

Resolution No. 5/2017 of the Supervisory Board of INPRO SA
with its registered office in Gdańsk of 21 April 2017
on the evaluation of the situation of INPRO SA

§1

Acting on the basis of the provision of § 10 item 9 points g), h) and i) of the Statutes of INPRO SA, having become familiar with the contents of the financial statements for the period 01/01/2016 - 31/12/2016, and of the report of the Management Board of the Company's activity in the period 01/01/2016 - 31/12/2016, and with the opinion of 21 March 2017 of the independent statutory auditor, Deloitte Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa, Al. Jana Pawła II 19, 00-854 Warszawa, and on the basis of current information provided by the members of the Management Board, the Supervisory Board ascertains as follows:

1. The sale of products was the main source of the Company's revenue in the period under evaluation. That revenue accounted for approximately 92% of the turnover achieved. The revenue from the sale of products is, first of all, the revenue from the sale of living quarters, business premises and residential buildings as part of property development projects. Other revenues in 2016 followed from the sale of construction services and from the sale of land at Kartuska Street in Gdańsk.
2. The Company's activity in the period under review was characterised by sufficient profitability, namely gross profit from sales was 43,883,642.93 zlotys, and net profit 25,367,957.78 zlotys. Profitability ratios corresponded to the financial results – the net return reached the level of 17%, the return on sales 30%, and the return on assets 8%. These results are better than those achieved in 2015 despite the decrease of the profit level. Whereas the current ratio improved to 4.13, the cash to liabilities ratio was 0.48 against the recommended figure of 1.0-1.2. The lower cash to liabilities ratio is linked to the nature of the development activity as the land value and construction expenditure related to the property development projects in progress are booked as part of inventory. The trade receivables turnover ratio was 16 days, and the trade liabilities turnover ratio indicated that those liabilities were paid within 39 days.
3. The asset financing structure ratios improved in relation to the level from the previous year. In the entire period under evaluation, the rule stipulating that fixed assets should be financed in their entirety with equity increased by long-term liabilities was complied with.
4. The Supervisory Board shares the view of the Management Board contained in its report that the following should be counted among the most important risk factors in the activity of INPRO SA:
 - a) Poland's general macroeconomic situation – the demand for the Company's products is directly linked to the condition of households and their capacity to obtain housing credit,
 - b) the nature of the property development cycle – the threats arising from the failure to obtain building permits, delays to the adoption of and changes in the spatial development plans, delays at construction sites,
 - c) competition on the property development market,
 - d) restrictions in the crediting of developers by the banks,
 - e) regulatory activities of the government, in particular the influence of the "Flat for Young People" programme, of recommendation S3, and work on the update of the property development act, the

adoption of the 500+ programme, and the progress of works on the National Housing Programme, adoption of the Agricultural Land Trade Act,

5. In accordance with the opinion expressed by the independent statutory auditor, which opinion is fully accepted by the Supervisory Board, in the period under assessment the Company achieved profit on all kinds of activity and correct profitability ratios. The financial analysis confirms the stable economic and financial situation of the Company. There are no threats to the continuation of the activity in the nearest future.

As regard the assessment of the parameters of the internal control and risk management systems, compliance, audit including financial reporting and operating activities, the Supervisory Board indicated that in Company's current structure it is the Management Board which is responsible for the control of the Company's operating activities including the control of its internal processes of activity, along with risk management processes. The Supervisory Board indicates that at the Company there are, however, no formalised procedures, systems (instructions) or specialised units for managing internal control, risk and compliance processes. In the opinion of the Supervisory Board the size and object the Company causes the current control, audit and risk management system to be sufficient. The Company uses control and risk management mechanisms with regard to the process of preparation of financial statements and consolidated financial statements: The Company's Management Board is responsible for the correct preparation of separate and consolidated financial statements. That is the governing body approving the Company's financial documentation. Materials for the statements are prepared by an organisational unit of the Company's enterprise – the Finance and Accounting Department. That department is involved in, among other things, accounting, the Company's reporting, the Group's consolidated reporting, financial analysis, controlling, and budget preparation. Those tasks are within the powers of various employees of the Finance and Accounting Department. The Department is managed by the Chief Accountant who is also the Finance Director. Internal control with regard to accounting documentation is exercised in the following way: invoices are reviewed at the Company's various departments from the activity of which those costs arise (material control), by the Finance and Accounting Department (formal and accounting control) and by the Chief Accountant (payment approval). Invoices are also reviewed by the Company's Management Board. At the Company, there is also a position for the material control of agreements entered into by the Company. A budget and programme broken down by months, both updated on an ongoing basis, are prepared by the Production Department for each property development project pursued by the Company. A site manager on a given project provides the Finance and Accounting Department and the Management Board on a monthly basis with a report containing the value of the works performed at the site in a given month divided into the scope of the works, with information on the progress of various items and of the entire project. Every month, the Company's Sales Department prepares a report containing the number and value of agreements concluded and terminated with the acquirers of the premises. The Sales Director makes a programme showing the planned receipt of advances in relation to the purchase of premises and the number of premises delivered to customers in a given month for the purposes of various projects. Based on the above-mentioned programmes (production and sales), annual financial plans broken down to various projects are prepared. The financial plan is approved by the Management Board. During the year, the plan is analysed and updated on an ongoing basis (including from the point of view of the reports by Production and Sales Departments). The Company prepares separate and consolidated financial statements in

