MLP Group S.A.

SEPARATE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

This document is a translation.
Polish version prevails.

published pursuant to § 60 Section 1 Item 1 of the Regulation issued by the Finance Minister on 29 March 2018 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (Journal of Laws 2018 Item 757)

Contents of the standalone annual report:

I. Letter of the President of Management Board to Shareholders

Dear Shareholders,

On behalf of the Management Board I have the pleasure to present the Annual Report of the MLP Group S.A. for 2018. We have another very successful period behind us, during which we have strengthened the position of the MLP Group in a dynamically developing warehouse space market.

Warehouse space market in Poland, Germany and Romania

Last year was another period confirming that Poland's warehouse space market is very robust. In 2018, total leased space amounted to 4.2 million m2, i.e. was similar to the previous year's. As far as the net demand (excluding lease extensions) is concerned, tenants showed the greatest interest in the Warsaw, Upper Silesia and Central Poland regions. These markets accounted for more than half of total demand.

Developers make efforts to meet every demand for new warehouse space. So, the growing demand induces further investments. In 2018, almost 2.2 million m2 was handed over for use, and additional 1.9 million m2 is being built, of which nearly one third is built on a speculative basis, or without binding contracts. In the last years, warehouse space resources grew in percentage terms at a double-digit rate, reaching 15.7 million m2 at the end of 2018.

At the end of the previous year, the vacancy rate was 5.1%. However, in the western region, there is no space available to be let right away.

Very favorable conditions also prevail on the German and Romanian markets, where the MLP Group is developing its business. Germany remains the largest warehouse space market in Europe and the volume of transactions conducted there in 2018 reached the highest historical level of 7.2 million m2. That was 20% more than the average of the last five years. On the other hand, in Romania, the total warehouse and logistics space contracted for lease in 2018 was 500 thousand m2. Out of this figure, newly supplied space was 400 thousand m^2, and the total supply reached 3.75 million m2.

Events in the MLP Group in 2018

2018 was another year of dynamic growth for our Group. During this period we were carrying out and preparing projects of a total area of 140.8 thousand m2 , of which the construction of 87.5 thousand m2 was completed. As a result, at the end of last year we offered over 537 thousand square meters of finished warehouse space, i.e. 22% more than last year. At the same time, we maintain a land bank where the Group's target development area is ca. 973 thousand m2.

The MLP Group maintains a good financial standing. Last year, our net asset value (NAV) increased by 12.21% to PLN 815.35 million. In 2018, the Group generated a net profit of PLN 92.4 million, i.e. nearly twice as much as the year before. The Group's consolidated revenues reached PLN 141.5 million and were 36% higher than the year before. An increase in the turnover was influenced by an increase in the scale of operations and settlement of the developer agreement for the completion of construction and commercialization of the MLP Bieruń park which was sold by the MLP Group in 2015. Taking into account only rent income, which is the main source of income from core operations, in 2018 the Group achieved a 23% increase compared to the same period of the previous year.

Currently, the Group operates eight logistics parks in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Czeladź and MLP Gliwice, and one logistics park under construction, i.e. MLP Poznań West. In Germany, the Group currently operates one logistics park, MLP Unna. The Group is now building a new logistics park, MLP Bucharest West, in Romania. It also owns plots of land and has signed reservation agreements to purchase new plots for its planned logistics parks. This means that the current and potential real estate portfolio managed by the MLP Group consists of a total of sixteen operating logistics parks located in three European markets.

Plans of the MLP Group for 2019

The Group's strategic objective is to constantly increase the warehouse space held in the Polish market and to continue operations abroad. In addition to our country, the German market is a top priority, in particular five regions where the Group wants to operate: Hamburg, Munich, Berlin, Frankfurt and the Ruhr Area. In the coming years Germany will offer us the greatest potential to generate a return on our investment while simultaneously diversifying our business in Poland. We also see an opportunity to launch operations in Austria in the vicinity of Vienna this year. Similarly, in Romania, there is potential for the development of the warehouse industry. Therefore, in the Chitila region in the vicinity of Bucharest, we started construction of a building of area of 10 thousand m2 on a speculative basis . The demand for modern warehouses remains high in all markets of the Company's operations. Completion of the investment projects will ensure a further very dynamic growth of value for the Group. In accordance with the "build and hold" strategy, we do not plan to sell our assets.

The Management Board believes that the Group has an excellent financial standing. We have a very strong capital structure allowing us to pursue long-term strategic objectives, including our own land bank located in attractive locations and highly qualified management staff. All of the above factors, supported by an improvement of Poland's macroeconomic indicators, should promote the achievement of MLP Group's long-term strategic objectives.

We would like to thank all of our shareholders for their unfailing support and trust. We will make every effort to perform our strategy effectively and consistently, achieve the best possible financial results and steadily increase the value of the MLP Group S.A. Group.

Yours faithfully,

Radosław T. Krochta

CEO

President of the Management Board

MLP Group S.A.

II. Representation of the Management Board

The separate financial statements of MLP Group S.A. for the period from 1 January 2018 to 31 December 2018 and the comparative data for the period from 1 January 2017 to 31 December 2017 were prepared in compliance with the applicable accounting principles, which are disclosed in note 3, and reflect true and fair view of financial position and financial results of the Company. Management Board's Report on the activities of MLP Group S.A. presents a true overview of the development and achievements of the Company and its business situation, including basic risks and exposures.

We declare that the audit firm performing audit of the separate financial statements of MLP Group S.A. for the period of 12 months ended 31 December 2018 - KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa was appointed in compliance with the respective provisions of law. The audit firm and the certified auditors performing the audit met the conditions to issue an independent opinion in compliance with relevant regulations and professional standards.

Signed with a qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice-President of the Management Board

Tomasz Zabost
Member of the Management Board

Maria Ratajczyk
Signature of the person preparing the financial statements

Pruszków, 15 March 2019

III. Selected financial data of MLP Group S.A.

Average exchange rates of Polish zloty against Euro in the period covered by the standalone financial statements:

	31 December 2018	31 December 2017
Average exchange rate in the period *	4,2669	4,2447
Average exchange rate as at the last day of the period	4,3000	4,1709

** Arithmetic average of the average exchange rates published on the last day of each month in the reporting period.*

Main positions of the standalone statement of financial position converted into euros:

as at	31 December 2018		31 December 2017	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets	374 353	87 059	280 771	67 317
Current assets	13 443	3 126	22 648	5 430
Total assets	**387 796**	**90 185**	**303 419**	**72 747**
Long-term liabilities	226 724	52 727	148 620	35 633
Short-term liabilities	12 098	2 813	3 177	762
Equity, including:	148 974	34 645	151 622	36 352
Share capital	4 529	1 053	4 529	1 086
Total equity and liabilities	**387 796**	**90 185**	**303 419**	**72 747**
Number of shares	18 113 255	18 113 255	18 113 255	18 113 255
Book value and diluted book value per share (in PLN)	8,22	1,91	8,37	2,01

To convert the data included in the standalone statement of financial position the average exchange rate published by the National Bank of Poland (NBP) on the last day of the reporting period was used.

The main positions of the standalone statement of profit or loss and other comprehensive income converted into euros:

for the year ended 31 December	2018		2017	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Revenue	9 570	2 243	8 394	1 978
Selling and administrative expenses	(9 945)	(2 331)	(9 128)	(2 150)
Operating profit/(loss)	32	7	(735)	(173)
Profit before tax	3 909	916	3 843	905
Net profit	611	143	3 943	929
Total comprehensive income	**611**	**143**	**3 943**	**929**
Net profit attributable to the owners of the Parent Company	611	143	3 943	929

Net profit and diluted net profit/loss per share attributable to shareholders of the parent company (in EUR/PLN per share).	0,03	0,01	0,22	0,05

To convert the data included in the standalone statement of profit or loss and other comprehensive income an average Euro exchange rate calculated as the arithmetic average of the exchange rates published on the last day of each month in the reporting period by the National Bank of Poland (NBP) was used.

The main positions of the standalone statement of cash flows converted into euros:

for the year ended 31 December	**2018**		**2017**	
	PLN thousand	**EUR thousand**	**PLN thousand**	**EUR thousand**
Net cash flows from operating activities	(1 400)	(328)	203	48
Cash flows from investing activities	(81 995)	(19 217)	(72 469)	(17 073)
Cash flows from financing activities	74 215	17 393	85 735	20 198
Total cash flow	**(9 180)**	**(2 151)**	**13 469**	**3 173**

To convert the data included in the standalone statement of cash flows an average Euro exchange rate calculated as the arithmetic average of the average exchange rates published on the last day of each month in the reporting period by the National Bank of Poland (NBP) was used.

as at	**31 December 2018**		**31 December 2017**	
	PLN thousand	**EUR thousand**	**PLN thousand**	**EUR thousand**
Cash at the beginning of the period	15 500	3 716	2 105	476
Cash at the end of the period	7 399	1 721	15 500	3 716

To translate the above data of the standalone statement of cash flows the following exchange rates were used:

- For the line item "Cash at the end of the period", the average exchange rate published by the National Bank of Poland on the last day of the reporting period was used,
- For the line item "Cash at the beginning of the period", the average exchange rate published by the National Bank of Poland on the last day of the period preceding the reporting period was used.

The euro exchange rate on the last day of the reporting period ended 31 December 2016 was EUR 1 = PLN 4.424.

MLP Group S.A.

Separate financial statements
for the year ended 31 December 201

prepared in accordance with IFRS EU

Approval of the Standalone financial statements

On 15 March 2019, the Management Board of MLP Group S.A. approved the Standalone financial statements of MLP Group S.A. ("Financial Statements") for the period from 1 January 2018 to 31 December 2018.

The standalone financial statements for the period from 1 January 2018 to 31 December 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). Information in this report is presented in the following sequence:

1. Separate statement of profit or loss and other comprehensive income for the period from 1 January 2018 to 31 December 2018, with a zysk netto of PLN 611 thousand.
2. Separate statement of financial position as at 31 December 2018, with total assets and total liabilities and equity of PLN 387 796 thousand.
3. Separate statement of cash flows for the period from 1 January 2018 to 31 December 2018, with a net cash zmniejszenie środków pieniężnych of PLN 8 101 thousand.
4. Separate statement of changes in equity for the period from 1 January 2018 to 31 December 2018, with an equity zmniejszenie kapitałów of PLN 2 648 thousand.
5. Explanatory information to the standalone financial statements.

The standalone financial statements have been prepared in PLN thousand, unless otherwise stated.

Signed with a qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice-President of the Management Board

Tomasz Zabost
Member of the Management Board

Pruszków, 15 March 2019

(data in PLN thousand unless stated otherwise)

Standalone statement of profit or loss and other comprehensive income

for the year ended 31 December	**Note**	**2018**	**2017**
Revenue	6	9 570	8 394
Other operating income	7	501	64
Other operating expenses	8	(94)	(65)
Selling and administrative expenses	9	(9 945)	(9 128)
Operating profit/(loss)		**32**	**(735)**
Financial income	10	9 696	7 389
Financial expenses	10	(5 819)	(2 811)
Net financial income		**3 877**	**4 578**
Profit before tax		**3 909**	**3 843**
Income tax	11	(3 298)	100
Net profit		**611**	**3 943**
Total comprehensive income for the financial year		**611**	**3 943**
Profit per share:			
- Basic and diluted profit (in PLN) for the year attributable to the ordinary shareholders of the Parent Company	20	0,03	0,22

(data in PLN thousand unless stated otherwise)

Standalone statement of financial position

as at 31 December	Note	2018	2017
Non-current assets			
Intangible assets		678	12
Prepayments for intangible assets		-	726
Property, plant and equipment		92	149
Long-term financial assets in related parties	12	123 361	123 249
Long-term investments	13	246 894	150 063
Deferred tax assets	16	2 675	5 973
Other long-term investments		653	599
Total non-current assets		**374 353**	**280 771**
Current assets			
Short-term investments	14	3 553	2 767
Trade and other receivables	17	2 490	4 381
Cash and cash equivalents	18	7 400	15 500
Total current assets		**13 443**	**22 648**
TOTAL ASSETS		**387 796**	**303 419**
Equity	19		
Share capital		4 529	4 529
Reserve capital		4 194	4 194
Share premium		71 121	71 121
Supplementary capital		64 485	64 485
Retained earnings		4 645	7 293
Total equity		**148 974**	**151 622**
Non-current liabilities			
Liabilities under loans and other debt instruments	21	226 724	148 620
Total non-current liabilities		**226 724**	**148 620**
Current liabilities			
Loans and other debt instruments	21	9 573	355
Payroll liabilities	22	918	2 127
Trade and other liabilities	23	1 607	695
Total short-term liabilities		**12 098**	**3 177**
Total liabilities		**238 822**	**151 797**
TOTAL EQUITY AND LIABILITIES		**387 796**	**303 419**

(data in PLN thousand unless stated otherwise)

Standalone statement of cash flows

for the year ended 31 December	Note	2018	2017
Cash flows from operating activities			
Profit before tax		3 909	3 843
Adjustments for:			
Depreciation and amortization		211	77
Net interest		625	353
Foreign exchange differences		338	(350)
Dividend received		(5 000)	(4 508)
Other		(54)	(548)
Changes in trade and other receivables		(1 132)	1 157
Changes in short-term trade and other liabilities		(297)	(563)
Cash from operating activities		**(1 400)**	**(539)**
Income tax (paid)/returned		-	742
Net cash from operating activities		**(1 400)**	**203**
Cash flows from investing activities			
Repayments of loans granted		50 688	23 792
Dividend income		8 023	-
Interest received		607	191
Purchase of shares	12	(112)	(25)
Purchase of investment property, tangible fixed assets and intangible assets		(94)	(791)
Loans granted		(141 107)	(95 636)
Cash from investing activities		**(81 995)**	**(72 469)**
Cash flows from financing activities			
Proceeds from loans received		38 169	2 751
Dividends and other payments to shareholders		(3 260)	-
Bond issue		42 473	84 310
Interest paid on bonds		(3 167)	(1 326)
Cash from financing activities		**74 215**	**85 735**
Total cash flow		**(9 180)**	**13 469**
Cash and cash equivalents at the beginning of the period		**15 500**	**2 105**
Impact of changes due to foreign exchange differences in cash and cash equivalents		1 079	(74)
Cash and cash equivalents at the end of the period	18	**7 399**	**15 500**

(data in PLN thousand unless stated otherwise)

Standalone statement of changes in equity

	Share capital	Reserve capital	Share premium	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2017	**4 529**	**4 194**	**71 121**	**64 485**	**3 350**	**147 679**
Comprehensive income:						
Financial result	-	-	-	-	3 943	**3 943**
Total comprehensive income for the year ended 31 December 2017	**-**	**-**	**-**	**-**	**3 943**	**3 943**
Equity as at 31 December 2017	**4 529**	**4 194**	**71 121**	**64 485**	**7 293**	**151 622**
Equity as at 1 January 2018	**4 529**	**4 194**	**71 121**	**64 485**	**7 293**	**151 622**
Comprehensive income:						
Financial result	-	-	-	-	611	**611**
Total comprehensive income for the year ended 31 December 2018	**-**	**-**	**-**	**-**	**611**	**611**
Interim dividend	-	-	-	-	(3 260)	**(3 260)**
Equity as at 31 December 2018	**4 529**	**4 194**	**71 121**	**64 485**	**4 644**	**148 973**

Explanatory information to the standalone financial statements

1. General information

1. 1 Information on MLP Group S.A.

MLP Group S.A. ("Company", "Entity", "Issuer") is a joint-stock publicly-traded company registered in Poland. The Company's head office is located in Pruszków at ul. 3 Maja 8.

The Company was established as a result of a transformation of the state company Zakłady Naprawcze Taboru Kolejowego im. Bohaterów Warszawy seated in Pruszków into a joint-stock company fully owned by the state. The notarial deed of transformation was drawn up on 18 February 1995. The company operates under the name of MLP Group S.A. by virtue of resolution of the Company Shareholder Meeting of 27 June 2007.
Currently, the Company is registered in the National Court Register kept by the District Court for the Capital City of Warsaw, 14th Commercial Department, under the National Court Register number KRS

The core business activities of the Company include: management, acquisition and sale of real estate, rental of real estate, management of residential and non-residential properties, construction works related to construction of buildings and other construction. The prevailing type of the Company's business is characterized by the 7032Z symbol of the Statistical Classification of Products by Activity of the European Economic Community, which refers to property management services.

The Company's financial year is defined as the calendar year.

The duration of the Company is unlimited.

1. 2 Information on the Group

The parent company of the Company is CAJAMARCA HOLLAND B.V. registered in the Netherlands, 2 Martinus Nijhofflaan, 2624 ES Delft.

The ultimate parent company is Israel Land Development Company Ltd., registered in Tel Aviv, Israel ("ILDC"). ILDC shares are listed on the Stock Exchange in Tel Aviv.

As at the end of the reporting period, MLP Group S.A. was the parent company of 32 subsidiaries: MLP Pruszków I Sp. z o.o., MLP Pruszków II Sp. z o.o., MLP Pruszków III Sp. z o.o., MLP Pruszków IV Sp. z o.o., MLP Spółka z ograniczoną odpowiedzialnością SKA, MLP Energy Sp. z o.o., MLP Poznań Sp. z o.o., MLP Lublin Sp. z o.o., MLP Poznań II Sp. z o.o., MLP Bieruń Sp. z o.o., MLP Bieruń I Sp. z o.o., MLP Sp. z o.o., MLP Property Sp. z o.o., MLP Teresin Sp. z o.o., MLP Poznań West Sp. z o.o., MLP Fin Sp. z o.o., Lokafop 201 Sp. z o.o. SKA, Lokafop 201 Sp. z o.o., MLP Wrocław Sp. z o.o., MLP Gliwice Sp. z o.o., MLP Łódź Sp. z o.o., MLP Czeladź Sp. z o.o., MLP Temp Sp. z o.o., MLP Dortmund LP Sp. z o.o., MLP Dortmund GP Sp. z o.o., MLP Logistic Park Germany I Sp. z o.o. & Co. KG, MLP Poznań West II Sp. z o.o., MLP Bucharest West Sp. z o.o., MLP Teresin II Sp. z o.o., MLP Bucharest West SRL, MLP Pruszków V Sp. z o.o., and MLP Germany Management GmbH.

Dodatkowe informacje na temat jednostek podporządkowanych zostały zamieszczone w nocie 12.

1. 3 *Composition of the Management Board*

As at the date of preparation of the standalone financial statements, the composition of the Management Board is as follows:

- Radosław T. Krochta - President of the Management Board
- Michael Shapiro - Vice-President of the Management Board
- Tomasz Zabost - Management Board Member

1. 4 *Composition of the Supervisory Board*

As at the date of preparation of the standalone financial statements, the composition of the Supervisory Board is as follows:

- Shimshon Marfogel - Chairman of the Supervisory Board
- Eytan Levy - Deputy Chairman of the Supervisory Board
- Daniel Nimrodi - Supervisory Board Member
- Guy Shapira - Supervisory Board Member
- Piotr Chajderowski[1)] - Supervisory Board Member
- Maciej Matusiak - Supervisory Board Member

[1)] On 18 June 2018, the Shareholder Meeting appointed Mr. Piotr Chajderowski to the Company's Supervisory Board of the next term of office. He replaced Mr. Jacek Tucharz whose tenure as Supervisory Board member has expired.

2. Basis for the preparation of the standalone financial statements

2. 1 *Statement of compliance*

MLP Group S.A. prepared standalone financial statements in accordance with the accounting principles issued by the International Accounting Standards Board approved by the European Union, defined as the International Financial Reporting Standards ("EU IFRS"). The Company applied all Standards and Interpretations adopted by the European Union except Standards and Interpretations listed below that are awaiting approval of the European Union and the Standards and Interpretations that had been approved by the European Union, but not yet effective.

2. 2 *Status of the approval of standard in the European Union*

A number of new standards, amendments to standards and interpretations is not yet mandatorily effective for annual periods ending on 31 December 2018 and has not been applied in preparation of the standalone financial statements.

2. 2. 1 *Standards and Interpretations approved by the EU, which did not come into force as at the end of the reporting period*

The Company intends to adopt standards and amendments to standards and interpretations of IFRS published by the International Accounting Standards Board, but not yet effective until the date of approval for publication of these standalone financial statements, in accordance with their effective date.

Standards and interpretations approved by EU, which did not come into force for annual periods	Possible impact on the standalone financial statements	Effective date
IFRIC 23 (Uncertainty over Income Tax Treatments)	no impact	1 January 2019
Amendments to IFRS 9 *Financial Instruments (2014)*	Assessment of the impact of the standard is described below	1 January 2019
Amendments to IAS 28 (Investments in Associates and Joint Ventures)	no impact	1 January 2019

IFRS 16 *Leases*	The Company is party to operating lease agreements only (concerning 9 cars) where the total value of minimum lease payments amounts to PLN 210 thousand and rents office space from MLP Pruszków I Sp. z o.o. pursuant to an agreement with a 3-month notice period, according to which the monthly rent amounts to PLN 4 thousand. According to the Management Board, the implementation of IFRS 16 will not have a significant impact.	1 January 2019

The following new standards will be adopted for the first time in the company's standalone statements for 2018:

IFRS 15 ***Revenue from Contracts with Customers***

The Company applies the IFRS 15 including the 5-step model:

- ***Identify the contract with the customer***

  A contract with a customer meets its definition if all the following conditions are met: the parties have concluded the contract and they are obligated to perform their duties; the Company is able to identify each party's rights in relation to the goods or services to be transferred; the Company is able to identify the payment terms for the goods or services to be transferred; the contract has commercial substance; and it is probable that the Company will receive the consideration to which it will be entitled to in exchange for the goods or services that will be transferred to the customer.

- ***Identify the performance obligations***

  At contract inception, the Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either: a good or service (or bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

- ***Determine the transaction price***

  The Company shall consider the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes, fuel fee, excise tax). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

- ***Allocate the transaction price to individual performance obligations***

  The Company allocates transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer.

- ***Recognize revenue when (or as) the entity satisfies a performance obligation***

  The Company recognizes revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer (the client obtains control over that asset). Revenue is recognized in amounts equal to the transaction price allocated to a given performance obligation. The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

  - the customer simultaneously receives and consumes the benefits provided by the performance as it is performed,
  - the performance creates or enhances an asset that the customer controls as the asset is created or enhanced,
  - the performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Effect of application of the new standard

Vast majority of revenues generated by the Company are revenues from administration of real estate and revenues from provision of consultancy services.
Revenues under those contracts are captured in the period in which the services are provided.
The Company has decided to use modified retrospective approach. According to an option permitted under IFRS, the Company has resigned from transforming comparable data.
The Company analyzed the impact of the new standard on other categories of revenues generated by the Company. The Company believes that the impact of adoption of IFRS 15 on the data carried in the financial statements is not significant.

IFRS 9 *Financial Instruments*

The Company believes that introduction of this standard has no material effect on the applied accounting policies in respect to the Company's activities and its financial performance. Following the application of IFRS 9, classification of some financial instruments changed.

