o.o. signed with Volkswagen Leasing GmbH Sp. z o.o. Branch in Poland an operating lease agreement for the purchase of a Skoda Fabia III Wagon for 36 months. The net value of the object of lease is PLN 41.9 k.
- h) On 30/01/2019 INPRO SA signed a preliminary purchase agreement for land at Stężycka Street in Gdańsk. The purchase price of the land does not exceed 10 % of the Issuer's equity.
- i) On 31/01/2019 INPRO SA signed with Millennium Bank SA a working capital credit agreement for PLN 25,000,000 for the financing of the construction of stage II of the Optima estate. The agreement was described in current report No. 3/2019 of 31/01/2019.

- j) On 21/02/2019 INPRO SA signed with mBank SA a working capital credit agreement for PLN 39,200,000 for the financing of the costs of construction of stage IV of the Harmonia Oliwska project. The agreement was described in current report No. 5/2019 of 21/02/2019.
- k) On 27/02/2019 INPRO SA signed with mBank SA an annexe to the working capital credit in the amount of PLN 34,200,000 for the financing of stage III of the Harmonia Oliwska project; based on that annexe, in relation to a financial surplus on the project, the credit was prematurely fully closed on 28/02/2019.
- l) On 28/02/2019 the Company prematurely repaid the whole of the working capital credit in the amount of PLN 6,500 k signed in 2017 with Alior Bank SA for the refinancing of the costs of construction of 17 units at the Chmielna Part estate, buildings B and C.
- m) On 01/03/2019 INPRO SA signed with the Pozytywne Inicjatywy Foundation with its registered office in Puck a preliminary lease agreement on the basis of which INPRO SA will, by 27/05/2019, grant operating lease of the playgroup premises in a building constructed at the Optima estate in Gdańsk, Stężycka Street. The value of the object of lease will be PLN 3,881 k net. The lease period is 5 years. The agreement will be concluded provided that the Municipality of the City of Gdańsk confirms playgroup enrolment for the playgroup to be created on the premises under lease by 01/09/2019.

Gdańsk, 03/04/2019