conformity with the International Financial Reporting Standards ("IFRS") approved by the European Union, the Accounting Act of 29 September 1994, the Regulation of the Minister of Finance of 25 September 2009 on the detailed rules for the preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies and with the Commercial Companies Code. The Company presents and reports the results on an ongoing basis in compliance with the provisions of law, including the Act of 29 July 2005 on public offering, on conditions governing the introduction of financial instruments into an organised trading system, and on public companies, and of the Regulation of the Minister of Finance of 19 February 2009 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, and also in compliance with the requirements of the Regulation of the European Parliament and of the Council (EU) No 596/2014 of 16 April 2014 on market abuse (the market abuse regulation) and repealing Directive 2003/6/EU of the European Parliament and of the Council and Commission Directives 2003/124/EU, 2003/125/EU and 2004/72/EU (also referred to as the MAR). The Company also has the accounting policy containing, among other things, the definition of the financial year and reporting period comprised by it, the way of keeping the books of accounts (the chart of accounts, a schedule of the books of accounts, the description of the data processing system), the definition of the system designed for the protection of data and their sets including accounting vouchers, the books of accounts and other documents forming the basis of making entries in them. 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. 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 activities subjected to the assessment by that office for compliance with the provisions of law. The Company has an agreement with a tax consultancy office. Bearing the above in mind, in the opinion of the Supervisory Board, the application of the internal control, risk management and compliance mechanisms described above has proven them to be efficient and adequate to the scope of the Company's activity. Thus, the Supervisory Board considers the audit and management systems described above to be sufficient for ensuring the correct activity of the Company and for securing the interests of its shareholders and cannot see, at the moment, the need to separate the internal audit unit from the organisational and functional point of view.

As regards the assessment by the Supervisory Board of INPRO SA of the Company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and with the obligations regarding current and periodic information submitted by the issuers of securities, it should be indicated that following the review of the contents on the Company's web site (<http://www.inpro.com.pl/>) in combination with the knowledge of the Supervisory Board on the Company's activity, both in 2016 and at the moment the Company correctly reports information which should be provided by INPRO S.A. as a public company in conformity with the Act of 29 July 2005 on public offering, on conditions governing the introduction of financial instruments into an organised trading system, and on public companies, and with the Regulation of the Minister of Finance of 19

February 2009 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, and in conformity with the rules and regulations of the Stock Exchange and in compliance with the requirements of the Regulation of the European Parliament and of the Council (EU) No 596/2014 of 16 April 2014 on market abuse (the market abuse regulation) and repealing Directive 2003/6/EU of the European Parliament and of the Council and Commission Directives 2003/124/EU, 2003/125/EU and 2004/72/EU. The correctness of reporting pertains to both the object and scope of those reports. Moreover, in conformity with principle I.Z.1.13 of the *Code of Best Practice for WSE Listed Companies 2016*, the Company publishes information on the application of the principles and recommendations contained in that document on its web site. By way of the report of 01/01/2016 amended by way of the report of 18/05/2016 the Company submitted information on the application of the principles set out in the CBP 2016 in conformity with §29 par. 3 of the Exchange Rules.

As regards the presentation by the Supervisory Board of the assessment of the rationality of sponsoring, charitable and similar activities, the Supervisory Board indicates that the Company does not have rules for the activities of the character described above. The Company undertakes, however, sponsoring and charitable activities orientated mainly towards aiding natural persons and various organisations such as schools, the voluntary fire brigade and pro-social organisations and foundations. In accordance with the practice adopted by the Company, decisions on the allocation of company funds to a purpose are taken by the Management Board on the basis of case-specific financing requests filed by the entities concerned. Relevant aid is of local character and small range; in 2016 the Company transferred some PLN 127 k to approximately 10 entities.

As regards the diversity policy, pursuant to principle No. I.Z.1.15, the Company published information on its web site (<http://www.inpro.com.pl/>) stating that the Company did not prepare or pursue a diversity policy, while indicating 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 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. The position of the Supervisory Board that there is no need to prepare and implement the diversity policy at INPRO S.A. is the same as the position of the Company.

The Supervisory Board also indicates that in relation to the implementation of Directive of the European Parliament and of the Council No 2014/95/EU of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, INPRO S.A. does not provide the data required under that directive because INPRO S.A. does not reach employment thresholds constituting the criteria for the company to be under the obligation to submit such reports.

The resolution was adopted unanimously in open voting.

Jerzy Glanc _____ *[illegible signature]*

Krzysztof Gąsak _____ *[illegible signature]*

Szymon Lewiński _____ *[illegible signature]*

Łukasz Maraszek _____ *absent*

Wojciech Stefaniak _____ *[illegible signature]*