IFRS 9 Financial Instruments applicable to the annual periods beginning after 1 January 2018 removes the previous classification of financial assets into:

- held to maturity,
- available-for-sale,
- loans and receivables

and replaces them with a new classification including:

- financial assets measured at amortized cost,
- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income.
- hedging financial instruments.

Classification into a specific group of financial assets is decided by the "business model" of managing the asset portfolio and evaluation of the contractual terms of a given financial asset.

The following table presents the effect of implementing IFRS 9 on changes in the classification and measurement of the Company's financial assets as at 1 January 2018:

Financial instrument classes	Classification according to IAS 39	Classification according to IFRS 9
Loans granted	Loans and receivables	Financial assets at amortized cost
Trade and other receivables	Loans and receivables	Financial assets at amortized cost
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost

Classification of financial liabilities according to IFRS 9 is as follows:

- financial liabilities measured at amortized cost,
- financial liabilities measured at fair value through profit or loss,
- hedging financial instruments.

Also, IFRS 9 has introduced a change in measuring impairment of financial assets. According to the new standard, entities must identify and measure impairment based on the "expected loss concept" instead of the previous "incurred loss concept".

The Company estimates that as at the date of first application, the guidelines did not have a material effect on the measurement of its financial instruments. The Company has not identified any significant changes in the classification of financial assets that would result in a change of their measurement method.

Moreover, with respect to credit risk assessment, the Company has analyzed the existing provisioning methodology for trade and other receivables and loans granted, which takes into account the individual approach and a ratio-based approach based on historical repayment statistics, and estimates that as at the date of first application of the new standard, the value of trade receivables and other and granted loans did not change significantly.

The Company has decided to use modified retrospective approach. According to an option permitted under IFRS, the Company has resigned from transforming comparable data.

2. 2. 2 *Standards and interpretations pending approval by the EU*

approval by the EU	statements	Effective date
IAS 19 Employee Benefits (Plan Amendments, Restrictions or Settlements)	no impact	1 January 2019
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*)	no impact	The European Commission decided to defer the endorsement indefinitely.
Amendments to IFRS 3 (Business Combinations)	no impact	1 January 2020
Annual Improvements to IFRS 2015-2017 Cycle, including: - IFRS 3 *Business Combinations* - IFRS 11 *Joint Arrangements* - IAS 19 *Employee Benefits*	no significant impact	1 January 2019
Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	no significant impact	1 January 2020
IFRS 17 *Insurance Contracts*	no impact	1 January 2021

2. 3 *Basis for preparation of the financial statements*

The standalone financial statements has been prepared assuming that the Company will continue to operate as a going concern in the foreseeable future and in conviction that there is no evidence indicating that the Company will not be able to continue its operations as a going concern.

The standalone financial statements have been prepared on the historical cost basis except for cash settled share-based payments, which are measured at fair value.

Metody wyceny wartości godziwej zostały przedstawione w nocie 3.

2. 4 *Functional and presentation currency and methods applied to translation of financial data*

2. 4. 1 *Functional currency and presentation currency*

Data in the standalone financial statements are presented in Polish zloty rounded to the nearest thousand. Polish zloty is the Company's functional currency and the presentation currency of the standalone financial statements.

2. 4. 2 *Methods applied for the purposes of conversion of financial data*

To translate positions of the standalone statement of financial position denominated in foreign currencies, the following exchange rates were used (in PLN):

Standalone statement of financial position:

	31 December 2018	**31 December 2017**
EUR	4,3000	4,1709
USD	3,7597	3,4813

2. 5 *Judgments and estimates*

The preparation of financial statements in conformity with EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on experience and other reasonable factors which provide the basis for the estimate of book value of assets and liabilities and which does not result directly from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized either in the period, in which the estimates are revised or in current and in any future periods if the revision affects both current and future periods. Significant estimates of the Management Board are based on valuation performed by independent experts.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3. 1 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency by applying the spot exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated using the closing rate of the currency at this day. Non-monetary assets and liabilities in foreign currencies that are measured at historical costs or purchase price are translated using the exchange rate at the date of transaction. Non-monetary items in foreign currencies that are measured at fair value are translated using the exchange rate at the date when the fair value is measured.

3. 2 Financial instruments

3. 2. 1 Financial instruments measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
a) the financial asset is held in accordance with a business model whose objective is both to receive contractual cash flows and to sell financial assets; and
b) the terms and conditions of an agreement concerning a financial asset give rise to cash flows on specified dates, which are merely the repayment of principal and interest on the principal outstanding.

Upon initial recognition, the Company classifies equity instruments, i.e. shares in other entities, into the category of financial instruments measured at fair value through other comprehensive income.

Gains and losses on a financial asset constituting an equity instrument for which the option to measure at fair value through other comprehensive income is applied are recognized in other comprehensive income, except for revenues from dividends received.

3. 2. 2 Financial instruments measured at amortized cost

A financial asset is classified as measured at amortized cost when the following two conditions are met:
- assets are held within a business model whose objective is to hold assets to generate contractual cash flows; and
- its contractual terms give rise, at specified times, to cash flows consisting solely of the repayment of principal and interest on the unpaid portion of the principal.

The Company classifies cash and cash equivalents, loans granted, trade receivables and other receivables as financial assets measured at amortized cost.

Cash and cash equivalents in the consolidated statement of financial position include cash on hand and bank deposits with initial maturity of up to 3 months. The balance of cash and cash equivalents presented in the consolidated statement of cash flows comprises the above-mentioned cash and cash equivalents less outstanding bank overdrafts that form an integral part of the Company’s cash management system.

The Company uses the effective interest rate method to measure financial assets measured at amortized cost.

After initial recognition, trade receivables are measured at amortized cost using the effective interest rate method, taking into account impairment losses, while trade receivables with a maturity less than 12 months from the date of origination (i.e. not containing a financing element) are not discounted and are measured at their nominal value.

The Company classifies trade liabilities, loans, borrowings and bonds as liabilities measured at amortized cost.

Interest income is recognized in the period to which it relates using the effective interest rate method.

3. 2. 3 Financial instruments measured at fair value through profit or loss

Short-term financial assets measured at fair value through profit or loss include assets acquired in order to achieve economic benefits resulting from short-term price changes. Short-term financial assets are initially recognized at cost and measured at fair value as at the balance sheet date. Fair value is determined through individual analysis based on discounted cash flows. The result is recognized in the financial result.

Gains or losses arising from the measurement of a financial asset classified as at fair value through profit or loss are recognized in profit or loss in the period in which they arise, in financial income or expenses. Gains or losses arising from the measurement of items measured at fair value through profit or loss also include interest and dividend income.

The Company classifies derivatives not designated for hedge accounting purposes as assets measured at fair value through profit or loss.

Liabilities under derivatives not designated for hedge accounting purposes are classified by the Company as measured at fair value through profit or loss. Such liabilities are be measured at fair value after initial recognition.

3. 2. 4 Long-term financial assets in related parties

They include shares in related entities as specific contracts, based on which an entity has a right to assets of the other company.

Shares in related entities are measured at acquisition cost less impairment allowances.

3. 3. Equity

Equity is recorded in accounting books by type, in accordance with legal regulations and the Company's Articles of Association.

3. 3. 1 Share capital

Share capital is recorded in the amount stipulated in the Company's Articles of Association and registered in the National Court Register.

Preference shares are classified as equity if they are non-redeemable, or are redeemable only at the Company's request, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or on shareholder's request or if the dividend payments are not discretionary.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable transaction costs, is recognized as a deduction from equity. The repurchased shares are presented as a separate position in equity as a negative value.

3. 3. 2 Reserve capital

Reserve capital is the capital designed by the Company's Articles of Association to cover special losses or expenditures.

3. 3. 3 Share premium

The premium on the issue of shares at a price exceeding their nominal value is recognized as a separate equity item. Issuance costs of shares and options decrease the premium.

3. 3. 4 Supplementary capital

Supplementary capital encompasses the capital comprised of the distribution of earnings from previous years. It also includes amounts transferred in accordance with applicable regulations.

3. 3. 5 Retained earnings

Retained earnings include current period result and undivided profit from previous years.

3. 4. *Tangible fixed assets*

Tangible fixed assets consist of property, plant and equipment, investments in third party's tangible assets, assets under construction and assets under finance lease (leases in terms of which the Company assumes substantially all of the risks and rewards of ownership, and the expected duration of their use exceeds one year).

3. 4. 1 *Valuation of tangible fixed assets*

Tangible fixed assets are measured at cost i.e. either at acquisition price or construction cost less accumulated depreciation and any impairment losses.

The cost of an item includes the purchase price of an asset and costs directly attributable to the purchase of property, plant and equipment and bringing it into use, including the costs of transportation, loading, unloading and storage. Discounts, rebates and other similar returns decrease the purchase price of property, plant and equipment. The construction cost of property, plant and equipment and tangible fixed assets under construction includes all costs incurred by the Company during its construction, installation, adjustment and improvement and interest costs of loans taken out to finance the construction of fixed assets which are directly attributable to the construction of fixed assets, until the date of bringing such an asset into use (or until the end of the reporting period if the asset is not yet available for use). The construction costs also include, in case where this is required, the initial estimate of the costs of dismantling and removing items of property, plant and equipment and restoring the original site. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

In case where a specific item of property, plant and equipment consists of distinct and significant components with different useful lives, they are accounted for as separate fixed assets.

3. 4. 2 *Subsequent expenditures*

Subsequent expenditure is capitalized only when its value can be reliably estimated and it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

3. 4. 3 *Depreciation and amortization*

Items of property, plant and equipment, or their major components are depreciated on a straight-line basis over the estimated useful life, allowing for the net selling price of an asset (residual value). The basis for calculating depreciation is the purchase price or construction cost less residual value, on the basis of the useful life of an asset adopted and periodically verified by the Company. Items of property, plant and equipment are depreciated from the date when they are installed and are ready for use, until the earlier of the following dates: the day a fixed asset is classified as held for sale, is removed from the standalone statement of financial position, the residual value of an asset exceeds its carrying amount or the asset has already been fully depreciated.

The estimated useful lives for items of property, plant and equipment are as follows:

Buildings	10 - 40 years
Plant and machinery	3 - 16 years
Vehicles	5 - 7 years
Furniture and equipment	1 - 5 years

Adequacy of useful lives, depreciation methods and residual values of property, plant and equipment (if not negligible) are verified periodically by the Company.

3. 5. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance which value has been determined in a reliable manner (as purchase price or cost of construction), which will result in the entity deriving economic benefits in the future.

Intangible assets that are acquired by the Company are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over their estimated useful lives (unless not determined), from the date that they are available for use. Intangible assets are amortized to the earlier of the dates: when the asset is classified as available for sale, is removed from the balance sheet, when its residual value is higher than the carrying amount or when it is completely amortized.

3. 6. Impairment of assets

3. 6. 1 Financial assets

IFRS 9 establishes a new approach to estimating impairment of financial assets measured at amortized cost or fair value through other comprehensive income (except for investments in equity and contractual assets). The impairment model is based on the calculation of expected losses, unlike the previously applied model resulting from IAS 39 which was based on the concept of incurred losses.

As at each reporting date, the Company measures expected credit losses on financial instruments, taking into account:
a) the unencumbered and probability-weighted amount which is determined by assessing a range of possible outcomes;
b) time value of money; and
c) reasonable and documentable information that is available at the reporting date without excessive cost or effort about past events, present conditions and projections of future economic conditions.

The Company estimates the expected credit losses on trade receivables using a case-by-case and indicator-based approach based on historical payback statistics. The Company regularly reviews the methodology and assumptions used to estimate expected credit losses in order to reduce any differences between the estimates and the actual credit losses.

Changes in impairment losses are recognized in the profit and loss account and charged to other operating expenses or financial expenses, as appropriate, depending on the type of receivable to which the impairment loss relates.

3. 6. 2 *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill, indefinite-lived intangible assets and intangible assets which are not available for use are tested annually for impairment.

Impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the specific asset. For the purpose of impairment testing of assets that do not generate independent cash flows, value in use is estimated for the smallest identifiable cash generating units to which those assets are allocated.

An impairment loss in respect of goodwill is not reversed. With respect to other assets, impairment losses recognized in previous periods are reviewed at the end of each reporting period to determine whether there is any indication that an impairment loss has decreased or has been completely reversed. An impairment loss is reversed if there have been changes in the estimates used to determine recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount less depreciation and amortization that would have been recognized had no impairment loss been recognized.

3. 7. *Employee benefits*

Defined benefit plans

The Company is obliged to collect and pay contributions for pension benefit for employee. According to IAS 19 a defined benefit national plan is a post-employment benefit plan. Therefore, a liability related to each period is recognized on the base of amounts contributed for the year.

3. 8. *Cash settled share based payments*

Employees are entitled to annual bonuses in form of cash settled share based payments.

The Company accounts for those transactions in compliance with IFRS 2. Cash settled share based payments are measured at fair value.

The fair value of the amount payable to employees in respect of share appreciation right, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

3. 9. Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If there is a significant influence of time value of money, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. 10. Bank credits and loans

Initially, bank credits and loans are recognized at acquisition cost corresponding to the fair value of the instrument. In subsequent periods, credit and loans are measured at amortized cost, using the effective interest method, which includes costs associated with obtaining the loan and the premium or discount from settling obligations.

3. 11 Revenue

3. 11. 1 Provision of services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The degree of completion of a transaction is assessed through the measurement of the works performed. The result of the transaction is assessed as reliable if all of the following conditions are met: the amount of revenue can be reliably measured and it is probable that the Company obtains economic benefits due to the transaction, the stage of completion at the reporting date can be specified in a reliable manner and costs incurred due to the transaction as well as costs of completion of the transaction can be measured in a reliable manner.

3. 12. Financial income and expenses

Financial income comprises interest income on funds invested by the Company, dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains from foreign exchange differences and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company’s right to receive payment is established.

Financial expenses include interest payable on debt, reversal of discount on provisions, dividend on preference shares classified as liabilities, foreign exchange losses, fair value losses on financial instruments at fair value through profit or loss, impairment losses on financial assets and gains and losses on hedging instruments that are recognized in profit or loss. All interest expense is determined based on the effective interest rate.

3. 13. Income tax

Current tax calculation is based on current year result in accordance with tax laws.

Tax charge recognized in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income. Then it is recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for: taxable temporary differences arising on goodwill, depreciation of which is not a deductible cost; temporary differences on the initial recognition of assets or liabilities and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that they control is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent it is probable that future taxable income will be available against which the deferred tax asset can be utilized. Deferred tax assets are reduced to the extent that it is probable that taxable income will be insufficient for the temporary differences to be partially or fully realized. Such reductions are adjusted upwards, insofar as obtaining sufficient taxable profits becomes probable.

Income tax on account of dividend payment is recognized at the moment of occurrence of the obligation to pay dividend.

3. 14 Earnings per share

The Company presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of ordinary shares by the weighted average number of ordinary shares in the period. Diluted earnings per share as opposed to the ratio described above take into account apart from profit attributable to holders of ordinary shares and the average number of ordinary shares also the convertible bonds and stock options granted to employees.

4. Financial risk management

Financial instruments held by the Company are related to the following risks:

- Credit risk,
- Liquidity risk,
- Market risk.

The note presents information about the Company's exposure to a particular type of risk, objectives, policies and procedures adopted by the Company to manage the particular type of risk and the method of capital management. The required financial data are presented further in the standalone financial statements.

The Management Board has overall responsibility for the establishment and oversight of the Company’s risk management framework.

The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Company’s activities. The Company, through training of its employees and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

4. 1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company’s receivables from customers and cash and cash equivalents.

4. 1. 1 Trade and other receivables and loans granted

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. Structure of the customers, including the default risk of the industry in which customers operate has less significant influence on credit risk.

The Company's credit risk connected with the loans granted concerns mostly receivables due from related parties. At the moment there are no indicators that related parties will not be able to repay the loans granted.

4. 2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities on maturity date.

The Company’s approach to managing liquidity is to ensure, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unnecessary losses or risking damage to the Company’s reputation.

Cash and cash equivalents are maintained at a level sufficient to cover operational expenditure. However, this safeguard does not cover particularly difficult situations which cannot be foreseen such as catastrophes or natural disasters.

4. 3 Market risk

Market risk is the risk that changes of market prices, such as exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

4. 3. 1 Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the Company's functional currency, primarily Euro (EUR).

The Company draws loans denominated in EUR. To minimize the currency risk, the Company also has receivables from loans granted in EUR.

4. 4 Capital management

The Management Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Management Board monitors the return on capital. It is defined as operating profit divided by equity, excluding non-redeemable preference shares and non-controlling interests. The Management Board monitors as well as the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management in reporting period.

The Company is not subject to externally imposed capital requirements.

5. Segment reporting

Segment of business activity is the isolated part of the company, which role is to provide specific products and services (line of business) or delivering products or services in defined business environment (geographical segmentation), which is a subject to other risks and draws other profits than the rest of segments.

The primary and sole business of MLP Group S.A. is the management of the logistic properties.

In accordance with IFRS 8 Clause 4, segment reporting has been presented in Note 5 to the Consolidated Financial Statements of the Group.

5. 1. Information on the key customers of the Company

The share of the key customers in the Company's revenues is as follows:

for the year ended 31 December	**2018**	**2017**
MLP Pruszków I Sp. z o.o.	56%	63%
MLP Pruszków III Sp. z o.o.	6%	5%
MLP Pruszków IV Sp. z o.o.	7%	5%
MLP Pruszków II Sp. z o.o.	3%	2%

(data in PLN thousand unless stated otherwise)

6. Revenue

for the year ended 31 December	**2018**	**2017**
Property management	3 577	3 181
Project management	728	601
Advisory services	4 394	3 872
Reinvoiced services	871	740
Total revenue	9 570	8 394
including revenue from related parties	*9 396*	*8 055*

Details of revenues from related parties are disclosed in note 26.3.

7. Other operating income

for the year ended 31 December	**2018**	**2017**
Dissolution of a provision for future expenses	359	-
Revenues from sale of tangible fixed assets	-	11
Other	136	53
Write-off of past due liabilities	6	-
Other operating income	**501**	**64**

8. Other operating expenses

for the year ended 31 December	**2018**	**2017**
Other operating expenses	(86)	(57)
Donations made	(8)	(8)
Other operating expenses	**(94)**	**(65)**

9. Selling and administrative expenses

for the year ended 31 December	**2018**	**2017**
Depreciation and amortization	(211)	(77)
Consumption of materials and energy	(319)	(197)
External services	(4 758)	(4 524)
Taxes and charges	(69)	(71)
Payroll	(2 936)	(3 729)
Social security and other employee benefits	(346)	(287)
Other expenses by kind	(1 306)	(243)
Selling and administrative expenses	**(9 945)**	**(9 128)**

Selling and administrative expenses for the financial year ended 31 December 2018 amounted to PLN 9,945 thousand. The above mentioned costs incurred by the Company mainly relate to expenses concerning the service and maintenance of revenue-generating investment property, owned by subsidiaries and consulting services. The company recovers the specified amounts by charging these companies for property management.

10. Financial income and expenses

for the year ended 31 December	2018	2017
Interest on loans granted to related parties	4 664	2 377
Interest on bank deposits	-	7
Dividend received	5 000	4 508
Other	32	-
Foreign exchange differences net	-	497
Total financial income	**9 696**	**7 389**
Interest expenses on loans from related entities	(1 973)	(1 049)
Interest on bonds	(3 316)	(1 681)
Foreign exchange differences net	(340)	-
Other financial expenses	(190)	(81)
Total financial expenses	**(5 819)**	**(2 811)**

FX differences result mostly from valuation as at the end of the reporting period of liabilities and receivables under loans and bonds denominated in EUR.

Details of financial income and costs from related parties are disclosed in note 26.3.

11. Income tax

for the year ended 31 December	2018	2017
Origination / reversal of temporary differences	3 298	(100)
Income tax	**3 298**	**(100)**

Effective tax rate

for the year ended 31 December	2018	2017
Profit before tax	**3 909**	**3 843**
Tax based on the applicable tax rate (19%)	(743)	(730)
Write-off of an asset against tax losses	(3 274)	-
Non-taxable income	950	856
Non-tax-deductible expenses	(231)	(26)
Income tax	**(3 298)**	**100**

The calculation of corporate income tax

for the year ended 31 December	2018	2017
Profit before tax	**3 909**	**3 843**
Non-tax deductible costs:		
Interest accrued on loans received	1 972	1 048
Provision for audit of financial statements	157	91
Foreign exchange losses on valuation	8 977	6 593
Provision for remuneration of Supervisory Board and Management Bo	376	132
Employee benefits provision	789	1 970
Interest accrued on bonds	514	355
Participation in costs of tenant relocation between logistics parks	644	-
Other	549	142
	13 978	**10 331**
Costs increasing tax costs		
Reversal of foreign exchange losses on valuation	6 864	7 959
Reversal of provision for audit of financial statements	91	123
Payment of employee benefits	1 623	2 048
Release of provision for remuneration of Supervisory Board and Management Board	120	206
Release of the provision for interest on bonds	355	-
	9 053	**10 336**
Amounts that increase the tax base		
Reversal of foreign exchange gains	1 161	1 645
Loan interest repayment	580	191
	1 741	**1 836**
Non-taxable income		
Foreign exchange gains on valuation	1 608	892
Dividend received	5 000	4 508
Accrued but not paid interest on loans	4 657	2 378
Release of 2017 excessive provisions	359	-
	11 624	**7 778**
Loss	**(1 049)**	**(2 104)**
Income tax	**-**	**-**

The legal regulations concerning the tax on goods and services, personal income tax, corporate income tax or social security contributions are constantly changed, and as a result there is often no reference to established regulations or legal precedents. The current regulations also contain uncertainties, resulting in differences in opinions as to legal interpretation of tax regulations both between government bodies and between companies and government bodies. Tax and other settlements (e.g. customs duties or foreign exchange tax) may be subject to inspection from bodies that are entitled to impose significant penalties, and if such penalty is established, the additional amounts determined as a result of the inspection must be paid with interest. These factors cause the tax risk in Poland to be higher than in countries with more developed tax systems.

Tax settlements may be subject to an audit for the period of five years after the end of the following tax year. As a result, the amounts presented in the financial statements may change at a later date, after they are finally determined by tax authorities.

(data in PLN thousand unless stated otherwise)

12. Long-term financial assets in related parties

as at 31 December	2018	2017
Gross value at the beginning of the period	**123 249**	**123 224**
Acquisition of shares in MLP Pruszków V Sp. z o.o.[1)]	5	-
Acquisition of shares in MLP Dortmund LP Sp. z o.o.	-	5
Acquisition of shares in MLP Dortmund GP Sp. z o.o	-	5
Acquisition of shares in MLP Poznań West II Sp. z o.o.	-	5
Acquisition of shares in MLP Bucharest West Sp. z o.o.	-	5
Acquisition of shares in MLP Teresin II Sp. z o.o.	-	5
Acquisition of shares in MLP Germany Management GmbH[2)]	107	-
Gross value at the end of the period	**123 361**	**123 249**
Net value at the end of the period	**123 361**	**123 249**

At 31 December 2018, the Company holds shares directly or indirectly in the following entities:

		Direct and indirect share in the share capital		Direct and indirect share in voting rights	
Entity	**Country of registry**	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
MLP Pruszków I Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków III Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków IV Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Poznań Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Lublin Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Poznań II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%	100%	100%
MLP Energy Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Property Sp. z.o.o.	Poland	100%	100%	100%	100%
MLP Bieruń Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Bieruń I Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Teresin Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Poznań West Sp. z o.o.	Poland	100%	100%	100%	100%
MLP FIN Sp. z o.o.	Poland	100%	100%	100%	100%
LOKAFOP 201 Sp. z o.o.	Poland	100%	100%	100%	100%
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%	100%	100%
MLP Wrocław Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Gliwice Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Łódź Sp. z o.o.	Poland	100%	100%	100%	100%

Entity	Country of registry	Direct and indirect share in the share capital 31 December 2018	31 December 2017	Direct and indirect share in voting rights 31 December 2018	31 December 2017
MLP Czeladź Sp z o.o.	Poland	100%	100%	100%	100%
MLP Temp Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Dortmund LP Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Dortmund GP Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	Germany	100%	100%	100%	100%
MLP Poznań West II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Bucharest West Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Bucharest West SRL	Romania	100%	100%	100%	100%
MLP Teresin II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków V Sp. z o.o.[1)]	Poland	100%	-	100%	-
MLP Germany Management GmbH[2)]	Germany	100%	-	100%	-

[1)] On 13 March 2018, MLP Pruszków V Sp. z o.o. was established under a deed of formation. On 4 April 2018, MLP Group S.A. acquired 50 shares in MLP Pruszków V Sp. z o.o. with the total value of PLN 5,000, thus directly acquiring a 100% stake in its equity and voting rights. The shares were paid up in full with a cash contribution.

[2)] On 5 July 2018, the company under the business name of MLP Germany Management GmbH was formed on the basis of deed of formation. Shares in newly created company were acquired entirely by MLP Group S.A. (25.000 shares with a total nominal value of EUR 25,000).

13. Long-term investments

as at 31 December	2018	2017
Long-term loans granted to related parties	246 894	150 063
	246 894	**150 063**

14. Short-term investments

as at 31 December	2018	2017
Short-term loans granted to related parties	3 553	2 767
Short-term investments	**3 553**	**2 767**

Details of the loans granted to related parties are disclosed in note 26.2.

15. Change in financial assets resulting from financial and other activities

	Shares
Value as at 31 December 2017	**123 249**
Acquisition of shares	112
Valuation change	-
Value as at 31 December 2018	**123 361**

	Assets on account of loans granted
Value as at 31 December 2017	**152 830**
Loan granted	141 107

Loan principal repayment	(50 689)
Accrual / repayment / capitalization of loan interest	4 057
Realized foreign exchange differences	349
Balance sheet valuation change	2 793
Value as at 31 December 2018	**250 447**

(data in PLN thousand unless stated otherwise)

16. Deferred tax

	Deferred tax assets		**Deferred tax liabilities**		**Net value**	
as at	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Loans granted and received	(891)	(974)	-	-	(891)	(974)
Tax loss	(1 434)	(4 508)	-	-	(1 434)	(4 508)
Other	(253)	(424)	-	-	(253)	(424)
Bonds	(97)	(67)	-	-	(97)	(67)
Deferred tax assets / liabilities	**(2 675)**	**(5 973)**	**-**	**-**	**(2 675)**	**(5 973)**

	1 January 2017	**disclosed in the statement of profit or loss**	**31 December 2017**	**disclosed in the statement of profit or loss**	**31 December**
Loans granted and received	**(1 306)**	332	**(974)**	83	**(891)**
Tax loss	**(4 107)**	(401)	**(4 508)**	3 074	**(1 434)**
Other	**(460)**	36	**(424)**	171	**(253)**
Bonds	**-**	(67)	**(67)**	(30)	**(97)**
	(5 873)	**(100)**	**(5 973)**	**3 298**	**(2 675)**

As at ...., the unrecognized deferred tax asset on a tax loss was PLN 3,274 thousand.

MLP Group S.A. does not recognize deferred tax arising from shares held in subsidiaries, as the Company has full control over its subsidiaries and in the foreseeable future does not plan to sell those shares.

Based on the tax budgets prepared by the Company, the Management Board considers it justified to recognize a deferred income tax asset based on tax loss in the amount disclosed in the statement of financial position.

(data in PLN thousand unless stated otherwise)

17. Trade and other receivables

as at 31 December	**2018**	**2017**
Trade receivables from related parties	1 873	973
Trade receivables from third parties	3	52
Taxation and social security liabilities	22	48
Prepayments	549	244
Dividends	-	3 023
Other	43	41
Trade and other receivables	**2 490**	**4 381**

Receivables from related parties were disclosed in note 26.

The aging structure of trade and other receivables, and the amount of allowances for receivables are presented in the table below:

	31 December 2018		**31 December 2017**	
	Gross receivables	**Impairment loss**	**Gross receivables**	**Impairment loss**
Current receivables	859	-	3 969	-
Liabilities overdue from 1 to 90 days	892	-	94	-
Liabilities overdue from 91 to 180 da	106	-	4	-
Liabilities overdue over 180 days	62	-	22	-
Total receivables	**1 919**	**-**	**4 089**	**-**

18. Cash and cash equivalents

as at 31 December	**2018**	**2017**
Cash on hand	4	12
Cash in bank	6 669	15 029
Short-term deposits	727	459
Cash and cash equivalents in the standalone statement of financial position	**7 400**	**15 500**
Cash and cash equivalents in the standalone statement of cash flows	**7 399**	**15 500**

The Company does not have any restricted cash.

19. Equity

19. 1 Share capital

as at 31 December	**2018**	**2017**
Share capital		
Series A ordinary shares	11 440 000	11 440 000
Series B ordinary shares	3 654 379	3 654 379
Series C ordinary shares	3 018 876	3 018 876
	18 113 255	**18 113 255**
Par value per share	0,25	0,25

As at 31 December 2018 the share capital of MLP Group S.A. amounted to PLN 4,528,313.75 and was divided into 18,113,255 shares entitling to 18,113,225 votes in the Shareholder Meeting. The par value per share is PLN 0.25 and has been paid up in full.

19. 1. 1 *Structure of shareholders holding, directly or through subsidiaries, at least 5% of the total number of votes at the Shareholder Meeting*

To the knowledge of the Management Board of the Company, the Shareholders holding, as of the date of preparation of these standalone financial statements, either directly or through related entities, at least 5% of the overall number of votes at the Shareholder Meeting, are:

Shareholder	shares and votes at the GSM	*% of equity and votes at the GSM*
CAJAMARCA Holland BV	10 319 842	*56,98%*
Other shareholders	2 581 093	*14,24%*
THESINGER LIMITED	1 771 320	*9,78%*
Aegon Powszechne Towarzystwo Emerytalne S.A.	1 149 775	*6,35%*
MetLife OFE	948 387	*5,24%*
GRACECUP TRADING LIMITED	641 558	*3,54%*
MIRO B.V.	452 955	*2,50%*
Shimshon Marfogel	149 155	*0,82%*
MIRO LTD.	99 170	*0,55%*
Total	**18 113 255**	***100,00%***

19. 1. 2 *Shares and rights to shares of MLP Group S.A. held by members of management and supervisory bodies*

Michael Shapiro holds indirectly, through MIRO B.V. and MIRO Ltd., companies controlled by him in 100%, a 3.05% share in MLP Group S.A.'s share capital, and, through his 25% share in the share capital held by MIRO B.V. in Cajamarca Holland B.V., participates economically in 14.24% of the share capital of MLP Group S.A., which amounts to a total economically effective share of 17.29% in the share capital of MLP Group S.A.

Shimshon Marfogel, Chairman of the Supervisory Board, participates indirectly, through his 7.86% share in the company holding the Issuer's shares (Thesinger Limited), in 0.77% of the share capital of MLP Group and holds directly, through the Company's shares acquired in September 2017, 0.82% share in the share capital of the Company, which gives a total economically effective share of 1.59% in the share capital of MLP Group S.A.

Other Members of the Supervisory Board do not directly hold shares in the Company.

19. 2 *Reserve capital*

Reserve capital was established with profits generated in 2010 (PLN 1,470 thousand) and profits generated in 2012 (PLN 2,724 thousand).

20. Net results and dividend per share

Net result per share for each period is calculated by dividing the net result for a given period by the weighted average number of shares in a given reporting period. Diluted net result per share for each period is calculated by dividing the net result for a given period by the sum of the weighted average number of ordinary shares in a given reporting period and all potential diluting shares.

for the year ended 31 December	**2018**	**2017**
Net profit for the period	**611**	**3 943**
Weighted average number of shares issued (in units)	18 113 255	18 113 255
Net profit per share for the period (in PLN per share):		
- basic	0,03	0,22
- diluted	0,03	0,22

In presented periods, there were no dilutive factors.

Dividend per share for each period is calculated by dividing the dividend paid in a given period by the weighted average number of shares in the reporting period.

for the year ended 31 December	**2018**	**2017**
Interim dividend paid	**3 260**	**-**
Weighted average number of shares issued (in units)	18 113 255	18 113 255
Interim dividend per share for the period (in PLN per share):	0,18	-

21. Liabilities under loans and other debt instruments

21. 1 Non-current liabilities

as at 31 December	**2018**	**2017**
Bonds[1)]	129 000	83 418
Liabilities under loans received from related parties	97 724	65 202
Non-current liabilities under loans and other debt instruments	**226 724**	**148 620**

[1)] In addition to the A-series bonds issued in 2017, on 11 May 2018, the Company issued, in a private offering, 10,000 B-series bearer bonds with a nominal value of EUR 1,000 each and the total value of the issue of EUR 10,000,000.

The Bonds bear variable interest at EURIBOR for 6-month bank deposits in EUR plus margin. The Bonds are unsecured. The purpose of the Bond issue has not been specified. The redemption of B-series bonds was scheduled for 11 May 2023, with an early redemption option at the Company's discretion. The Bonds are not documentary.

The series B Bonds are entered in the records kept by the National Depository for Securities under the no. ISIN PLMLPGR00041.

Pursuant to Resolution 847/2018 of 9 August 2018 adopted by the Management Board of the Warsaw Stock Exchange, the Management Board of the Exchange decided to introduce 10,000 B-series bearer bonds of MLP Group S.A. with the nominal value of EUR 1,000 each to the Catalyst alternative trading system. August 13th was the first day of listing on the Catalyst alternative trading system. The bonds will be listed in a continuous quotation system under the abbreviated name of "MLP0523".

21. 2 Current liabilities

as at 31 December	**2018**	**2017**
Bonds	514	355
Liabilities under loans received from related parties	9 059	-
Current liabilities under loans and other debt instruments	**9 573**	**355**

Details on the loans received from related parties are disclosed in note 26.2.

21. 3 Change in financial liabilities resulting from financial and other activities

	Bonds
Value as at 31 December 2017	**83 773**
Bond issue	42 473
Interest accrued on bonds	3 316
Interest paid on bonds	(3 167)
Balance sheet valuation change	3 119
Value as at 31 December 2018	**129 514**

	Liabilities under loans received from related parties
Value as at 31 December 2017	**65 202**
Borrowings drawn	38 169
Loan principal repayment	-
Accrual / repayment / capitalization of loan interest	1 972
Realized foreign exchange differences	-
Balance sheet valuation change	1 440
Value as at 31 December 2018	**106 783**

(data in PLN thousand unless stated otherwise)

21. 4 Bond liabilities

Instrument	currency	par value	maturity date	interest rate	guarantees and collateral	Quotation market
Private bonds – series A	EUR	20 000 000	11.05.2022	EURIBOR 6M + margin	*none*	Catalyst
Private bonds – series B[1)]	EUR	10 000 000	11.05.2023	EURIBOR 6M + margin	*none*	Catalyst[1)]

[1)] *Pursuant to Resolution 847/2018 of 9 August 2018 adopted by the Management Board of the Warsaw Stock Exchange, the Management Board of the Exchange decided to introduce 10,000 B-series bearer bonds of MLP Group S.A. with the nominal value of EUR 1,000 each to the Catalyst alternative trading system. August 13th was the first day of listing on the Catalyst alternative trading system. The bonds will be listed in a continuous quotation system under the abbreviated name of "MLP0523".*

21. 5 Loans unsecured on the Company's assets

			as at	31 December 2018			31 December 2017	
Loan received from	**currency**	**effective rate (%)**	**maturity date**	**in currency**	**in PLN**	**maturity date**	**in currency**	**in PLN**
MLP Pruszków I Sp. z o.o.	EUR	EURIBOR 3M + margin	2021	345	1 483	2021	341	1 422
MLP Pruszków I Sp. z o.o.	EUR	EURIBOR 3M + margin	2020	629	2 703	2020	621	2 592
MLP Pruszków I Sp. z o.o.	PLN	WIBOR 3M + margin	2020	-	8 384	2020	-	8 149
MLP Pruszków I Sp. z o.o.	PLN	WIBOR 3M + margin	2026	-	39 084	2020	-	-
MLP Pruszków I Sp. z o.o.	EUR	EURIBOR 1M + margin	2020	7 103	30 542	2020	7 037	29 351
MLP Temp Sp. z o.o.	EUR	EURIBOR 3M + margin	2019	2 107	9 059	2019	2 081	8 680
MLP Temp Sp. z o.o.	EUR	EURIBOR 3M + margin	2020	397	1 708	2020	393	1 637
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	PLN	WIBOR 3M + margin	2020	-	10 985	2020	-	10 654
MLP Temp Sp. z o.o.	EUR	EURIBOR 3M + margin	2025	660	2 835	2025	651	2 717
Total				**11 241**	**106 783**		**11 124**	**65 202**

(data in PLN thousand unless stated otherwise)

22. Employee benefits

as at 31 December	2018	2017
Special purpose funds	157	157
Provision for bonuses	761	-
Cash settled share based payments	-	1 970
Employee benefits	**918**	**2 127**

According to the resolution of the Supervisory Board of MLP Group S.A. employees were covered by phantom shares program for the period from 2014 to 2017.

Each entitled employee was granted a fixed number of phantom shares, dependent on the achievement by the Group of the established financial goals.

Following the approval of the 2017 annual financial statements by the Shareholder Meeting, the Supervisory Board approved and submitted a list of eligible persons and the number of phantom shares allotted to each of these persons. The equivalent of phantom shares was paid to individual employees in the form of cash.

Phantom shares for the previous financial year were paid out in June and July 2018 in the total amount of PLN 1,623 thousand.

The value of a single phantom share is based on the current stock price of MLP Group S.A.

The phantom share program was completed in 2018.

23. Trade and other liabilities

as at 31 December	2018	2017
Trade liabilities to third parties	858	227
Taxation and social security liabilities	216	173
Accrued expenses	532	223
Investment and other liabilities	1	72
Trade and other liabilities	**1 607**	**695**
Current liabilities	**1 607**	**695**

Liabilities to related parties were disclosed in note 26.

The following table shows the aging structure of trade and other liabilities:

as at 31 December	2018	2017
Current liabilities	650	420
Liabilities overdue from 1 to 90 days	741	85
Liabilities overdue from 91 to 180 days	-	-
Liabilities overdue over 180 days	-	17
Total trade and other liabilities	**1 391**	**522**

Trade liabilities are not subject to interest and are usually settled within 30 to 60 days. The amount stemming from the difference between the liabilities and VAT receivables is paid to the appropriate tax authorities in the periods regulated in tax law. Interest liabilities are usually settled based on approved interest notes.

24. Financial instruments

24. 1 Valuation of financial instruments

The fair value of financial assets and financial liabilities as at 31 December 2018 and 31 December 2017 is equal to the value presented in the standalone statement of financial position.

The following assumptions have been adopted for the fair value of financial instruments:

- **cash and cash equivalents:** the carrying amount of these financial instruments corresponds to fair value because of the short maturity,
- **trade receivables, other receivables, trade liabilities and accruals:** the book value is comparable to fair value because of the short-term character of these instruments,
- **loans granted**: the carrying amount corresponds to fair value because of the floating rate which is comparable with market interest rates,
- **loans received**: the carrying amount of these instruments is comparable to fair value because of the floating rate;
- **bonds:** the book value is comparable to fair value due to the variable nature of interest rates based on market rates.

24. 1. 1 Financial assets

as at 31 December	**2018**	**2017**
Financial assets measured at amortized cost		
Cash and cash equivalents	7 400	15 500
Loans and receivables, including:		
• Trade and other receivables	1 919	4 089
• Loans granted	250 447	152 830
	259 766	**172 419**
Total financial assets	**259 766**	**172 419**

24. 1. 2 Financial liabilities

as at 31 December	**2018**	**2017**
Financial liabilities measured at amortized cost:		
Loans received	106 783	65 202
Trade liabilities and other liabilities	1 391	522
Bonds	129 514	83 773
	237 688	**149 497**
Total financial liabilities	**237 688**	**149 497**

24. 2 The nature and extent of risks related to financial instruments

The Company's operations are mainly associated with the exposure to the following types of financial risks:

- liquidity risk,
- market risk (including currency and interest rate risk),
- credit risk.

24. 2. 1 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its long term loans due to insufficient inflows from operating activities.

The following table shows the maturity structure of loans, taking into account interest cash flow:

Loans - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2018	9 059	57 661	53 538	**120 258**
2017	-	65 355	2 990	**68 345**

24. 2. 2 Currency risk

The Company is subject to considerable exchange rate risk because of the fact that a significant part of financial assets and financial liabilities is denominated in EUR.

The currency structure of the financial instruments in particular years has been presented below:

Currency structure of financial instruments as at 31 December 2018 PLN (thousand)

Financial assets	PLN	EUR	other	Total
Financial assets measured at amortized cost				
Cash and cash equivalents	732	6 633	35	**7 400**
Loans and receivables, including:				
• Trade and other receivables	1 875	44	-	**1 919**
• Loans granted	104 919	142 126	3 402	**250 447**
	107 526	**148 803**	**3 437**	**259 766**

Financial liabilities	PLN	EUR	other	Total
Financial liabilities measured at amortized cost				
Loans received	58 453	48 330	-	**106 783**
Trade liabilities and other liabilitie	734	645	12	**1 391**
Bonds	-	129 514	-	**129 514**
	59 187	**178 489**	**12**	**237 688**

Currency structure of financial instruments as at 31 December 2017 (PLN thousand)

Financial assets	PLN	EUR	other	Total
Loans and receivables:				
Cash and cash equivalents	471	15 002	27	**15 500**
Loans and receivables, including:				
• Trade and other receivables	4 076	13	-	**4 089**
• Loans granted	48 204	101 860	2 766	**152 830**
	52 751	**116 875**	**2 793**	**172 419**

Financial liabilities	PLN	EUR	other	Total
Financial liabilities measured at amortized cost:				
Loans received	18 803	46 399	-	**65 202**
Trade liabilities and other liabilitie	522	-	-	**522**
Bonds	-	83 773	-	83 773
	19 325	**130 172**	**-**	**149 497**

Due to its short currency position, the Company is particularly exposed to changes in EUR/PLN exchange rates. The table below presents the potential effects of a 5%-depreciation of the Polish zloty against the euro would have on the financial results and the equity of the Company.

The impact of PLN depreciation on the Company results and equity (PLN thousand)

as at 31 December	**2018**	**2017**
Increase in the EUR/PLN exchange rate by 5%	(1 484)	(665)
Increase in the USD/PLN exchange rate by 5%	171	140

A 5% depreciation of the Polish zloty against EUR would have an unfavorable impact on the Company's financial results, increasing the cost of debt because of the short foreign exchange position of the

Depreciation of the Polish currency against USD by 5% has a favorably effect on the Company's results, increasing the interest income on granted currency loans denominated in USD.

24. 2. 3 *Interest rate risk*

The interest rate risk is related mostly to floating-rate loans received and floating-rate bonds issued. A change in the interest rate impacts cash flows associated with servicing these liabilities.

The table below presents the potential impact on cash flows related to the servicing of financial liabilities in the event of an increase in interest rates by 50 basis points.

Impact of interest rate changes on flows of interest on loans and borrowings received and bonds issued

as at 31 December	**2018**	**2017**
EURIBOR + 50 bps	(889)	(651)
WIBOR + 50 bps	(292)	(94)

The above sensitivity analysis presents how much interest income would increase at the end of each reporting period assuming a 50-base-point increase in interest rates.

Impact of interest rate changes on interest flows from loans granted

as at 31 December	**2018**	**2017**
EURIBOR + 50 bps	711	509
WIBOR + 50 bps	525	241
LIBOR + 50 bps	17	14

The above sensitivity analysis presents how much interest income would increase at the end of each reporting date assuming a 50-base-point increase in interest rates.

The table below presents the potential impact on cash flows if interest rates were to increase by 50 basis points.

Impact of interest rate changes on interest flows from cash

as at 31 December	**2018**	**2017**
EURIBOR + 50 bps	33	75
WIBOR + 50 bps	4	2

The above sensitivity analysis presents how much interest income would increase at the end of each reporting date assuming a 50-base-point increase in interest rates.

24. 2. 4 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party fails to meet its contractual obligations. Credit risk arises principally from receivables, loans granted and cash and cash equivalents.

Struktura wiekowa należności z tytułu dostaw i usług oraz innych należności została zaprezentowana w nocie 17.

25. Contingent liabilities and pledges

As at 31 December 2018, the company established the following collateral on its assets:

25. 1 Financial and registered pledges on shares

Collateral established on MLP Group S.A.'s shares in the Companies	Object of collateral	Value of collateral established
Registered pledge on shares:		
MLP Pruszków I Sp. z o.o.	amounts due to Raiffeisen Bank Polska S.A. under the loan CRD/25846/07 granted to MLP Pruszków I Sp. z o.o.	80 000 tys. EUR
MLP Poznań II Sp. z o.o.	amounts due to ING Bank Śląski S.A. under the loan ING 11/0002 granted to MLP Poznań II Sp. z o.o.	14 047 tys. EUR
Registered and financial pledges on shares:		
MLP Pruszków III Sp. z o.o.[1)]	amounts due to BGŻ BNP Paribas S.A. under the loan of 5 November 2015 granted to the company MLP Pruszków III Sp. z o.o	34 370 tys. EUR
MLP Pruszków III Sp. z o.o.	amounts due to BGŻ BNP Paribas S.A. under the loan of 5 November 2015 granted to the company MLP Pruszków III Sp. z o.o	4 500 tys. PLN
MLP Wrocław Sp. z o.o.	amounts due to PEKAO S.A. under the loan of 11 October 2017 granted to the company MLP Wrocław Sp. z o.o.	4 500 tys. PLN
MLP Wrocław Sp. z o.o.	amounts due to PEKAO S.A. under the loan of 11 October 2017 granted to the company MLP Wrocław Sp. z o.o.	27 638 tys. EUR
MLP Gliwice Sp. z o.o.[2)]	amounts due to PEKAO S.A. under the loan of 13 March 2018 granted to the company MLP Gliwice Sp. z o.o.	29 915 tys. EUR

Collateral established on MLP Group S.A.'s shares in the Companies	Object of collatera	Value of collateral established
MLP Gliwice Sp. z o.o.[2)]	amounts due to PEKAO S.A. under the working capital loan (VAT) of 13 March 2018 granted to the company MLP Gliwice Sp. z o.o.	4 500 tys. PLN
MLP Czeladź Sp. z o.o.[3)]	amounts due to PEKAO S.A. under the Financial Security Agreements executed in connection with the loan agreement of 14 December 2018 granted to the company MLP Czeladź Sp. z o.o.	15 450 tys. EUR
MLP Czeladź Sp. z o.o.[3)]	amounts due to PEKAO S.A. under the loan agreement of 14 December 2018 granted to the company MLP Czeladź Sp. z o.o.	32 156 tys. EUR

MLP Pruszków I Sp. z o.o.	amounts due to Raiffeisen Bank Polska S.A. under the loan CRD/25846/07 granted to MLP Pruszków I Sp. z o.o.	54 750 tys. EUR

[1]) In connection with the drawdown of a further loan tranche by MLP Pruszków III Sp. z o.o., in the third quarter of 2018 the amount of financial and registered pledges was increased from EUR 26,595 thousand to EUR 34,370 thousand; the pledges were established on the shares held by MLP Group S.A. and MLP Pruszków II Sp. z o.o. in MLP Pruszków III Sp. z o.o.

[2)] In connection with the loan agreement executed on 13 March 2018 by MLP Gliwice Sp. z o.o. with Pekao S.A., registered and financial pledges were established on shares held by MLP Group S.A. in MLP Wrocław Sp. z o.o. up to the amount of EUR 29.915 thousand and PLN 4,500 thousand. The pledges were registered in the pledge register in March 2018.

[3)] In connection with the loan agreement executed on 14 December 2018 by MLP Czeladź Sp. z o.o. with Raiffeisen Bank Polska S.A. bank, registered and financial pledges were established on the shares held by MLP Group S.A. in MLP Pruszków I Sp. z o.o. up to the total amount of EUR 47,606 thousand. The pledges were registered in the pledge register in December 2018.

25. 2 Guarantees

On 16 December 2016, MLP Group S.A. executed a guarantee agreement with Raiffeisen Bank Polska S.A. and MLP Pruszków I Sp. z o.o, hereinafter referred to as the Borrower, pursuant to which MLP Group S.A. undertook to provide funds to finance the Borrower's credit needs to the extent that the Debt Service Coverage Ratio (calculated according to the provisions of the loan agreement of 16 December 2016) would be restored to the required level, if necessary.

As at 31 December 2018 the Company did not grant any guarantees.

25. 3 Sureties

As at 31 December 2018 the Company did not grant any additional sureties.

25. 4 Other collateral

- Agreement on subordination of the loan granted to MLP Pruszków I Sp. z o.o.
- Agreement on subordination of the loans granted to MLP Lublin Sp. z o.o.
- Agreement on subordination of the loans granted to MLP Teresin Sp. z o.o.
- Agreement on subordination of the loans granted to MLP Wrocław Sp. z o.o.
- Agreement on subordination of the loan granted to MLP Poznań II Sp. z o.o.
- Agreement on subordination of the loan granted to MLP Poznań Sp. z o.o.
- Agreement on subordination of the loan granted to MLP Czeladź Sp. z o.o.
- Agreement on subordination of the loan granted to MLP Gliwice Sp. z o.o.
- Agreement on subordination of the loans granted to MLP Pruszków III Sp. z o.o.
- Support agreement granted to MLP Pruszków IV Sp. z o.o. by MLP Group S.A, under which if MLP Pruszków IV Sp. z o.o. does not cover any excessive property construction costs (A2b building) with its own contributions, then the Issuer will grant to the above mentioned company an unsecured loan, which will be subordinated to repayment of company's liabilities, in an amount not exceeding EUR 68 thousand.
- Support agreement granted to MLP Pruszków IV Sp. z o.o. by MLP Group S.A, under which if MLP Pruszków IV Sp. z o.o. does not cover any excessive costs of property construction (A3a building) with its own contributions, then the Issuer will grant to the abovementioned company an unsecured loan, which will be subordinated to repayment of the company's liabilities, in an amount not exceeding EUR 193 thousand.
- Support agreement granted to MLP Pruszków IV Sp. z o.o. by MLP Group S.A, under which if MLP Pruszków IV Sp. z o.o. does cover any excessive costs of property construction (A3b building) with its own contributions, then the Issuer will grant to the abovementioned company an unsecured loan, which will be subordinated to repayment of the company's liabilities, in an amount not exceeding EUR 282 thousand.
- Support agreement granted to MLP Teresin Sp. z o.o. by MLP Group S.A, under which if MLP Teresin Sp. z o.o. does not cover any excessive costs of property construction with its own contributions, then the Issuer will grant to the abovementioned company an unsecured loan, which will be subordinated to repayment of the company's liabilities, in an amount not exceeding EUR 477 thousand.
- Support agreement granted to MLP Wrocław Sp. z o.o. by MLP Group S.A, under which if MLP Wrocław Sp. z o.o. does not cover any excessive costs of property construction with its own contributions, then the Issuer will grant to the abovementioned company an unsecured loan, which will be subordinated to repayment of the company's liabilities, in an amount not exceeding EUR 461 thousand.
- Support agreement granted to MLP Czeladź Sp. z o.o. by MLP Group S.A, under which if MLP Czeladź Sp. z o.o. does not cover any excessive costs of property construction with its own contributions, then the Issuer will grant to the abovementioned company an unsecured loan, which will be subordinated to repayment of the company's liabilities, in an amount not exceeding EUR 494 thousand.

26. Related party transactions

26. 1 Trade and other payables

Balances of related party transactions related to trade and other receivables and payables as at 31 December 2018 are as follows:

	Trade and other receivables	Trade and other liabilities [1]
Parent company		
MLP FIN SP. Z O.O. Spółka Komandytowa	4	
Fenix Polska Sp. z o.o.	4	-
The Israel Land Development Company Ltd., Tel-Awiw	36	-
	44	**-**
Other related parties		
MLP Pruszków I Sp. z o.o.	866	-
MLP Pruszków II Sp. z o.o.	154	-
MLP Pruszków III Sp. z o.o.	68	-
MLP Pruszków IV Sp. z o.o.	44	-
MLP Pruszków V Sp. z o.o.	51	
MLP Poznań Sp. z o.o.	35	-
MLP Poznań II Sp. z o.o.	32	-
MLP Lublin Sp. z o.o.	50	-
MLP Teresin Sp. z o.o.	152	-
MLP Energy Sp. z o.o.	62	-
MLP Wrocław Sp. z o.o.	73	-
MLP Czeladź Sp z o.o.	43	-
MLP Gliwice Sp. z o.o.	51	-
MLP Property Sp. z.o.o.	4	-
MLP Poznań West Sp. z o.o.	4	-
MLP Temp Sp. z o.o.	4	-
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	4	-
MLP Bieruń Sp. z o.o.	4	-
MLP Bieruń I Sp. z o.o.	15	-
MLP Sp. z o.o.	4	-
MLP FIN Sp. z o.o.	4	-
LOKAFOP 201 Sp. z o.o.	4	-
MLP Łódź Sp. z o.o.	1	-
MLP Spółka z ograniczoną odpowiedzialnością SKA	4	-
MLP Poznań West II Sp. z o.o.	26	-
MLP Bucharest West Sp. z o.o.	4	-
MLP Dortmund LP Sp. z o.o.	4	-
MLP Dortmund GP Sp. z o.o.	4	-
MLP Teresin II Sp. z o.o.	4	-
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	28	-
MLP Bucharest West SRL	1	-
MLP Germany Management	25	-
	1 829	**-**
Total	**1 873**	**-**

[1] "Trade and other payables" do not include key management personnel remunerations or share-based payments that are disclosed in Note 29.

26. 2 *Loans granted and received*

Related party balances related to loans granted and received as at 31 December 2018 are as follows:

	Loans granted	Loans received
Other related parties		
MLP Pruszków I Sp. z o.o.	4 980	82 196
MLP Pruszków II Sp. z o.o.	6 737	-
MLP Pruszków III Sp. z o.o.	20 109	-
MLP Pruszków V Sp. z o.o.	16 863	-
MLP Poznań Sp. z o.o.	2 170	-
MLP Poznań II Sp. z o.o.	166	-
MLP Lublin Sp. z o.o.	10 170	-
MLP Teresin Sp. z o.o.	8 062	-
MLP Wrocław Sp. z o.o.	9 187	-
MLP Czeladź Sp z o.o.	28 877	-
MLP Gliwice Sp. z o.o.	26 318	-
MLP Property Sp. z.o.o.	308	-
MLP Poznań West Sp. z o.o.	776	-
MLP Temp Sp. z o.o.	-	13 602
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	-	10 985
MLP Bieruń Sp. z o.o.	3 037	-
MLP Bieruń I Sp. z o.o.	1 319	-
MLP FIN Sp. z o.o.	56	-
MLP Poznań West II Sp. z o.o.	32 851	-
MLP Bucharest West Sp. z o.o.	17 903	-
MLP Dortmund LP Sp. z o.o.	41	-
MLP Teresin II Sp. z o.o.	20	-
MLP FIN Spółka z ograniczoną odpowiedzialnością sp.k.	33	-
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	21 121	-
MLP Bucharest West SRL	1 608	-
MLP Germany Management GmbH	431	
Fenix Polska Sp. z o.o.	37 304	-
	250 447	**106 783**
Total	**250 447**	**106 783**

26. 3 *Revenues and expenses*

Related party transactions related to revenues and expenses for the year ended 31 December 2018 are as follows:

		Sale of services	Interest revenue	Other financial income
	Parent company			
904	The Israel Land Development Company Ltd., Tel-Awiw	152	-	-
		152	**-**	**-**
	Other related parties			
101	MLP Pruszków I Sp. z o.o.	5 359	147	-
102	MLP Pruszków II Sp. z o.o.	244	143	-
103	MLP Pruszków III Sp. z o.o.	599	225	-
104	MLP Pruszków IV Sp. z o.o.	631	-	-
130	MLP Pruszków V Sp. z o.o.	51	67	
106	MLP Poznań Sp. z o.o.	229	24	-
107	MLP Poznań II Sp. z o.o.	325	4	-
108	MLP Lublin Sp. z o.o.	364	123	-
109	MLP Teresin Sp. z o.o.	252	234	-
110	MLP Energy Sp. z o.o.	115	-	5 000
111	MLP Wrocław Sp. z o.o.	216	80	-
112	MLP Czeladź Sp z o.o.	171	340	-
113	MLP Gliwice Sp. z o.o.	342	720	-
114	MLP Property Sp. z.o.o.	3	9	-
115	MLP Poznań West Sp. z o.o.	3	23	-
116	MLP Temp Sp. z o.o.	3	-	-
117	LOKAFOP 201 Spółka z ograniczoną odpowiedzialnośc	3	-	-
118	MLP Bieruń Sp. z o.o.	3	37	-
119	MLP Bieruń I Sp. z o.o.	29	37	-
120	MLP Sp. z o.o.	3	-	-
121	MLP FIN Sp. z o.o.	3	2	-
122	LOKAFOP 201 Sp. z o.o.	3	-	-
123	MLP Łódź Sp. z o.o.	6	-	-
124	MLP Spółka z ograniczoną odpowiedzialnością SKA	3	-	-
125	MLP Poznań West II Sp. z o.o.	58	833	-
126	MLP Bucharest West Sp. z o.o.	3	345	-
127	MLP Dortmund LP Sp. z o.o.	3	1	-
128	MLP Dortmund GP Sp. z o.o.	3	-	-
129	MLP Teresin II Sp. z o.o.	3	-	-
901	MLP FIN Spółka z ograniczoną odpowiedzialnością sp.l	3	1	-
906	MLP Logistic Park Germany I Sp. z o.o. &Co KG.	177	428	-
907	MLP Bucharest West SRL	7	8	-
908	MLP Germany Management	23	1	-
902	Fenix Polska Sp. z o.o.	4	832	-
		9 244	**4 664**	**5 000**
	Total revenue	**9 396**	**4 664**	**5 000**

		Purchase of services and remuneration	Interest expenses
Other related parties			
MLP Pruszków I Sp. z o.o.		(55)	(1 478)
MLP Teresin Sp. z o.o.		(5)	-
MLP Wrocław Sp. z o.o.		(5)	-
MLP Czeladź Sp z o.o.		(5)	-
MLP Gliwice Sp. z o.o.		(5)	-
MLP Temp Sp. z o.o.		-	(164)
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA		-	(331)
MLP Poznań West II Sp. z o.o.		(3)	-
		(78)	**(1 973)**
Key management personnel			
ROMI CONSULTING, Michael Shapiro	*patrz nota 29.*	(384)	-
RTK CONSULTING, Radosław T. Krochta	*patrz nota 29.*	(208)	-
PROFART, Tomasz Zabost	*patrz nota 29.*	(61)	-
Other key management personnel	*patrz nota 29.*	(798)	-
		(1 451)	**-**
Total costs		**(1 529)**	**(1 973)**

27. Significant litigation and disputes

As at 31 December 2018 the Company was not a party to any significant court proceedings.

28. Significant events during the financial period and subsequent events

- On 13 March 2018, MLP Pruszków V Sp. z o.o. was established under a deed of formation. On 4 April 2018, MLP Group S.A. acquired 50 shares in MLP Pruszków V Sp. z o.o. with the total value of PLN 5,000, thus directly acquiring a 100% stake in its equity and voting rights. The shares were paid up in full with a cash contribution.

- On 11 May 2018, the Company issued, in a private offering, 10,000 B-series bearer bonds with a nominal value of EUR 1,000 each and the total value of the issue of EUR 10,000,000.

  The Bonds will bear variable interest at EURIBOR for 6-month bank deposits in EUR plus margin.
  The Bonds are unsecured. The purpose of the Bond issue has not been specified.

  The redemption of the Bonds is scheduled for 11 May 2023, with an early redemption option at the Company's discretion.

  Pursuant to Resolution 847/2018 of 9 August 2018 adopted by the Management Board of the Warsaw Stock Exchange, the Management Board of the Exchange decided to introduce 10,000 B-series bearer bonds of MLP Group S.A. with the nominal value of EUR 1,000 each to the Catalyst alternative trading system. August 13th was the first day of listing on the Catalyst alternative trading system. The bonds will be listed in a continuous quotation system under the abbreviated name of

  The Bonds are entered in the records kept by the National Depository for Securities under the number ISIN PLMLPGR00041.
- On 9 August, the Management Board of the Warsaw Stock Exchange set the date of first listing of the Company's B-series bearer bonds in the alternative trading system on Catalyst for 13 August 2018.
- On 5 September 2018, the Company's Supervisory Board adopted a resolution to consent to the payout of an interim dividend totaling PLN 3,260,385.90, i.e. PLN 0.18 per share. The interim dividend was paid out on 8 October 2018.

Following the end of the reporting period, until the date of preparation of these Standalone financial statements, no other events occurred which were not, but should have been, included both in the accounting books of the reporting period and the standalone financial statements of the Company.

29. Remuneration paid or due to members of management and supervisory bodies of the Company

for the year ended 31 December		**2018**	**2017**
Remuneration of the Management Board:			
• **Remuneration and other benefits**			
Radosław T. Krochta	*patrz nota 26.3*	208	313
Michael Shapiro	*patrz nota 26.3*	384	382
Tomasz Zabost	*patrz nota 26.3*	61	102
		653	**797**
• **Cash settled share based payment and other compensation paid or due in the period**		950	1 011
		1 603	**1 808**
Remuneration of Supervisory Board			
• **Remuneration and other benefits**			
Matusiak Maciej		30	30
Tucharz Jacek		13	30
Levy Eytan		30	30
Marfogel Shimshon		30	30
Piotr Chajderowski		17	-
Daniel Nimrodi		30	-
Guy Shapira		30	30
Yosef Zvi Meir		-	30
		180	**180**
Total remuneration paid or due to the Management Board and Supervisory Board members		**1 783**	**1 988**
Other management staff:			
• Remuneration and other benefits	*patrz nota 26.3*	798	791
• Cash settled share based payment paid or due in the period		618	521
		1 416	**1 312**
Total remuneration paid or due to the Management Board and Supervisory Board members		**3 199**	**3 300**

Except for the transactions presented above, Members of the Management Board, the Supervisory Board and other management personnel did not receive any other benefits from the Company.

30. Employment structure

as at 31 December	**2018**	**2017**
Number of employees	20	15

Signed with a qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice-President of the Management Board

Tomasz Zabost
Member of the Management Board

Maria Ratajczyk
Podpis osoby sporządzającej sprawozdanie finansowe

Pruszków, 15 March 2019

Management Board report on the operations of MLP Group S.A.

for the year ended on 31 December 2018

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Management Board approval of MLP Group S.A. report on MLP Group S.A. operations for the year ended on 31 December 2018

The Management Report on the MLP Group S.A. operations for the year ended on 31 December 2018 was prepared and approved by the Management Board of the Company on 15 March 2019.

Signed with a qualified electronic signature.

Radosław T. Krochta
President of the Management

Michael Shapiro
Vice-President of the Management Board

Tomasz Zabost
Member of the Management

Pruszków, 15 March 2019

Introduction

MLP Group S.A. is the parent company of MLP Group S.A. Capital Group (the "Company", the "Issuer", the "Parent Company"). The Company is registered in the National Court Register under registration number 0000053299, District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register. The Company registered office is located in Pruszków (05-800 Pruszków, 3 Maja 8 Street).

The Company was founded on 18 February 1995 (the act of transformation) The Company is established for an indefinite period.

The core business of the Company is management, buying and selling of real estate, rental of real estate, management of residential and non-residential properties, construction works related to the construction of buildings and other construction. The predominant type of activity is PKD symbol: 7032Z — property management services.

The higher level parent company for the Company is CAJAMARCA HOLLAND B.V. that is registered in the Netherlands, 2 Martinus Nijhofflaan, 2624 ES Delft.

The ultimate parent company for the Company is Israel Land Development Company Ltd., registered in Tel-Aviv, Israel ("ILDC"). ILDC shares are listed on the Tel Aviv Stock Exchange.

(in thousand PLN, unless otherwise stated)

1. Basic information on MLP Group S.A.

1. 1 MLP Group S.A. shareholdings structure

As at 31 December 2018, MLP Group S.A. held, directly or indirectly, shares in the following entities:

No	**Entity**	**Country of registry**	**Direct and indirect share of the Parent Company in the equity**	**Direct and indirect share of the Parent Company in voting rights**
1	MLP Pruszków I Sp. z o.o.	Poland	100%	100%
2	MLP Pruszków II Sp. z o.o.	Poland	100%	100%
3	MLP Pruszków III Sp. z o.o.	Poland	100%	100%
4	MLP Pruszków IV Sp. z o.o.	Poland	100%	100%
5	MLP Pruszków V Sp. z o.o.[1)]	Poland	100%	100%
6	MLP Poznań Sp. z o.o.	Poland	100%	100%
7	MLP Lublin Sp. z o.o.	Poland	100%	100%
8	MLP Poznań II Sp. z o.o.	Poland	100%	100%
9	MLP Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
10	MLP Energy Sp. z o.o.	Poland	100%	100%
11	MLP Property Sp. z.o.o.	Poland	100%	100%
12	MLP Bieruń Sp. z o.o.	Poland	100%	100%
13	MLP Bieruń I Sp. z o.o.	Poland	100%	100%
14	MLP Sp. z o.o.	Poland	100%	100%
15	MLP Teresin Sp. z o.o.	Poland	100%	100%
16	MLP Poznań West Sp. z o.o.	Poland	100%	100%
17	MLP FIN Sp. z o.o.	Poland	100%	100%
18	LOKAFOP 201 Sp. z o.o.	Poland	100%	100%
19	LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
20	MLP Wrocław Sp. z o.o.	Poland	100%	100%
21	MLP Gliwice Sp. z o.o.	Poland	100%	100%
22	MLP Łódź Sp. z o.o.	Poland	100%	100%
23	MLP Czeladź Sp. z o.o.	Poland	100%	100%
24	MLP Temp Sp. z o.o.	Poland	100%	100%
25	MLP Dortmund LP Sp. z o.o.	Poland	100%	100%
26	MLP Dortmund GP Sp. z o.o.	Poland	100%	100%
27	MLP Logistic Park Germany I Sp. z o.o. &Co KG.	Germany	100%	100%
28	MLP Poznań West II Sp. z o.o.	Poland	100%	100%
29	MLP Bucharest West Sp. z o.o.	Poland	100%	100%
30	MLP Bucharest West SRL	Romania	100%	100%
31	MLP Teresin II Sp. z o.o.	Poland	100%	100%
32	MLP Mangement Germany GmbH[2)]	Germany	100%	100%

Changes in the shareholding structure

[1)] On 13 March 2018, pursuant to the deed of formation, MLP Pruszków V Sp. z o.o. was established. On 4 April 2018 MLP Group S.A. acquired 50 shares of the total value of PLN 5,000 in the company MLP Pruszków V Sp. z o.o., and thus it acquired directly 100% of the shares in the equity and in the voting rights of this company. The shares were entirely paid up in cash.

[2)] On 5 July 2018, pursuant to the deed of formation, MLP Germany Management GmbH was established. Shares in the newly created company were acquired entirely by MLP Group S.A. (25,000 shares of a total nominal value of EUR 25,000).

1. 2 Scope of operations of the Company and the Group

MLP Group is one of the leading developers of warehouse and production space in Europe. Since 1998, MLP Group has conducted activity on the commercial property market, specializing in the construction of modern warehouse and production centers and offering its lessees both warehouse and logistics space and production space adjusted to conducting light industrial production. The Group operates on the Polish, German and Romanian market as a property developer, consultant and property manager, providing comprehensive solutions to numerous Polish and international logistics, distribution and production companies, enabling them to optimize their warehouse and production space.

Its core activity is the construction and property management related to logistics. Activity in this area includes:

- purchase of investment properties (either directly or through the purchase of shares in companies owning the real estate),
- property management (including activities related to tenant services such as: determination of the targeted tenant group, tenant search, negotiating leases, re-renting of property),
- activities related to the provision of real estate financing (setting the target ratio of debt financing to equity financing and activities of providing the desired amount of debt financing for each of the assets in the most favorable conditions in the given time),
- technical activities with supervision (including repairs, maintenance and cleaning services),
- sale of real estate investments

The Company realizes these objectives and tasks through its subsidiaries, in which the Company holds its shares. MLP Group S.A. is a holding entity that manages companies involved in various logistics parks.

At present, the Company, through the entities in which it holds shares, operates seven logistics parks in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź and one logistics park under construction — MLP Poznań. In Germany, the Company, through the entities in which it holds shares, currently operates one logistics park — MLP Unna. In Romania, the Company owns a logistics park under construction — MLP Bucharest West. The total area of the Group's land bank is approx. 97.3 hectares. MLP Group S.A., through related entities in which it holds shares, also has reservation agreements to purchase new plots for its planned logistics parks. This means that the current and potential real estate portfolio managed by the MLP Group consists of a total of sixteen operating logistics parks located in three European markets.

Investment property in the logistics parks are measured at fair value by independent experts.

The following table shows the structure of the real estate portfolio at fair value by categories in different

Logistics park	**Fair value EUR thousand**	**Fair value PLN thousand**
MLP Pruszków I	81 860	351 997
MLP Pruszków II	107 393	461 790
MLP Poznań	30 974	133 188
MLP Lublin	20 581	88 498
MLP Teresin	16 280	70 004
MLP Gliwice	23 130	99 459
MLP Wrocław	19 766	84 994
MLP Czeladź	13 721	59 000
MLP Poznań West	7 450	32 035
MLP Unna	5 730	24 639
MLP Bucharest West	7 370	31 723
Total	**334 255**	**1 437 327**

(in thousand PLN, unless otherwise stated)

1. 3 Information on the core activities

The basic and sole activity of MLP Group S.A. is property management of logistics investments. The Company's source of revenues is property management and advisory services.

The Company conducts its activities in Poland.

Revenue

for the year ended 31 December	2018	2017
Domestic sales		
Sales to non-related clients	174	339
Sales to related clients	9 387	7 935
Total domestic sales	9 561	8 274
Foreign sales		
Sales to related clients	9	120
Total foreign sales	**9**	**120**
Total revenue from sales	**9 570**	**8 394**

1. 4 Information on the market, customers and suppliers

The basic and sole activity of MLP Group S.A. is property management of logistics investments. The Company's activities are carried out on Polish territory, but through its subsidiaries, MLP Group S.A. also conducts activity in Germany and Romania.

1. 4.1 The structure of the Company's sales

The Company generates revenue mainly from (i) real estate administrative services for subsidiaries, as well as (ii) management and advisory services. Transactions with related parties are the main source of revenue.

Revenue

for the year ended 31 December	2018	2017	*change (%)*
Property management	3 577	3 181	*12%*
Project Management	728	601	-
Advisory services	4 394	3 872	*13%*
Re-invoiced services	871	740	*18%*
Total revenues	**9 570**	**8 394**	***14,0%***
- including from related parties	*9 396*	*8 055*	*17%*

In 2018, the total sales of services to related parties amounted to PLN 9,396 thousand, where MLP Pruszków I Sp. z o.o. was the main beneficiary of these services. Its share in the structure of sales to related parties in the period was 57% (in 2017, this share equaled 66%). The following table illustrates the structure of sales of the Company in 2018 and 2017:

Structure of sales to related parties

for the year ended 31 December	2018	2017
Parent entity		
The Israel Land Development Ltd	152	189
Subsidiaries		
MLP Pruszków I Sp. z o.o.	5 359	5 300
MLP Pruszków II Sp. z o.o.	244	206
MLP Pruszków III Sp. z o.o.	599	399
MLP Pruszków IV Sp. z o.o.	631	385
MLP Pruszków V Sp. z o. o.	51	159
MLP Poznań Sp. z o.o.	229	282
MLP Poznań II Sp. z o.o.	325	279
MLP Lublin Sp. z o.o.	364	203
MLP Teresin Sp. z o.o.	252	106
MLP Energy Sp. z o.o.	115	151
MLP Wrocław Sp. z o.o.	216	90
MLP Czeladź Sp. z o.o.	171	157
MLP Gliwice Sp. z o.o.	342	-
MLP Property Sp. z.o.o.	3	1
MLP Poznań West Sp. z o.o.	3	-
MLP Temp Sp. z o.o.	3	-
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	3	2
MLP Bieruń Sp. z o.o.	3	6
MLP Bieruń I Sp. z o.o.	29	-
MLP Sp. z o.o.	3	-
MLP FIN Sp. z o.o.	3	-
LOKAFOP 201 Sp. z o.o.	3	9
MLP Łódź Sp. z o.o.	6	-
MLP Spółka z ograniczoną odpowiedzialnością SKA	3	11
MLP Poznań West II Sp. z o.o.	58	-
MLP Bucharest West Sp. z o.o.	3	-
MLP MLP Dortmund LP Sp. z o.o.	3	-
MLP MLP Dortmund GP Sp. z o.o.	3	-
MLP Teresin II Sp. z o.o.	3	-
MLP FIN Spółka z ograniczoną odpowiedzialnością sp.k.	3	120
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	177	-
MLP Bucharest West SRL	7	-
MLP Germany Management	23	-
Fenix Polska Sp. z o.o.	4	-
Total	**9 396**	**8 055**

1. 4.2 The largest counterparties

During the analyzed period, the Company cooperated mainly with suppliers providing the following services:

- media delivery,
- advisory - legal and business advisory,
- audit and review of financial statements, property appraisers services

In 2018, turnover with none of the suppliers exceeded 10% revenues of the Company.

Wide range of suppliers guarantees that Company is not dependent on a single supplier.

2. Activities of MLP Group S.A. Capital Group and the Company

2. 1 Activities of MLP Group S.A. Capital Group and the Company in 2018

In 2018, the Company continued its activities of construction and property management related to logistics. These activities are conducted through subsidiaries in which the Company holds its shares.

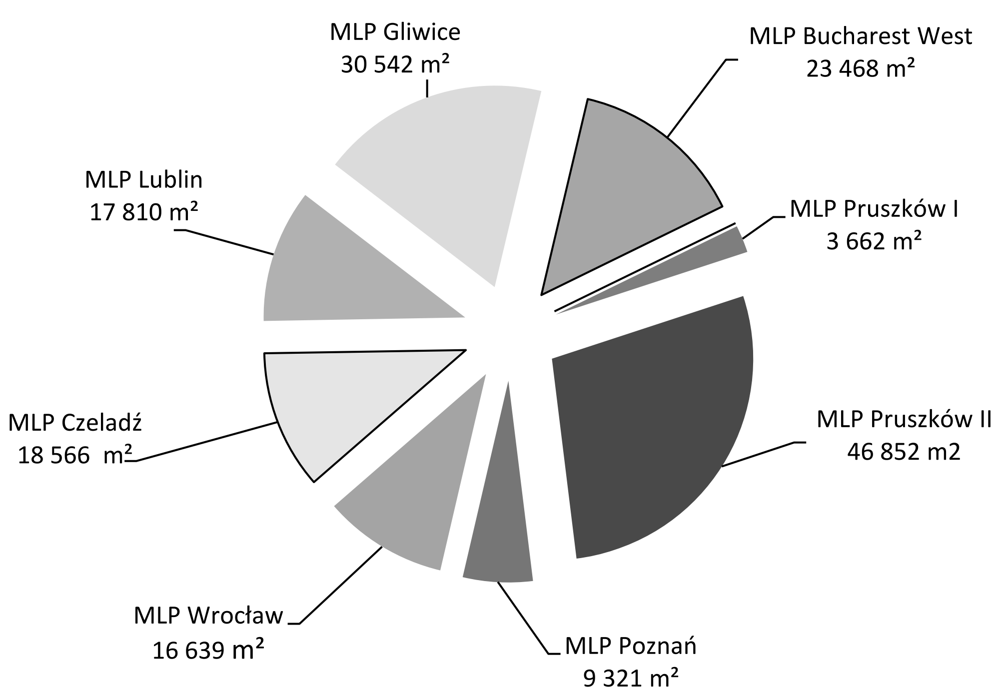
In the analyzed period, the Company, through its subsidiaries, simultaneously operated several development projects and rented more than 516 thousand sq.m. of warehouse and office space. The Company's Management Board reviewed and evaluated:

- current projects in development for the progress of the construction work,
- earned and expected revenue from sales,
- the best possible use of existing land resources of the Group and adjustment of the sale offers to the expectations and demand of the market,
- possibilities to purchase land for new projects to be implemented in subsequent years,
- optimization of financing of the Group's investments.

2. 1.1 Started and completed investment projects

In 2018 the Company carried out investment projects with a total area of 143,392 m^2 and has 23,468 m^2 in preparation, which makes up a total of 166,860 m^2.

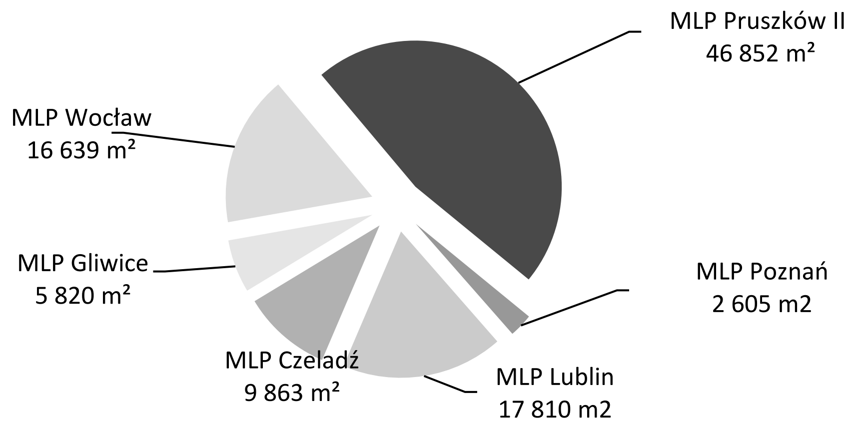
Area of investment projects implemented and in preparation in the entire 2018 (m^2)



From the total surface area of 166,860 m^2 of projects which were performed and in preparation in 2018, 43,803 m^2 of the surface area of investment projects had been started before 2018. On the other hand, in 2018, projects of the total surface area of 99,589 m^2 started to be performed. As at 31 December 2018, the Company, through entities in which it holds shares, has in preparation investment projects of the surface area of 23,468 m^2: in the MLP Bucharest West logistics park. Deadline for this project is scheduled for 2019.

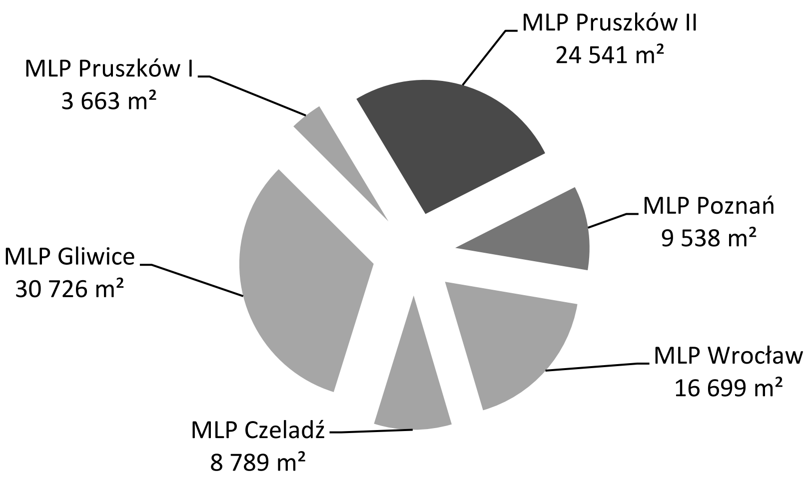
The chart presents the surface area of initiated investment projects in various logistics parks of the Group:

Area of investment projects initiated and in preparation in 2018 (m²)



Out of all projects under construction at the end of 2017, projects of the total area of 43,803 m^2 were completed in 2018.

Area of investment projects completed in 2018 (m²)



2. 1.2 *Development projects currently conducted and in preparation*

In 2018, projects in progress and in preparation accounted jointly for 166,860 m^2. From these, in 2018, projects of the total surface area of 93,957 m^2 were completed.

From the beginning of 2018 until the date of publication of this Report, the performance of projects of the surface area of 72,917 m^2 was completed.

On 4 April 2017, MLP Logistic Park Germany I sp. z o.o. & Co KG purchased a land property of the surface area of 12.5 hectares. This is where the MLP Unna logistics park is located, with the buildings located within its premises. Lease agreement with the existing tenant expired on 30 June 2018, and parking located within the premises of the park were leased. The Group is planning to demolish the existing facilities and build new warehouse buildings. Currently, the Group is running active commercialization activities.

In accordance with the adopted strategy, the Group will focus on expanding the existing logistics parks in Poland and abroad (i.e. developing warehouse buildings on the land it owns) and constructing BTS projects outside the existing parks. Moreover, the Group is intensively looking for attractive land for new logistics parks.

Projects are conducted in BTS system, i.e. in each case, a lease agreement with a prospective tenant must be signed prior to the initiation of the investment process.

As at the date, the Group has not entered into any other binding commitments for realization of new investment projects.

2. 1.3 *Significant agreements for the Company's activities*

Significant suppliers with whom the Company entered into agreements in 2018 with a total value exceeding 10% of the Company's equity.

In the financial year 2018, the Company did not enter into a trade agreement with a single supplier the total value of which exceeded 10% of the Company's equity.

2. 1.4 *Agreements between the shareholders*

MLP Group S.A. has no information on possible agreements between the shareholders of the Company.

Neither does MLP Group S.A. have information on possible agreements (including those concluded after the balance sheet date), which may result in future changes in the proportion of shares held by existing shareholders.

2. 1.5 *Cooperation and collaboration agreements*

In 2018, MLP Group S.A. did not sign any significant agreement related to the cooperation or collaboration with other entities.

2. 1.6 Transactions with related parties

A description of related party transactions is presented in Note 25 to the Separate Financial Statements for the year ended in 2018.

2. 1.7 Litigation

Ongoing proceedings in court, competent authority for arbitration proceedings or public authority.

As at 31 December 2018, there was no individual proceeding in court, arbitration proceedings or public administration related to liabilities or receivables of the Company or its subsidiaries, the value of which would exceed 10% of the Company's equity.

As at 31 December 2018 there were no combined proceedings in court, arbitration or public administration related to liabilities or receivables, that together would exceed 10% of the Company's equity.

Proceedings involving the Company have no material impact on the Company's operations.

2. 2 Development of the MLP Group S.A., risk factors

MLP Group S.A. development is dependent on the development of subsidiaries within the MLP Group S.A. Capital Group.

2. 2.1 Key risk factors relevant to the development of the Company

MLP Group S.A. conducts its activities through entities in which it holds its shares. Activities of the Company and the Group are exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk

The Management Board is responsible for the establishment and oversight of the Company's risk management, including the identification and analysis of risks to which the Company is exposed, the terms of their respective limits and controls and for monitoring risks and adherence to limits of the respective risks. Rules and risk management procedures are regularly reviewed to reflect changes in the market conditions and changes in the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company or the companies of the Group, if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from debt instruments. The objective of risk management is to maintain, in terms of quality and value, a stable and sustainable portfolio of loans granted and other investments in debt instruments, achieved by having a policy of setting credit limits for contract parties.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial instrument. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses, or risking damage to the Company's reputation. For this purpose, the Company monitors its cash flows, maintains lines of credit and keeps sufficient cash to cover anticipated operating expenses and expected cash outflows for current financial liabilities, and maintains anticipated liquidity ratios.

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. The activities of the Company's subsidiaries in this respect include applying hedge accounting to minimize volatility in the profit or loss for the current period.

Currency risk

The majority of the Group companies revenue from rent is denominated in EUR and USD. A portion of the Group's costs, such as certain construction costs, labor costs and wages are denominated in PLN.

In order to hedge currency risk (i.e. Currency hedging), the Group companies mainly use natural hedging by obtaining debt financing in EUR. To reduce the volatility of return of investment caused by exchange rate fluctuations, the Group companies may also conclude hedging contracts against such risks, including use of derivatives, and entering into agreements with contractors (investment agreement with general constructor), which are denominated in EUR. Due to the short currency position of the Group companies, the depreciation of the Polish currency against EUR adversely affects the Group companies performance, resulting in increased debt service costs.

Interest rate risk

The Group companies credit agreements are based on floating interest rates. The level of interest rates is highly dependent on many factors, including governmental monetary policies and both domestic and international economic and political conditions, and other factors beyond the Group companies' control. Changes in interest rates may increase the financing cost of the Group companies with respect to existing loans, and thus affect its profitability. Changes in interest rates may have a material adverse effect on the financial position and results of the Group companies.

In addition to these risks, the Company's activities are also exposed to the following risk factors:

Risks associated with the Company's and Group companies' dependence on the macroeconomic situation

The development of the commercial real estate market, where the Company and its subsidiaries operate, depends both on changes in the construction and real estate sectors, trends in the sectors of: production, trade, industry, services, transport, and the development of the entire economy which it affected by many macroeconomic factors, such as: economic growth rate, inflation level, interest rates, labor market situation and value of direct foreign investments. Operations of the Company and its subsidiaries indirectly depend on changes in the global economic situation. Operations of the Company and its subsidiaries are affected in particular by: GDP level, inflation rate, exchange rates, interest rates, unemployment rate, average salary, fiscal and monetary policy of the state. The rate of growth of the domestic economy, and thus also the operations and results of the Company and its subsidiaries, may be affected by the downturn and slowing down of the global economy. Negative changes in the macroeconomic situation and economic and monetary policy of Poland and other countries may have a significant negative effect on the financial results of the Company and the Group companies as well as on the ability to implement its plans.

The Company is exposed to risks related to: real estate development, acquisition, ownership and management of commercial real estate.

Revenue and value of the property held by the Company may be affected by numerous factors, including: (i) changes in laws and administrative regulations concerning real estate, including obtaining of licenses or permits, determining zoning, taxes and other public charges, (ii) the cyclical changes in the real estate market in which the Company operates; (iii) the Company's ability to obtain appropriate services for construction, management, maintenance, and insurance services. Although the Company undertakes certain actions to protect its business from the negative impact of these risks, it is impossible to eliminate them entirely. Occurrence of any of these risks will have a significant negative impact on the Company's business, financial condition, results and prospects.

Risk associated with the downturn in the real estate market and the general deterioration of the economic situation

The downturn in the real estate market may have a negative impact on the Group companies' performance in terms of profits from rental of warehouse space. In case of tenant's default to meet its obligation or in case of absence of tenants, the Company and Group companies will not receive rental income while incurring the costs associated with the property. These costs may include legal costs and valuation expenses, maintenance costs, insurance and property taxes. The level of rent and the market price of the property are, in principle, dependent on the economic situation. Consequently, the decline in market prices may result in the determination of other than expected rent levels and lead to losses in relation to the respective projects or may result in a need to find an alternative use of land purchased for investment. The occurrence of these events could have a material adverse effect on their business, financial condition and results.

Insurance risk

The group companies' properties may be destroyed or damaged due to many foreseeable or unforeseeable circumstances. It is also possible that third parties may suffer damages as a result of an event, which the Group companies are responsible for. Due to the scope of insurance coverage currently held by the Group companies, there is a risk that such damages or claims will not be covered by insurance or that they will only be partially covered by insurance. Some risks are not subject to insurance, in case of other types of risks insurance premium costs are disproportionately high in relation to risk occurrence likelihood. The Group companies' insurance coverage may not protect them against all losses that they may incur in connection with its activities, and some types of insurance may not be available on commercially reasonable terms or at all. Accordingly, the Group companies' insurance coverage may not be sufficient to fully compensate for losses incurred in connection with its real estate.

Risks associated with the development activities of the Company.

The development of the Company's business is related to the risks arising from the nature of the process of construction of warehouses and manufacturing centers. During the construction of warehouses and manufacturing centers there may occur, not due to the developer, delays or technical problems resulting in a failure to meet deadlines and to obtain appropriate permits required by law or administrative approvals, which may have an adverse effect on the business, financial position and results of the Company.

Risks associated with a failure to finalize profitable investments and the nature of property development activities:

The subsidiary's ability to start and complete a development, reconstruction or modernization of its property depends on a number of factors, some of which are beyond its control. These factors include, in particular, their ability to receive all of the necessary administrative decisions, obtaining external financing on satisfactory terms or at all, the involvement of reliable contractors and obtaining appropriate tenants.

The following factors, over which the Group companies have limited or no control, that may result in a delay or otherwise adversely affect the development or modernization of the Group companies' properties include:

- disadvantages or limitations on legal title to land or buildings acquired by the Group companies or defects, restrictions or conditions related to management decisions on land owned by the Group companies;
- changes in applicable laws, regulations or standards, which come into force after the start of the planning or construction of the project, resulting in the Group companies incurring additional costs or causing delays in the project or its interpretation or application;
- violations of building standards, incorrect methods of construction or faulty construction materials;
- industrial accidents, previously undisclosed existing soil contamination and potential liability related to environmental regulations and other applicable laws, for example, related to archaeological finds, un-exploded bombs or building materials that are deemed harmful to health;
- forces of nature, such as bad weather, earthquakes and floods, which can damage or delay the completion of projects;
- acts of terrorism or riot, revolts, strikes or civil unrest.

Investment projects may be carried out only if the land on which they are carried out is provided with appropriate technical infrastructure as required by law, (e.g. access to internal roads , the possibility of connections to the media or certain procedures for fire protection and adequate facilities to ensure this protection). The relevant authorities may require the Group companies to create additional infrastructure required by law in the performance of its construction work, before making appropriate administrative decisions. Such additional work can significantly affect the cost of construction.

In addition, the implementation of some projects may become uneconomic or impracticable for reasons that are beyond the Group companies' control, such as a slowdown in the real estate market. The Group companies may not be able to complete these projects on time, within budget or at all, due to any of the above or other factors, which may increase the costs, delay the implementation of the project or cause the project to be abandoned.

Risk associated with general contractors

In a significant number of cases, the Group companies commission their projects to general contractors or other third parties. The successful completion of construction projects depends on the ability of the Group companies to employ general contractors who carry out realized projects in accordance with established standards of quality and safety, at commercially reasonable terms, within the agreed deadlines and within the approved budget. Inability to employ general contractors on commercially reasonable terms and the failure of general contractors to meet accepted standards of quality and safety, or non-completion of construction or repairs on time or within the agreed budget may increase the cost of the project, delays in its completion, as well as result in claims against the Group companies. In addition, the above-mentioned events may adversely affect the Group companies' image and the ability to sell completed projects.

The financial strength and liquidity of the general contractors of the Group companies may not be sufficient in the event of a severe economic downturn in the property market, which in turn could lead to their bankruptcy, adversely affecting the execution of the Group companies' strategy. Any security usually established by general contractors in order to secure the performance of obligations under the respective agreements with the Group companies, may not cover the total costs and damages incurred by the Group companies in these circumstances.

The Group companies' dependency on general contractors also exposes the Group companies to all risks associated with poor quality of work of such general contractors, their subcontractors and employees and of construction flaws. In particular, the Group companies may incur losses due to the need to engage other contractors to correct defective work done or because of the need to pay compensation to people who have suffered losses as a result of defective work carried out. In addition, there is a risk that such losses or expenses will not be covered by insurers of the Group companies, by the contractor or by the appropriate subcontractor.

Risks associated with administrative decisions:

As part of their activities and in the course of management of their assets, the Group companies are obligated to obtain multiple licenses, approvals or other decisions of public administration bodies, in particular for the execution construction and use of its property. The Group companies can not guarantee that any of such permits, consents or other decisions in relation to the existing property or new investments will be obtained in time or that it will be obtained at all, or that currently held or acquired in the future permits, consent or other decisions will not be withdrawn or that their term of validity will not be extended. In addition, public administrations may issue a decision based on the fulfilment of certain additional terms and conditions (including, for example ensuring adequate infrastructure) or impose on the Group companies in such decisions additional conditions and obligations, which may involve additional costs and the extension of the procedures.

In addition, the Group companies may seek changes of certain projects or facilities of the Group companies, as well as the change in use of the property, so as to utilize them more effectively and in accordance with the current trends in the real estate market. The introduction of such changes may not be possible due to the difficulty in obtaining or changing required permits or change, approvals and decisions, in particular in the case of real estate included in the register of monuments.

In addition, social organizations and organizations dealing with the protection of the environment, as well as adjacent property owners and local residents can take action to prevent the Group companies from obtaining the required permits, approvals or other decisions, including participation in administrative and judicial proceedings involving the Group companies, challenging decisions, regulations and rulings issued in the course of such proceedings, as well as disseminating negative and defamatory information about the Group companies and their investments. These actions may, in particular, significantly extend the realization of its investment activities by the Group companies, as well as result in additional costs incurred by the Group companies in connection with the ongoing investments.

2. 2.2 Business prospects

MLP Group S.A. conducts its activities through managing entities in which it holds its shares.

The strategic objective of the subsidiaries is to constantly increase the warehouse space held in the Polish market, and also expansion abroad mainly on the German market, considered as strategic, and the Romanian market. The main objective of subsidiaries is to construct buildings in the current land bank and in the Built to Suit (BTS) system outside the current parks for resale. At the same time, the Management Board of the MLP Group aims to increase investments in buildings built on a speculative basis, which is connected with a growing demand for warehouse space in Poland. City Logistics type facilities gain more and more interest of tenants. These are small modules offering a modern warehouse space together with a representative office with a high standard of finishing.

The GDP growth, as well as the increased significance of Poland as a center for services provided to e-commerce companies for the needs of Western Europe are important factors stimulating the demand. Furthermore, low interest rates and the lowest rents in Europe strengthen Poland as one of the most attractive countries in Europe. Because the overall condition of the economy and the trends in the warehousing market are strongly correlated, we may expect that this will be reflected in the further increase in demand for warehouses.

Warehouse space market in 2018

- **Poland**

  There is a very good economic situation on the Polish warehouse space market. At the same time, Poland maintains its leading position in the region of Central and Eastern Europe.

  Throughout 2018, the warehouse market in Poland was growing at a level comparable to the record-breaking previous year. Companies signed lease agreements for more than 4.2 million m^2 of warehouse space, which means a 7% drop on a year-on-year basis. This confirms that the market is still very strong and records stable results at a high level. Agreement extensions accounted for around 24% of total demand. Whereas the demand of tenants for the remaining 3.2 million m^2 was focused in the region of Warsaw, Upper Silesia and Central Poland, which accounted for over half of the total demand. The largest group of tenants are retail chains developing operations in the e-commerce segment.

  The vacant premises rate at the end of 2018 increased on a year-to-year basis by 0.4 p.p. up to 5.1%, still remaining at a very low level. Rental rates in Poland remained stable and in the main markets are in the range of EUR 2.5–3.9/m^2/month.

  In 2018, developers put to use nearly 2.2 million m^2 of new warehouse space. As a result of that, the total resources of modern warehouse space in Poland reached the level of 15.7 million m^2. This means an increase by 17% compared to the supply a year before. At the end of the last year, over 1.9 million m^2 were under construction.

  In 2019, we expect a similar growth rate in the Polish market.

  Source: Polski rynek przemysłowy i logistyczny, 4Q 2018 Market View, CBRE Research

- **Germany**

In 2018, the volume of transactions on the German market of warehouse and logistic space reached a record level of 7.2 million m^2. This means an 8% increase compared to hitherto record-breaking 2016, as well as 20% and 39% more than 5-year and 10-year averages, respectively. From the above, over 2.1 million m^2 was leased in the five biggest warehouse space regions in Germany, namely: Berlin, Düsseldorf, Frankfurt, Hamburg and Munich. At the same time, it was the second historical result slightly lower than the record-breaking 2011 when 2.2 million m^2 was leased on these markets. On the other hand, the last year's result in relation to the previous year was higher by 5%, and in relation to 5-year and 10-year averages it was higher by 9% and 17%, respectively. Against this background, the region of Frankfurt and Hamburg stood out, providing more than half of the volume of transactions in the five largest warehouse markets. The greatest growth rate of 22% was achieved in Düsseldorf and Munich (18%).

Rents in 2018 remained at a stable level and in these markets were in the range of EUR 5–6.75 per m^2 on a monthly basis.

The companies from the distribution and logistics sector accounted for a total of 43% of the demand. On the other hand, retail companies recorded a 25% share, and the share of manufacturing companies was 16%.

Within the five largest markets in 2018, 905,000 square meters were put into use. Currently, approximately 580,000 square meters are under construction there, and 46% of that is created in the Frankfurt region.

In 2018, the highest rents for warehouse space equal to and more than 5,000 square meters remained stable in the Frankfurt region (EUR 6.00/m^2) and Düsseldorf (EUR 5.40/m^2). In other regions, they increased to 10%. In the case of Berlin, rents increased by EUR 0.50 to EUR 5.50/m^2/month, in Munich they increased from EUR 6.75/m^2/month to EUR 7.10/m^2 /month and in Hamburg from EUR 5.60/m^2/month to EUR 5.80/m^2/month.

In 2018, the volume of transactions in the other parts of Germany, apart from the five largest markets, amounted to 5.1 million m^2, and for the first time in history exceeded the level of 5 million m^2. The last year's volume exceeded the previous year's result by 14% and the five-year average by 26%. The greatest volume of transactions on the regional market was recorded in the Ruhr Area (574,000 m^2).

Source: JLL, Logistics and Industrial Market Overview, Germany, 4th quarter 2018

- **Romania**

The Romanian industrial and logistics market is experiencing its best period in history in terms of demand and supply. In 2018, about 400,000 m^2 of modern warehouse space were put into use, reaching a total level of 3.75 million m^2 at the end of last year. 1.9 million m^2 of the above is located near Bucharest, mainly in the western part of the capital city.

In 2018, the total demand reached the third consecutive year of about 500,000 m^2. Almost half was generated by retail companies, while distribution and logistics companies accounted for 17%, and production companies — 12%.

The vacant premises rate remains low at around 5%. On the other hand, the rent level remains stable in the range of EUR 3.5 and EUR 4.1 / m^2/month.

This year, developers should complete the construction of around 500,000 m^2, and thanks to that in 2019 the total supply on the Romanian market should exceed 4 million m^2.

Źródło: JLL, City Report, Q4 2018 Bucharest

(in thousand PLN, unless otherwise stated)

3. MLP Group S.A. financial position, financial resources management

3. 1 Key economic and financial data disclosed in the separate financial statements of MLP Group S.A. for the year 2018

3. 1.1 Selected financial data from the separate statement of financial position

The structure of the separate statement of financial position of MLP Group S.A. (selected, significant items)

as at	31 December 2018	Share %	31 December 2017	Share %	Change %
ASSETS	**387 796**	**100%**	**303 419**	**100%**	**28%**
Non-current assets	**374 353**	**97%**	**280 771**	**93%**	**33%**
Including:					
Long-term financial assets in related parties	123 361	32%	123 249	41%	0%
Investments long-term	246 894	64%	150 063	49%	65%
Deferred tax assets	2 675	1%	5 973	2%	-55%
Current Assets	**13 443**	**3%**	**22 648**	**7%**	-41%
Including:					
Short-term investments	3 553	1%	2 767	1%	28%
Trade and other receivables	2 490	1%	4 381	1%	-43%
Cash and cash equivalents	7 400	2%	15 500	5%	-52%

as at	31 December 2018	Share %	31 December 2017	Share %	Change %
LIABILITIES AND EQUITY	**387 796**	**100%**	**303 419**	**100%**	**28%**
Equity*	**148 974**	**38%**	**151 622**	**50%**	**-2%**
Long-term liabilities	**226 724**	**58%**	**148 620**	**49%**	**53%**
Loans and other debt instruments	226 724	58%	148 620	49%	53%
Short-term liabilities	**12 098**	**4%**	**3 177**	**1%**	**281%**
Including:					
Loans and other debt instruments	9 573	2%	355	0%	0%

As at 31 December 2018, long-term financial assets represented a significant part of the Company's assets, i.e. 64% of total assets. The most significant part of the Company's total liabilities included non-current liabilities due to loans and other debt instruments, which share in the structure of liabilities amounted to 58% and equity (having 38% share in the structure of liabilities).

The structure of liabilities changed. At the end of 2018, the largest item is non-current liabilities (their share increased by 9 p.p.). On the other hand, the share of equity decreased by 12 p.p. compared to the previous year. A significant increase in non-current liabilities results mainly from the 10,000 bonds issued in 2018, with a total issue value of EUR 10,000,000, as well as loans granted by the Company.

Long-term financial assets in related parties

as at 31 December	**2018**	**2017**
Gross value at the beginning of the period	**123 249**	**123 224**
Acquisition of shares in MLP Pruszków V Sp. z o.o.	5	-
Acquisition of shares in MLP Poznań West II Sp. z o.o.	-	5
Acquisition of shares in MLP Bucharest West Sp. z o.o.	-	5
Acquisition of shares in MLP Teresin II Sp. z o.o.	-	5
Acquisition of shares in MLP Germany Management GmbH	107	5
Gross value at the end of the period	**123 361**	**123 249**
Net value at the end of the period	**123 361**	**123 249**

Shares in subsidiaries held by MLP Group S.A. as at 31 December 2018 are disclosed in section 1.1 (*MLP Group S.A. shareholding structure*).

Long-term and short-term investments

as at 31 December	**2018**	**2017**
Long-term investments	**246 894**	**150 063**
Loans granted to related parties	246 894	150 063
Short-term investments	**3 553**	**2 767**
Loans granted to related parties	3 553	2 767
Total long-term and short-term investments	**250 447**	**152 830**

As at 31 December 2018, the Company recognized long-term and short-term investments from loans granted to related parties in the amount of PLN 250,447 thousand, whereof PLN 37,304 thousand (including long-term portion) represents the loans granted to Fenix Polska Sp. z o.o.

Cash

as at 31 December	**2018**	**2017**
Cash on hand	4	12
Cash in bank	6 669	15 029
Short-term deposits	727	459
Cash and cash equivalents, the amount presented in the separate statement of financial position	**7 400**	**15 500**
Cash and cash equivalents, the amount presented in the separate statement of cash flows	**7 400**	**15 500**

As at 31 December 2018, the balance of cash was PLN 7,400 thousand, and recorded an important decrease from the level of PLN 15,500 thousand achieved the year before. The change was mainly due to the visible increase in loans granted in 2018, as well as advance payment for dividends to shareholders in the amount of PLN 3,260,000, and greater amount of interest on bonds, offset by funds received as a result of repayment of loans granted, inflows from loans taken and dividends received (from MLP Pruszków I Sp. z o.o. and MLP Energy Sp. z o.o. in the total amount of PLN 8,023,000).

Equity

- **Share capital**

as at 31 December	**2018**	**2017**
A series shares	11 440 000	11 440 000
B series shares	3 654 379	3 654 379
C series shares	3 018 876	3 018 876
Total	**18 113 255**	**18 113 255**
Par value of 1 share	0,25 zł	0,25 zł

As at 31 December 2018, the share capital of the Company amounted to PLN 4,528,313.75 and was divided into 18,113,255 shares entitling shareholders to 18,113,225 votes at the General Meeting. All shares have a par value of PLN 0.25 and have been fully paid.

(in thousand PLN, unless otherwise stated)

3. 1.2 Selected financial data from the separate statement of profit or loss

Separate statement of profit or loss of MLP Group S.A. for the year ended on 31 December 2018 compared to the previous year:

for the year ended 31 December	**2018**	*% sales*	**2017**	*% sales*	*Change %*
Revenue	9 570	*100%*	8 394	*100%*	*14%*
Other operating income	502	*5%*	64	*1%*	*684%*
Selling and administrative expenses	(9 945)	*104%*	(9 128)	*109%*	*9%*
Other operating costs	(94)	*1%*	(65)	*1%*	*45%*
Profit/(Loss) on operating activities	**33**	***0%***	**(735)**	***-9%***	***-104%***
Net financial income	3 877	*-41%*	4 578	*-55%*	*-15%*
Profit before taxation	**3 910**	*41%*	**3 843**	*46%*	*2%*
Corporate income tax	(3 298)	*34%*	100	*-1%*	*-3398%*
Net profit	**612**	***6%***	**3 943**	***47%***	***-84%***

The main sources of the Company's revenue are revenue from management and advisory services provided to related parties.

In 2018, selling and administrative expenses amounted to PLN 9,945 thousand and decreased by PLN 817 thousand as compared to 2017. Costs of payroll and legal and advisory services are the main class of expenses of the Company's current operations.

Among the selling and administrative expenses, there are costs associated with servicing and maintenance of income generating investment properties owned by subsidiaries. The Company recovers the amounts by invoicing these companies for property management.

In 2018, the Company achieved net financial revenues of PLN 3,877 thousand, which decreased as compared to 2017. This change was influenced by greater costs incurred by the Company due to interest on bonds (in 2018, the Company issued an additional 10,000 bonds), as well as interest on loans received.

(in thousand PLN, unless otherwise stated)

3. 1.3 Selected information from the separate statement of cash flows

year ended 31 December	**2018**	**2017**
Net cash flows from operating activities	-1 399	203
Net cash flows from investing activities	-81 995	-72 469
Net cash flows from financing activities	74 215	85 735
Total net cash flow	**-9 179**	**13 469**
Cash and cash equivalents at the beginning of the period	**15 500**	**2 105**
Foreign exchange losses/gains on cash and cash equivalents	1 079	-74
Cash and cash equivalents at the end of the period	**7 400**	**15 500**

At the beginning of 2018 cash and cash equivalents amounted to PLN 15,500 thousand, at the end of 2018 balance amounted to PLN 7,400 thousand. It means that between 1 January 2018 and 31 December 2018 balance of cash and cash equivalents decreased by PLN 8,100 thousand.

In 2018, the Company recorded negative cash flows from operating activities in the amount of
In 2018, the Company generated negative cash flows on investing activity in the amount of PLN 81,955 thousand. The greatest impact on the achieved result was exerted by loans granted by MLP Group S.A. in 2018 to Group companies for the amount of PLN 141,107 thousand. These were used to develop the projects carried out in Poland and abroad. These outflows were offset by the repayment of loans granted (Group companies repaid PLN 50,688,000 of loans granted by MLP Group S.A.), as well as the inflow from the received from MLP Pruszków I Sp. z o.o. and MLP Energy Sp. z o.o. dividends in the total amount of PLN 8,023 thousand.

Cash flows from financing activities amounted to PLN 74,215 thousand in 2018 and decreased in comparison to the previous year. This change was influenced by lower inflows from the issue of bonds (the Company issued additional 10,000 bonds in 2018) in the amount of PLN 42,473 thousand (PLN 84,310 thousand in 2017), dividend payment for shareholders (PLN 3,260 thousand), greater amount of interest on bonds, offset by higher inflows from loans incurred in 2018.

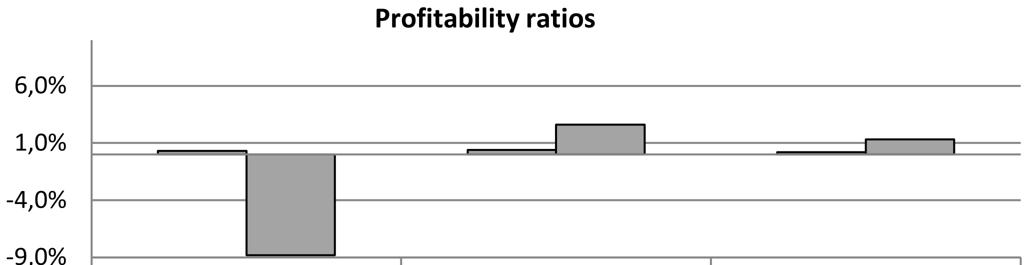
3. 2 Forecasts

MLP Group S.A. did not publish forecasts of separate financial results for 2018.

(in thousand PLN, unless otherwise stated)

3. 3 Company's financial management

3. 3.1 Profitability ratios



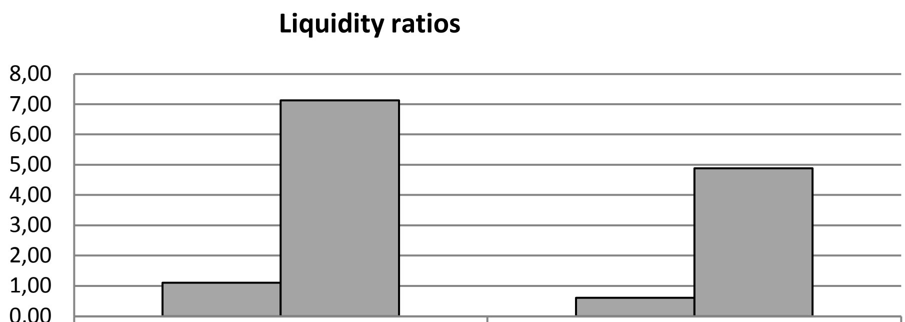
	Operating profit margin (%)	Return on equity (ROE)	Return on assets (ROA)
2018	0,3%	0,4%	0,2%
2017	-8,8%	2,6%	1,3%

Profitability analysis was based on the below defined ratios:

- **operating profit margin:** profit (loss) from operating activities less one-off items / revenue from sale;
- **return on equity (ROE):** net profit (loss) / equity;
- **return on assets (ROA):** net profit (loss) / total assets.

In 2018, the operating profit margin increased in comparison to 2017 and presented a positive value of 0.3%. The main reason was the operating profit achieved by the Company, which was primarily a consequence of greater sales revenues.

3. 3.2 Liquidity ratios



	Current liquidity	Immediate liquidity
31 December 2018	1,11	0,61
31 December 2017	7,13	4,88

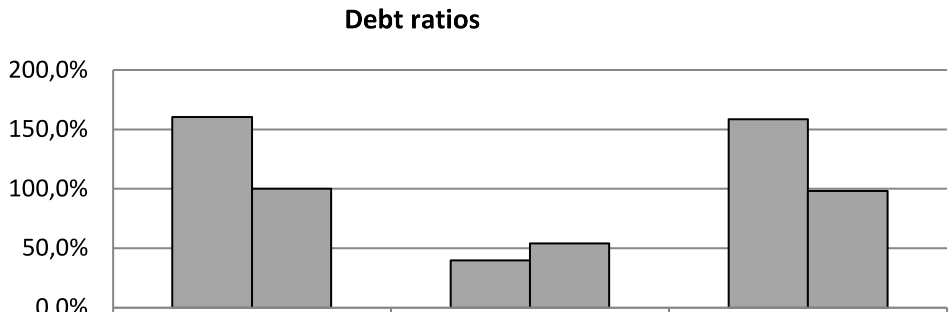
Liquidity analysis was performed based on the following ratios:

- **current liquidity:** current assets / current liabilities;
- **immediate liquidity:** cash and cash equivalents / current liabilities.

The current ratio as at 31 December 2018 decreased significantly in comparison to the figure as at the end of 2017 (decrease by 6.02). The reason for that was lower current assets, which were affected by a significant decrease in cash. The balance of cash decreased from PLN 15,500 thousand obtained in 2017 to PLN PLN 7,400 thousand as at 31 December 2018 mainly due to the visible increase in loans granted in 2018, as well as advance payment for dividends to shareholders in the amount of PLN 3,260,000, and greater amount of interest on bonds, offset by funds received as a result of repayment of loans granted, inflows from loans taken and dividends received (from MLP Pruszków I Sp. z o.o. and MLP Energy Sp. z o.o. in the total amount of PLN 8,233,000). The second factor affecting a significant change in the current liquidity ratio is much higher current liabilities. Their increase results mainly from the reclassification of loans from long-term liabilities to short-term ones.

Immediate liquidity ratio also decreased.

3. 3.3 Debt ratios



	Debt to equity ratio	Equity to non-current assets ratio	Financial liabilities to equity ratio
31 December 2018	160,3%	39,8%	158,6%
31 December 2017	100,1%	54,0%	98,3%

Debt analysis was performed based on the following ratios presented:

- **debt to equity ratio:** total liabilities / total equity
- **equity to non-current assets ratio:** total equity / non-current assets
- **financial liabilities to equity ratio:** financial liabilities[1)] / total equity

[1)] *Financial liabilities include non-current liabilities and short term liabilities from loans and other debt instruments.*

In 2018, there was a significant increase in the debt-to-equity ratio and interest-bearing debt-to-equity ratio. This resulted mostly from the bonds issued by the Company and from loans granted in 2018.

On the other hand, the equity to fixed assets ratio decreased in 2018 as compared to 2017 (a change by 14.2 p.p.). That change followed from new loans granted by the Company to Group companies in connection with development of further investment projects.

(in thousand PLN, unless otherwise stated)

3. 4 Information on bank credits, bonds, loans, securities and guarantees

3. 4.1 Concluded and terminated loan agreements

As at 31 December 2018, the Company recognized liabilities due to loans received in 2018:

Borrower	Lender	Date of loan agreement granted	Amount of loan	The outstanding amount of loan
MLP Group S.A.	MLP Pruszków I Sp. z o.o.	10.05.2018	38 169 EUR	0 EUR

In 2018, the Company did not repay any loans or interest on loans.

In 2018, no loan agreements were terminated.

3. 4.3 Bonds

On 11 May 2018, as a part of the private offer, the Company issued 10,000 A series bearer bonds, with a nominal value of EUR 1,000 each and a total issue value of EUR 10,000,000.

Bonds will be subject to variable interest rate of EURIBOR for six-month EUR bank deposits plus a premium.

The bonds have been issued as non-secured bonds. The purpose of the issuance of the Bonds was not specified.

The redemption of the Bonds is scheduled for 11 May 2023, with a possibility of an early redemption of the Bonds by the Company.

According to the resolution No 847/2018 of the Management Board of the Warsaw Stock Exchange dated 9 July 2018, the Management Board of the Stock Exchange decided to introduce 10,000 B series bearer bonds of the MLP Group S.A. in the nominal value of EUR 1,000 each to the alternative trading system — Catalyst. 13 August was the first trading day on the alternative trading system — Catalyst. The bonds will be quoted in the continuous trading system under the abbreviated name of 'MLP0523'.

The B series bonds were recorded in the records kept by the National Depository for Securities S.A. under the ISIN number PLMLPGR00041.

As part of the issue of B series corporate bonds, the Group obtained EUR 10,000 thousand for conducting investment activities. The funds obtained from this issue were transferred for the purchase of land for the amount of PLN 29 million in Dąbrówce near Poznań (Park Poznań West II), as well as financial support for companies: MLP Czeladź Sp. z o.o., MLP Wrocław Sp. z o.o., MLP Pruszków III Sp. z o.o., to obtain funds from the tranche of construction loans for projects implemented by these companies.

3. 4.4 *Loans granted*

As at 31 December 2018, the Company recognized receivables from loans granted in 2018:

Lender	Borrower	loan agreement granted	Amount of loan	The outstanding amount of loan
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	16.10.2018	166 700 EUR	166 700 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	17.12.2018	166 500 EUR	166 500 EUR
MLP Group S.A.	MLP PRUSZKÓW III Sp. z o.o.	05.06.2018	1 458 000 EUR	984 832 EUR
MLP Group S.A.	MLP PRUSZKÓW III Sp. z o.o.	20.06.2018	1 424 174 EUR	1 424 174 EUR
MLP Group S.A.	MLP PRUSZKÓW III Sp. z o.o.	23.08.2018	1 808 147 EUR	1 808 147 EUR
MLP Group S.A.	MLP POZNAŃ Sp. z o.o.	15.05.2018	500 632 EUR	500 632 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	10.05.2018	276 598 EUR	276 598 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	02.07.2018	216 154 EUR	216 154 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	06.08.2018	217 430 EUR	217 430 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	10.09.2018	461 160 EUR	461 160 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	18.09.2018	246 000 EUR	246 000 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	24.09.2018	113 850 EUR	113 850 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	26.10.2018	69 762 EUR	69 762 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	05.04.2018	275 832 EUR	275 832 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	15.05.2018	914 409 EUR	914 409 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	25.05.2018	500 000 EUR	500 000 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	12.06.2018	1 031 873 EUR	1 031 873 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	26.07.2018	1 408 800 EUR	1 408 800 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	29.08.2018	563 285 EUR	563 285 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	25.05.2018	380 728 EUR	127 917 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	02.07.2018	2 238 283 EUR	898 743 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	08.10.2018	316 000 EUR	316 000 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	25.05.2018	646 675 EUR	646 675 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	05.06.2018	598 842 EUR	598 842 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	12.07.2018	988 000 EUR	988 000 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	29.08.2018	1 218 614 EUR	1 218 614 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	09.05.2018	150 000 EUR	150 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	20.08.2018	200 000 EUR	200 000 EUR
MLP Group S.A.	MLP Germany Management GmbH	16.10.2018	50 000 EUR	50 000 EUR
MLP Group S.A.	MLP Germany Management GmbH	07.11.2018	50 000 EUR	50 000 EUR

3. 4.5 *Granted and received securities*

As at 31 December 2018, the Company did not grant any securities.

3. 4.6 *Granted and received guarantees*

On 16 December MLP Group S.A. concluded a guarantee agreement with Raiffeisen Bank Polska S.A. and MLP Pruszków I Sp. z o.o. ("Borrower"), according to which MLP Group S.A. undertakes to provide financing to the Borrower to cover the Borrower's credit demand to extent that will cause that Debt Service Coverage Ratio (calculated according to loan agreement dated 16 December 2016) will be reinstated to required level, if necessary.

As at 31 December 2018, the Company did not grant any additional guarantees.

3. 4.7 Other securities

- The subordination agreement of loan granted to the benefit of MLP Pruszków I Sp. z o.o.
- The subordination agreement of loan granted to the benefit of MLP Lublin Sp. z o.o.
- The subordination agreement of loans granted to the benefit of MLP Teresin Sp. z o.o.
- The subordination agreement of loans granted to the benefit of MLP Wrocław Sp. z o.o.
- The subordination agreement of loan granted to the benefit of MLP Poznań II Sp. z o.o.
- The subordination agreement of loan granted to the benefit of MLP Poznań Sp. z o.o.
- The subordination agreement of loan granted to the benefit of MLP Czeladź Sp. z o.o.
- The subordination agreement of loan granted to the benefit of MLP Gliwice Sp. z o.o.
- The subordination agreement of loan granted to the benefit of MLP Pruszków III Sp. z o.o.
- The support agreement granted by MLP Group S.A. to the benefit of MLP Pruszków IV Sp. z o.o., according to which, if MLP Pruszków IV Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction (A2b building), then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 68 thousand.

- The support agreement granted by MLP Group S.A. to the benefit of MLP Pruszków IV Sp. z o.o., according to which, if MLP Pruszków IV Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction (A3a building), then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 193 thousand.

- The support agreement granted by MLP Group S.A. to the benefit of MLP Pruszków IV Sp. z o.o., according to which, if MLP Pruszków IV Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction (A3a building), then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 282 thousand.

- The support agreement granted by MLP Group S.A. to the benefit of MLP Teresin Sp. z o.o., according to which, if MLP Teresin Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction, then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 477 thousand.

- The support agreement granted by MLP Group S.A. to the benefit of MLP Wrocław Sp. z o.o., according to which, if MLP Wrocław Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction, then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 461 thousand.

- The support agreement granted by MLP Group S.A. to the benefit of MLP Czeladź Sp. z o.o., according to which, if MLP Czeladź Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction, then the Issuer will grant funds to increase the share capital of the company or will grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 494 thousand.

3. 5 Assessment of the feasibility of the investment plans

The Company is in possession of appropriate capital resources to meet its strategic objectives and to finance current operations.

Investment projects are realized by special purpose vehicles which are owned by the Company. The Company finances the investments, both those connected with the acquisition of new properties, as well as those connected with expanding currently held logistics parks from its own resources and through long-term debt financing in the form of bank credits and loans.

The Company assumes that the share of debt financing in the financing of the planned investment projects will be approximately 70%.

3. 6 Evaluation of factors and unusual events affecting the separate financial result for the year

In 2018, there were no factors or unusual events that would have a significant impact on the separate financial statements of the Company.

3. 7 Information on issuing, repurchasing and repaying non-equity and equity securities

On 11 May 2018, as a part of the private offer, the Company issued 10,000 B series bearer bonds, with a nominal value of EUR 1,000 each and a total issue value of EUR 10,000,000 (the ‘Bonds’). More information is presented in note 3.4.3.

3. 8 Concise description of significant successes achieved or failures occurred in the year ended 31 December 2018

There were no significant successes achieved or failures occurred other than described in the present Management Board's report.

3. 9 Seasonal or cyclical nature of operations

The Company's operations have neither seasonal nor cyclical nature.

4. Statement on Corporate Governance

Statement of MLP Group S.A. with its seat in Pruszków (the 'Company', the 'Issuer', the 'Parent Company', the 'Parent Entity') on selected corporate governance principles set out in the annex to Resolution No 26/1413/2015 of the Warsaw Exchange Supervisory Board of 13 October 2015, which were not applied within the year ended 31 December 2018, along with an explanation, and reasons for non-compliance.

The Management Board of the Company, appreciating the importance of corporate governance principles to ensure transparency of internal relations and relations of the Issuer with its external environment, in particular the current and future shareholders of the Issuer, fulfilling the duty imposed by § 29 paragraph 3 of the WSE Rules informs that in the financial year ended 31 December 2018, all principles of corporate governance set out in 'Best Practice for Companies Listed on the Stock Exchange' were applied with the exception of:

I. Disclosure Policy, Investor Communications

Detailed principle No. I.Z.1.11. information about the content of the company's internal rule of changing the company authorized to audit financial statements or information about the absence of such rule.

Explanation of the reasons for which the Company does not comply with the detailed principle:

Appointment and change of the audit firm falls within the competence of the Supervisory Board, which, in its decisions, always has the best interests of shareholders in mind and does not apply fixed rules on the principles of choice. Publication of information about the lack of rules in this area in the Issuer's opinion should be considered inexpedient.

Detailed principle No. I.Z.1.15. information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website.

Explanation of the reasons for which the Company does not comply with the detailed principle:

The representation of women and men within management and supervisory bodies in the structures of the Company is dependent on the competence, skills and efficiency. Decisions regarding the appointment to management and supervisory positions are not dependent on the gender nor the age of the candidate. The Company therefore is not able to comply diversity policy applicable to the company's governing bodies and key managers.

Detailed principle No I.Z.1.20. an audio or video recording of a general meeting

Explanation of the reasons for which the Company does not comply with the detailed principle:

In the opinion of the Issuer, publication of a complete record of The General Meeting of Shareholders proceedings via audio or video, could negatively effect the interest of individual shareholders. Moreover, in the Company's view, compliance with disclosure obligations as set out in applicable laws, in particular, by publication of respective current reports and publications of required information on the Company's website, provide shareholders access to all important information related to shareholders meetings.

II. Management Board, Supervisory Board

Recommendation No. II.R.2. Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.

Explanation of the reasons for which the Company does not comply with the recommendation:

The representation of women and men within management and supervisory bodies in the structures of the Company is dependent on the competence, skills and efficiency. Decisions regarding the appointment to management and supervisory positions are not dependent on the gender nor the age of the candidate.

Detailed principle No. II.Z.11. The supervisory board should review and issue opinions on matters to be decided in resolutions of the general meeting.

Explanation of the reasons for which the Company does not comply with the detailed principle:

Articles of Association and Rules of the Supervisory Board do not require review of all matters subject to resolutions of the General Meeting. The Company believes that regulations in respect of compliance of the Supervisory Board contained in applicable laws enhanced by the Company's Articles of Association and the rules of the Supervisory Board shall be determined adequate and therefore the Company has decided not to extend regulations in this respect.

IV. General Meeting, Shareholder Relations

Detailed principle No IV.Z.3. Presence of representatives of the media should be allowed at general meetings.

Explanation of the reasons for which the Company does not comply with the detailed principle:

The General Meetings of Shareholders is attended by persons entitled to attend the General Meeting and individuals who support the General Meeting. According to the Company there is no need to introduce additional obligations to shareholders on enabling participation at the General Meeting of representatives of the media. In the opinion of the Issuer, the applicable regulations adequately regulate the execution of obligations to provide information imposed on public companies in respect of transparency of issues of general meetings. In case of questions regarding the general meetings addressed to the Company from the media, the Company shall provide appropriate answers.

V. Conflict of Interest, Related Party Transactions

Detailed principle No. V.Z.5. Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board’s approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm’s-length made as part of the company’s operations between the company and members of its group. If the decision concerning the company’s significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

Explanation of the reasons for which the Company does not comply with the detailed principle:

The Issuer believes that regulations, in respect of compliance of the Supervisory Board, contained in applicable
laws enhanced by the Company’s Articles of Association and the rules of the Supervisory Board shall be determined adequate and therefore the Company has decided not to extend regulations in this respect.

Recommendation No. VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

Explanation of the reasons for which the Company does not comply with the recommendation:

Remuneration of members of management and supervisory bodies of the Company shall be determined according to the terms of reference, responsibilities and financial performance of the Group. The Company does not intend to introduce a remuneration policy as described in the recommendations of the European Commission, in order to exercise more discretion in this respect.

Detailed principle No. 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.

Explanation of the reasons for which the Company does not comply with the detailed principle:

In 2014 the Company introduced a cash settled share-based payments program. In moment of introducing this incentive program, "Best Practice of GPW Listed Companies" did not include a rule of minimal period of exercisability of mentioned scheme.

Set of corporate governance principles has been published on the Company's website.

(in thousand PLN, unless otherwise stated)

4. 1 Equity and shareholders

4. 1.1 Shareholders

As at 31 December 2018, MLP Group S.A. was controlled by the majority shareholder of the Company, Cajamarca Holland B.V. headquartered in Delft, which holds 10,319,842 shares of the Company, representing 56.98% of the share capital of the Company and is entitled to 56.98% of the total number of votes at the General Meeting. Cajamarca Holland B.V. is a Dutch holding company.

The following table shows the list of shareholders as at 31 December 2018:

Shareholders	Number of shares	Share in capital	Share in the total number of votes
Cajamarca Holland B.V	10 319 842	56,98%	56,98%
Thesinger Limited	1 771 320	9,78%	9,78%
Aegon Powszechne Towarzystwo Emerytalne S.A.	1 149 775	6,35%	6,35%
MetLife OFE	948 387	5,24%	5,24%
Gracecup Trading Limited	641 558	3,54%	3,54%
MIRO B.V.	452 955	2,50%	2,50%
Shimshon Marfogel	149 155	0,82%	0,82%
MIRO LTD.	99 170	0,55%	0,55%
Other shareholders	2 581 093	14,24%	14,24%
Total	**18 113 255**	**100%**	**100%**

MLP Group S.A. did not issue shares with special rights to their holders.

According to the Articles of Association Cajamarca Holland B.V., shall have a personal right to appoint and dismiss 3 members of the Supervisory Board, including the Chairman of the Supervisory Board, unless the number of shares held by this shareholder falls below 25%, in case of MIRO B.V., if the number of shares held by this shareholder does not fall below 2.5%, the shareholder is entitled to appoint and dismiss one member of the Supervisory Board. The personal rights of the above mentioned Shareholders expire, when the number of shares held jointly by Cajamarca Holland B.V. and Miro B.V. fall below 40% of the share capital.

According to the statements of significant shareholders, they do not have other voting rights.

4. 1.3 Voting rights restrictions

Indication of restrictions on voting rights, such as a restriction on the voting rights of holders of a given part or number of votes, time limitation for exercising voting rights or provisions according to which, in cooperation with the Company, the equity rights attached to shares are separated from the ownership of securities.

There are no restrictions on voting rights in MLP Group S.A.

Restrictions on transfer of ownership of MLP Group S.A. shares

There are no restrictions on transfer of ownership of MLP Group S.A. shares.

4. 2 General Meeting of Shareholders

Method of operation of the General Meeting of Shareholders and its basic rights and the rights of shareholders, and the manner of their execution, in particular those arising from the General Meeting of Shareholders regulations, if such regulations have been passed, unless the information in this regard does not arise directly from the law.

The General Meeting of Shareholders may be ordinary or extraordinary, and as a body of the Company operates under the regulations of the Commercial Companies Code dated 15 September 2000, (Official Journal of 2000 No. 94, item 1037, with amendments), Articles of Association and the provisions of the Regulation of the General Meeting of Shareholders of MLP Group S.A. dated 2 December 2009.

According to the Articles of Association, subject of the Company's Ordinary General Meeting of

- examination and approval of the Management Board's report on the company's activities and the financial statements for the preceding financial year,
- adopting of resolution on the distribution of profit or covering of loss,
- granting vote of acceptance to members of the company bodies confirming the discharge of their
- resolutions of the General Meeting shall decide on matters required by the Commercial Companies Code, unless the Articles of Association states otherwise and it is permitted by law and,

  - appointing and dismissing members of the Supervisory Board, subject to the provisions of the Articles of Association concerning the rules for appointing the members of the Supervisory Board by the individual shareholders,

  - changes to the Article of Association of the Company,

  - establishing the rules and amounts of remuneration of the members of the Supervisory Board,

  - merger or dissolution of the Company and the appointment of liquidators,

  - examination of claims made against the members of the Company's bodies or the Company's founders for compensation for the damage caused by their unlawful conduct.

Resolutions of the General Meeting of Shareholders are not required in the case of acquisition and disposal of investment property, perpetual usufruct or a share in property or perpetual usufruct, as well as the pledge of property or of perpetual usufruct.

The General Meeting is convened by an announcement on the Company's website and in the manner specified for the publication of current information in accordance with the provisions of the Act on Public Offering. The announcement should be made at least twenty-six days before the General Meeting.

The General Meeting is convened by the Management Board as ordinary or extraordinary. The ordinary General Meeting of Shareholders shall be held within six months after the end of each financial year. If, however, the Management Board does not convene the Ordinary General Meeting within the prescribed period, the Supervisory Board shall have the right to convene the meeting.

The Management Board shall convene an Extraordinary General Meeting of Shareholders:

- on its own initiative,
- at the request of the Supervisory Board,
- at the request of shareholders representing a total minimum of 20% of the share capital,
- based on a resolution of the General Meeting of Shareholders in accordance with the contents of the resolution and set its agenda.

Besides the individuals referred to in the provisions of the Commercial Companies Code, each Independent Member of the Supervisory Board may demand:

- convening the General Meeting of Shareholders,
- introduction of specific issues to the agenda of the General Meeting of Shareholders.

Removal of items from the agenda of the General Meeting at the request of the person or persons entitled to require their consent.

The Mangement Board determines the order of the General Meeting of Shareholders.

The Management Board, having received the relevant request, is required no later than two weeks from the date of the relevant request to convene the General Meeting.

In accordance with the Articles of Association, if the Management Board of the Company does not convene an Extraordinary General Meeting of Shareholders within the prescribed period, the right to convene such meeting belongs to the individuals filing for the General Meeting - after receiving authorization from the Registry Court. However, the Supervisory Board may convene an Extraordinary Meeting of Shareholders when a request is submitted to the Management Board.

Resolutions may be adopted, despite the lack of formal convening of the General Meeting, if the entire share capital is represented and none of the participants objected to the General Meeting or the individual items on the agenda.

All shareholders are entitled to attend the General Meeting in person or by proxy. Power of attorney to participate in the General Meeting and exercise voting rights must be granted in writing or in electronic form. Granting power of attorney in an electronic form does not require a secure electronic signature verified by a valid qualified certificate. No restrictions can be made on the right to appoint a proxy at the General Meeting and on the number of proxies.

Only persons who are the Company's shareholders sixteen days prior to the General Meeting of Shareholders are authorized to participate in the General Meeting of Shareholders (registration date of participation in the General Meeting).

Members of the Company's bodies also have the right to attend the General Meeting of Shareholders, including members of the bodies whose mandate expired, but their activity is subject to an assessment of the General Meeting, as well as the individuals designated by the Management Board to support the General Meeting.

As a rule, resolutions of the General Meeting shall be passed by an absolute majority of votes cast, and the voting at the General Meeting is open. A secret ballot shall be ordered for elections and motions for dismissal of members of the Company's bodies or the liquidators, to hold them accountable as well as in personal matters or on request of at least one of the shareholders present or represented at the General Meeting.

General Meetings of Shareholders are held in Warsaw or in the Company's registered office.

4. 3 Policy for amending the Articles of Association

Amendment of the Articles of Association of MLP Group S.A. in accordance with art. 430 § 1 and art. 415 § 1 of the Commercial Companies Code, requires a resolution adopted by a majority of three quarters of the vote and an entry to the register. In case of a resolution regarding the amendment of Articles of Association concerning increasing the benefits of shareholders or limiting the rights granted to individual shareholders in accordance with art. 354 of the Commercial Companies Code, they require the consent of all the shareholders to which the resolution concerns. The Management Board notifies the registration court when there is a change in the Articles of Association. MLP Group S.A. General Meeting of Shareholders may authorize the Supervisory Board to determine a unified text of the changes within the Articles of Association or make other changes specified in the resolution of the General Meeting of Shareholders.

4. 4 Management Board

On 18 April 2016 Ordinary General Meeting of Shareholders adopted a resolution changing the Article of Association of the Company. The change was registered in the court.

According to the Articles of Association, the Management Board consists of one to three members, appointed and dismissed by the Supervisory Board. The President of the Management Board is appointed by the Supervisory Board.

In accordance with the Articles of Association, the Management Board's term of office is joint and lasts three years. The President of the Management Board is appointed by the Supervisory Board. The Management Board, as well as its individual members may be dismissed or suspended by the General Meeting of Shareholders.

Current term of the Management Board's office began on 18 June 2018. The Supervisory Board appointed Mr Tomasz Krochta as the President of the Management Board, Mr Michael Shapiro as the Vice-President of the Management Board, and Mr Tomasz Zabost as Member of the Management Board. In accordance with the provisions of the Commercial Companies Code and the Articles of Association, the three years term of office shall expire no earlier than 18 June 2021. However, the mandates of the members of the Management Board will expire no later than the date of the Ordinary Meeting of Shareholders when the approval of the financial statements for the year 2018 will take place.

On 18 June 2018 according to the Resolution of the Supervisory Board, Mr Radosław T. Krochta was appointed as the President of the Management Board.

On 18 June 2018 according to Resolution of the Supervisory Board, Mr Michael Shapiro was appointed as the Vice-President of the Management Board.

4. 4.1 Competences of the Management Board

In accordance with the Articles of Association, the Management Board represents the Company in its affairs and in particular is in control of the Company's assets and legal rights of the Company, as well it adopts resolutions and decisions in respect to all matters which are not reserved for the General Meeting of Shareholders or the Supervisory Board.

The President of the Management Board or two members of the Management Board (jointly) have the right to represent the Company. Proxies appointed by the Management Board may also represent the Company within the granted power of attorney. The Management Board may also unanimously decide to grant a power of attorney.

The Management Board should adopt a resolution prior to the following actions:

- issuance of bill of exchange,
- granting of security for any debt of an other entity, including a subsidiary,
- establishing a mortgage or other encumbrance on any assets of the Company,
- signing a contract, which imposes an obligation to provide or a risk to provide by the Company within one year items, services or cash of the amount of 500,000 EUR, unless the agreement was included by the Management Board in the annual financial plan (budget) of the Company and approved by the Supervisory Board,
- convening the General Meeting of Shareholders or requesting a meeting of the Supervisory Board,
- filing a petition for cancellation or invalidation of resolutions of the General Meeting of Shareholders,
- filing for bankruptcy of the Company.

- taking any actions in aim to change of right to authorization or bank approval scheme;
- employing, laying off and defining amount of renumeration of the Company's department directors (departments of: marketing, investments, finance and administration);
- nomination or appointing a member of any body in any entity being under the Company's control
- representing of the Company at General Meetings of Shareholders of the Company's subsidiaries or granting power of attorney at General Meetings of Shareholders of the Company's subsidiaries along with giving instructions regarding way of voting (if applicable);
- participation in other entities, excluding entities belonging to the Group or disposing shares or contributions in other entities, excluding operations within the Group;
- issuance of shares, bonds, warrants, bonds of exchange or change of terms of the Company's bonds' issuance;
- taking on an obligation to purchase or disposal of property, perpetual usufruct of property or its part except from concluding preliminary agreement of purchase or perpetual usufruct of property imposing obligations only on second party of the contract and not including any obligations of the Company to advance payments;
- concluding, modification or termination of agreement concerning: taking a loan, providing bank guarantee, insurance guarantee or bank account, letter of credit or any other financial product, in which parties of the agreement are or will be the Company and domestic bank, foreign bank, credit institution or finance institution in accordance with the Act from 29 August 1997- Bank Law;
- cancelling debts in amount higher than PLN 100,000 or the equivalent in other currency;
- approving annual budgets or long-term financial plans

By the end of the third month after the end of each financial year, the Management Board shall prepare an annual financial statement, that along with the draft of the resolution on the distribution of profit and the opinion and report of the auditor are submitted to the Supervisory Board in order to examine the documents before the General Meeting of Shareholders.

4. 4.2 Principles of operation of the Management Board

The Management Board adopts resolutions at the meetings, however the members of the board may participate in a meeting by means of direct communication and cast their votes by mail, fax or by phone. In addition, the Management Board members may participate in adopting resolutions by casting their votes in writing through another member. A resolution may be adopted without a meeting or in the form of a written ballot if it is approved by all members of the Management Board.

The Rules define ways for declaration of will in the name of the Company. It is possible to make statements via email in cases where the nature or content of such legal relation is permitted. Provision of the Regulations also clarify granting and revoking of the power of attorney - the Management Board grants the power of attorney at the meeting with all the members present. It is also possible to grant a power of attorney to the meeting held through distant communication. Regulations regulate the issues of making resolutions, allowing for the possibility of adopting a resolution by circulation.

4. 4.3 Composition of the Management Board

As at 31 December 2018, the Management Board consisted of three members.

The following table provides information on the members of the Management Board, their position, the date of accession to office, and the date of expiry of the current term of office.

Name	**Surname**	**Position**	**Date of appointment**	**Expiry of the current term**
Michael	Shapiro	esident of the Managemer	18 June 2018	18 June 2021
Radosław Tomasz	Krochta	dent of the Management E	18 June 2018	18 June 2021
Tomasz	Zabost	ıber of the Management B	18 June 2018	18 June 2021

Radosław T. Krochta - ***President of the Management Board***

Mr. Radosław T. Krochta graduated from Management and Banking College in Poznań (Finance). In 2003 he completed postgraduate studies in Management at Nottingham University and a MBA postgraduate program. He has many years of financial experience in Poland, Eastern Europe and the United States. From 2001 to 2004 he held the position of CFO at Dresdner Bank Polska S.A. He was also the Director of the Department of Strategic Consulting at Deloitte Advisory and previously worked as a manager at PWC in Warsaw and in the United States. He joined MLP Group S.A. in 2010. Currently he serves as the President of the Management Board.

Michael Shapiro - ***Vice- President of the Management Board***

Mr. Michael Shapiro has over twenty years of experience in the real estate sector. He graduated from the Faculty of Management and Industrial Engineering at the Israel Institute of Technology in Haifa. In the years 1957–2000, Mr Shapiro served as Chief Executive Officer and managed Miro Engineering Ltd and S.M. Shapiro Engineers Ltd. Since 1995, he has been the President of MLP Group S.A. He is responsible for the current development and commercialization of the Group's logistics parks and for the investment in surplus land held by the Group.

Tomasz Zabost - ***Member of the Management Board***

Mr Tomasz Zabost graduated from the Civil Engineering Department at the Warsaw university of Technology. He completed also various courses and trainings in the field of management. He has over 20 years of experience in commercial property management. He specializes in asset management at every level of an investment project. Previously he was responsible for completion of new real estate projects, starting from investment strategy, i.e. selecting a developer, land, contractors, suppliers, architects, engineers and consultants. He was also responsible for preparing a budget and feasibility plans. For the previous 8 years Tomasz Zabost was employed in ProLogis, from 2007 he was a Vice President-Head of Project Management. Earlier he supported a Spanish construction corporation Dragados, in its efforts to enter the Polish market. During his career he also cooperated with other developers and contractors of warehouse and production space in Poland and overseas. He worked for Liebrecht&Wood, E&L Project and Ghelamco Poland.

4. 5 Supervisory Board

The Supervisory Board exercises permanent supervision over the activities of the Company in all areas of its operations.

The Supervisory Board consists of six members, including the Chairman and the Co-Chairman, appointed for a term of 3 years. At least two members of the Supervisory Board are Independent Members.

The term of the current office of the Supervisory Board started on 18 June 2018 and expires on 18 June 2021. However, the mandates of the members of the Supervisory Board shall expire no later than the date of the Ordinary Meeting of the Shareholders when the approval of the financial statements for the year shall take place.

As at 31 December 2018, the Supervisory Board consisted of six members.

Subject to personal rights, as described in point. 4.1.2 of the report (in Significant Shareholders chapter), the members of the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders.

4. 5.1 Competences of the Supervisory Board

The Supervisory Board exercises permanent supervision over the activities of the Company in all areas of its operations, however apart from matters, referred to the provisions of the Commercial Companies Code, the specific rights assigned to the Supervisory Board, in accordance with Art. 21.2 of the Articles of Association are as follows:

- giving consent to the issuance of shares within target capital, including the rules for the determination of the shares issue price and deprivation of pre-emptive rights if the resolution of the Management Board provides such possibility; [1)]
- approving annual budgets and development plans of the Company and the Group
- granting the Company the right to obtain contractual obligations or making expenditures in single or related transactions which are beyond the normal business activities with a value exceeding PLN 5,000,000
- approval of acquisition, disposal and liquidation of the Company's shares in other companies, with the exception of the transactions within MLP Group S.A. Capital Group and transactions included in the annual budget for Company's financial plan
- approving purchases or sales of investment property (including the right of perpetual usufruct) with a value exceeding PLN 1,000,000, with the exception of transactions included in the annual budget or the Company's financial plan
- appointing and dismissing members of the Management Board
- appointing the auditor to audit or review the financial statements of the Company, [1)]
- concluding agreements between the Company and members of the Management Board
- adopting resolutions concerning consent for agreements between the Company and a shareholder of the Company holding, directly or indirectly, shares exceeding 5% of the total number of votes at the General Meeting

- expressing consent for the members of the Management Board to engage in the Company's competitive interests personally, as a partnership, as members of companies bodies, as well as shareholders of companies if their participation in the share capital of these companies is greater than 5%, or if the Article of Association or under an agreement are entitled to appoint at least one member of the Management Board or Supervisory Board
- adopting resolutions on determining the remuneration rules and amounts of the members of the Management Board, [1)]
- approval of the Rules of the Board, [1)]
- examination, reviewing and evaluating issues which are subject to resolutions of the General Meeting of Shareholders
- expressing the consent for the mortgage pledging of real estate property, perpetual usufruct or shares in the Company's real estate for an entity other than a bank.

[1)] Resolutions on the matters described above in selected points require the approval of at least one of the Independent Members of the Supervisory Board.

To exercise its competence, the Supervisory Board may examine all documents, reports and explanations of the Board of Directors and Company's employees, as well as, review the Company's assets.

The Supervisory Board may express all opinions regarding the Company and present them to the Management Board as proposals and initiatives. The Management Board has a duty to notify the Supervisory Board on their position regarding the opinion, proposal or initiative no later than two weeks from the date of filing, unless the opinion of the Supervisory Board is incompatible with the proposal or initiative of the Management Board, no consent is required for any of the Company's bodies proceed in action.

Independent Members of the Supervisory Board have the right to convene the General Meeting of Shareholders, or to introduce specific issues on the agenda of the General Meeting.

4. 5.2 Principles of operation of the Supervisory Board

The Supervisory Board operates under the Rules of the Supervisory Board adopted by the General Meeting which defines its competence, organization and manner of operation. According to the Rules, the Supervisory Board performs its tasks jointly, at the meetings. Meetings are held when necessary, but not less frequently than once every two months and shall be held at the registered office of the Company. The rules allow the possibility of holding meetings with the use of means of distant communication.

The Supervisory Board shall adopt resolutions if the meeting is attended by at least half of its members, and all members are invited at least 7 Business Days prior to the meeting. However, in urgent matters the Chairman of the Supervisory Board, or under the his authority another Member of the Supervisory Board may convene a meeting of the Supervisory Board in a shorter period of time. As a rule, the Supervisory Board resolutions shall be passed by an absolute majority of votes. In case of equal number of votes, the Chairman of the Supervisory Board is decisive.

As a rule, members of the Supervisory Board may participate in adopting resolutions by casting their votes in writing through another member of the Supervisory Board. It is permissible to hold meetings in writing. The Supervisory Board meeting may be held with the use of direct communication at a distance. The detailed description of holding meetings and passing resolutions using means of direct communication at a distance is specified in the Rules of the Supervisory Board. The Supervisory Board meets as the need arises, but not less frequently than once a quarter.

At least two members of the Supervisory Board appointed by the General Meeting of Shareholders must be Independent Members of the Supervisory Board, of which at least one should be qualified in the field of accounting or auditing as referred to in the Act of Certified Auditors. The criteria for independence is set forth in Art. 18.12 of the Articles of Association.

4. 5.3 *Composition of the Supervisory Board*

Shimshon	Marfogel	President of Supervisory Board	18 June 2018	18 June 2021
Eytan	Levy	Vice-President of Supervisory Board	18 June 2018	18 June 2021
Piotr	Chajderowski	Member of Supervisory Board	18 June 2018	18 June 2021
Daniel	Nimrodi	Member of Supervisory Board	18 June 2018	18 June 2021
Guy	Shapira	Member of Supervisory Board	18 June 2018	18 June 2021
Maciej	Matusiak	Member of Supervisory Board	18 June 2018	18 June 2021

Shimshon Marfogel - President *of the Supervisory Board*

Mr. Shimshon Marfogel has graduated from the Hebrew University of Jerusalem, earning a B.A. (Bachelor of Arts) at the Faculty of Accounting and Economics.

Mr. Shimshon Marfogel has worked for Israel Land Development Company Ltd in Tel Aviv. Since 1985 as: chief accountant (in 1985-1986), vice president and chief accountant (1986-2001), CEO (in 2001 -2004), since 2004, Mr. Shimshon Marfogel serves as vice president of the management board of Israeli Land Development Company Ltd. based in Tel Aviv.

Eytan Levy - *Vice-President of the Supervisory Board*

Mr. Eytan Levy has graduated from Bar-Ilan University in Ramat Gan, earning a B.A. (Bachelor of Arts) in Political Science.

From 1982 to 1991 he held various managerial positions, including director of the department of special products, the vice president responsible for marketing in Israel National Post Authority, based in Jerusalem. In 1991-1997, he held various managerial positions, including director of safety and logistics, vice-president of marketing and sales in the Israel National Telecommunications Company, based in Jerusalem. In 1998-2000, he was a partner in the Israeli office of the American law company Gerard Klauer & Mattison, based in Tel Aviv. Since 1997, he is the director of the Israeli law Percite Technology, headquartered in Rosh Ha `Ayin.

Maciej Matusiak - *Member of the Supervisory Board*

Mr. Maciej Matusiak studied at the Technical University of Łódź, has the title of Chartered Financial Analyst (CFA) and is a licensed stock broker. In 1995-1996 he worked at Daewoo Towarzystwo Ubezpieczeniowe S.A. in the Department of Capital Investments as a securities dealer and a financial analyst. In 1996-1998 he worked in PKO BP Bankowy Dom Maklerski as a financial analyst. From 1998 to 2002 he worked in the Commercial Union Group - first in the Investment Department of Commercial Union Polska - Towarzystwo Ubezpieczeń na Życie S.A. and the Commercial Union Investment Management (Polska) S.A. Since 2006, he serves as CEO of Artemis Investment Sp. z o.o. in Warsaw.

Guy Shapira - ***Member of the Supervisory Board***

Mr. Guy Shapira graduated with honors from Interdisciplinary Center Herzliya (IDC) in Israel with a bachelor degree on the faculty of Business and Administration (B.A.) and Law (LL.B) with specialization in International Business Law. Mr. Shapiro is also an Israeli licensed lawyer. Before appointment to the Supervisory Board, Mr. Guy Shapira worked for Steinmetz, Haring, Gurman & Co. law firm in Israel, and was a member of the Audit Committee of Students Association at IDC.

According to the statement of Mr. Guy Shapira, he runs business outside of the Company, which is not competitive with the business of the Company and he does not participate in any competitive company as a partner in a partnership or as a member of the authority of a rival company or a member of the governing body of any competitive legal entity and is not entered in the Register of Insolvent Debtors maintained pursuant to the provisions of the Law by the National Court Register (KRS).

Piotr Chajderowski — ***Member of the Supervisory Board***

Mr Piotr Chajderowski has a university degree: he graduated from the University of Łódź, obtaining the title of Master of Economics. In 2008, he joined the members of Supervisory Boards at the Ministry of Treasury.

In 1994–2018 he held various managerial functions, including being employed as an investment accountant at PTP Kleinwart (1995–1997), then (1997 to 1999) he was promoted to an investment manager in the same company. He performed the function of the Vice-President / President of the Management Board of the following companies: ALPHA FINANSE Sp. z o. o., Zakłady Metalurgiczne SKAWINA S.A. Grupa Impexmetal, SIGNUM FINANSE, Nowy Przewoźnik Sp. z o.o., DEUTSCHE BINNENREEDEREI AG in Berlin and Grupa WORK SERVICE S.A.

Currently, he is a member of the Supervisory Board and the Chairman of the Audit Committee — he is the Advisor to the President of Employers of the Republic of Poland for the restructuring of enterprises.

Daniel Nimrodi — ***Member of the Supervisory Board***

Mr Daniel Nimrodi joined The Israel Land Development Company Ltd. (‘ILDC’) in 2016 as Urban Renewal Manager of ILDC Group and Vice-President of The New Community Ltd. — a subsidiary of ILDC. Mr Daniel Nimrodi has the title of LL.B in the field of law, specialization — International Commercial Law, and a bachelor degree in Business Management. Mr Daniel Nimrodi’s professional experience also includes the role of Project Manager in a starting-up company, which focused on large-scale influence, compliance, business analysis and strategic and business intelligence. Mr Daniel Nimrodi also served as Junior Associate in the Central Circuit Criminal Department in Ministry of Defense of Israel.

4. 5.4 Audit Committee

On 15 January 2014, a meeting of the Supervisory Board was held where an Audit Committee was established which is responsible for overseeing the Company's financial situation. Detailed tasks and functioning of the audit committee was determined by the terms and conditions annexed to the Rules of the Supervisory Board. The role and responsibilities of the Audit Committee are to supervise, monitor and advise the Management Board and the Supervisory Board on all matters related to risk management, audit, financial control and compliance with relevant laws and regulations. The Audit Committee evaluates the performance of the independent auditor and the associated costs.

Composition of the Audit Committee as at 31 December 2018 was as follows:

- Jacek Tucharz,
- Eytan Levy,
- Maciej Matusiak.

As at 31 December 2018 the person who fulfils requirements of art. 86 paragraph. 4 of the Act of Certified Auditors (i.e. accounting or auditing qualifications) and the criteria for independence, was Maciej Matusiak.

In addition, the Supervisory Board may appoint, among its members, the remuneration committee which prepares proposals for the remuneration of the members of the Management Board and will supervise the execution in the Company's incentive plans which will entitle its participants to acquire shares or instruments related to the Company. The remuneration committee will consist of 2 to 3 members.

As at 31 December 2018, there was no remuneration committee in the Supervisory Board of the Issuer.

4. 5.5 Main assumptions for the policy governing the selection of an audit firm

An audit firm is selected properly ahead of time, so that the agreement for the audit of the Company's financial statements can be entered into within the timeframes allowing the audit firm to conduct the audit in a reliable and timely manner.

When selecting an audit firm, particular emphasis is placed on whether the audit firm and the chartered accountant meet the criteria of being independent. In particular, we take into account the scope of services rendered by the the audit firm or the chartered accountant in the most recent five years preceding the selection of the audit firm.

An audit firm is selected in consideration of its experience in auditing the financial statements of the entities of public interest, including the companies listed on the Warsaw Stock Exchange. When selecting an audit firm, consideration is also given to its operating capacity to conduct the audit of the Company's financial statements.

The main assumptions for the policy governing the rendering by the audit firm, the entities related to that audit firm and by a member of the audit firm chain, of the permitted services other than the audit, are as follows:

The chartered accountant or the audit firm conducting the statutory audit of the Company's financial statements, and the entities related to the chartered accountant or the audit firm, may render directly or indirectly to an audited entity, its parent entity and its subsidiaries within the Group, the below-mentioned permitted services other than the audit of the financial statements after obtaining the approval of the Audit Committee. For the purposes of this policy, the permitted services other than the audit of the financial statements include the following:

certifications of financial statements or other financial information intended for regulatory authorities, the supervisory board or the Company's other supervisory authority, which exceed the scope of the statutory audit and whose purpose is to aid those authorities in the fulfillment of their statutory duties, auditing historic financial information for the prospectus, issuance of certification letters as well as due diligence services – performed in connection with the prospectus.

(in thousand PLN, unless otherwise stated)

4. 6 Remuneration and employment contracts of the members of the Management Board, the Su

4. *6.1* *Remuneration, bonuses and benefits received by the members of Management Board and the Supervisc*

Management Board remuneration in 2018

• **Remuneration and other benefits:**	
Radosław T. Krochta	208
Michael Shapiro	384
Tomasz Zabost	61
• **Cash settled share based payments**	950
	1 603

Total received and due remuneration of the Management Board amounted to PLN 1,603 thousand.

Members of the Management Board received remuneration from the Company and its Subsidiaries: (i) in respect of the employment agreements, (ii) for providing of services in favor of the Group, (iii) in respect of service as a member of the Management Board, (iv) in respect of cash settled share-base

Supervisory Board remuneration in 2018

Matusiak Maciej	30
Tucharz Jacek	13
Levy Eytan	30
Marfogel Shimshon	30
Piotr Chajderowski	17
Daniel Nimrodi	30
Guy Shapira	30
	180

Total remuneration received by the Supervisory Board amounted to PLN 180 thousand.

In 2018, the number of meetings of the Audit Committee was equal to the number of meetings of the Supervisory Board — three meetings of the Audit Committee were held.

4. *6.2* *Agreements with the members of Management Board in case of resignation, dismissal*

The President of the Management Board, Radosław T. Krochta, is employed under an employment agreement. The terms of the employment agreements allow members of the Mangement Board to receive a salary during the notice period.

The Vice-President of the Management Board, Michael Shapiro, is employed in the subsidiary MLP Pruszków I Sp. z o.o. under an employment agreement. Under the terms of the employment agreement, it allows Mr. Michael Shapiro to receive a salary during the notice period.

Member of the Management Board, Tomasz Zabost, is employed by the Company on the basis of an employment agreement. The terms of the employment agreements allow members of the Mangement Board to receive a salary during the notice period.

4. 7 Shares held by members of the Management and Supervisory Boards

Michael Shapiro holds indirectly, through MIRO B.V. and MIRO Ltd., companies controlled by him in 100%, a 3.05% share in MLP Group S.A.'s share capital, and, through his 25% share in the share capital held by MIRO B.V. in Cajamarca Holland B.V., participates economically in 14.24% of the share capital of MLP Group S.A., which amounts to a total economically effective share of 17.29% in the share capital of MLP Group S.A.

Supervisory Board Chairman Shimshon Marfogel indirectly, through a 7.86% share in a company holding the Issuer's shares (Thesinger Limited), participates economically in 0.77% of MLP Group S.A.'s share capital, and he holds, through the Company's shares subscribed for in September (a transaction described in Note 1.4.1) a 0.82% share in the Company's share capital, which amounts to a total economically effective share of 1.59% in the share capital of MLP Group S.A.

Other Supervisory Board members do not hold directly any shares in MLP Group S.A.

4. 8 Changes in the core principles of management of the Company

In 2018, there were no major changes in the core principles of management. The development of the organization enforces improving management procedures applicable in MLP Group S.A.

4. 9 System of internal control and risk management

The Management Board is responsible for the internal control system and its effectiveness in the management of the financial statements and reports prepared and published in accordance with the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by law of Non-Member States (Official Journal 2014 item 133 with amendments).

Efficient and appropriate operation of the system of internal control and risk management is ensured by the following features:

- established organizational structure,
- competence, knowledge and experience of the persons involved in the internal control,
- supervision of the management of the system and regular evaluation of the Company's operations,
- verification of reports by the auditor.

Similar characteristics of the internal control in several areas, such as:

- operating activities,
- financial activities,
- reporting process (including preparation of the financial statements),
- process analysis of the costs and expenses associated with the project, costs and expenses of general management and sales and costs and expenses for the operation of the rented area,
- risk management,

not only guarantee the efficiency of the internal control system but also supports the management of the entire Group.

The main features of the system of internal control and risk management in relation to the preparation of individual and consolidated financial statements, are mainly:

- established organizational structure,
- qualified staff,
- direct supervision of management,
- verification of the financial statement by an auditor.

Persons responsible for the preparation of financial statements in the context of financial reporting and the Company's management consists of highly qualified staff in the Financial Division, managed directly by the CFO and indirectly by the Management Board.

In accordance with applicable laws, the Company's financial statements are reviewed or audited by an independent auditor of renowned and high qualification. During the audit performed by the independent auditor, the Financial Division employees involved in the process of preparation of the report, are available for any explanations.

The controlling process in the Company, the primary and significant part of which is the internal control, is based on a system of budgets. The Company performs the annual process of updating the plans for the short, medium and long term and creates a detailed budget for the coming year in terms of:

- construction projects,

The financial and accounting system of the Company is the source of data for the entire reporting system of the Company, that is:

- for the financial reporting process,
- periodic reports,
- management reporting system.

After the closure of the accounts, reports on the realization of budgets and forecasts are prepared. In respect of ended reporting periods, the Group's financial results are compared to the budget assumptions.

A key element of this process is to monitor the implementation of the deviations from the plan and explain the reasons for their occurrence. Observation and learning about the causes helps to optimize the Group's operations and minimize potential risks. Due to the nature of the industry, analyzes are conducted on many levels - not only individual cost groups are analyzed, but also separate individual investment projects. On the basis of these reports during the year the Management Board analyzes current financial result comparing them with the adopted budgets.

Effective internal control (within the reporting system) is an essential step in the identification of risks and the changes in management. Besides the reporting system, effective risk analysis is also necessary. Therefore, the key measure in preventing exposure to risk is to properly assess the potential and current investment control. Any possible changes in the budgets of investment projects are transferred to the profit forecast and forecast of cash flow, in order to take a look at the problem globally and not only eliminate the risks associated with the project, but also liquidity risk, exchange rates, etc. Such broad area of management and monitoring of risks and internal controls in all areas relevant to the organization, largely eliminates most of the risks to which the Group is exposed.

4. 10 Entity authorized to audit financial statements

Pursuant to the resolutions adopted on 17 April 2018, the Company's Supervisory Board, acting on the basis of Article 21.2 g) of the Company's Articles of Association, resolved to select KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw as an entity authorized to audit separate and consolidated financial statements of the Company for the financial year ended on 31 December 2018, as well as to review interim financial statements prepared as at 30 June 2018 and for the period of six month ended on 30 June 2018.

Headquarters of KPMG Spółka z ograniczoną odpowiedzialnością spółka komandytowa is seated at 00-189 Warsaw, 4A Inflancka Street. KPMG Spółka z ograniczoną odpowiedzialnością spółka komandytowa is registered on the list of entities entitled to audit financial statements under number 3546.

The agreement with the entity authorized to audit financial statements was concluded by the Management Board for the time required to perform the tasks assigned to the auditor.

The agreement was signed on 23 April 2018 with Annex 1 of 9 August 2018.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa in 2018 did not provide other services than the audit and review of financial statements and group reviews.

The remuneration for audit and review of financial statements and other services is presented in the table below.

as at	31 December 2018	31 December 2017
Audit of the annual financial statements	107	109
Review of the consolidated and separate financial statements	73	46
Audit and review of group reports	190	122
Translation of financial statements	-	14
Total remuneration	**370**	**291**

Signed with a qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice-President of the Management Board

Tomasz Zabost
Member of the Management Board

Pruszków, 15 March 2019