



MLP
GROUP



MLP Group S.A. Capital Group

Consolidated

Annual Report

FOR THE YEAR ENDED

31 DECEMBER 2015

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This document is a translation.
Polish version prevails

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I. Letter of the President of Management Board to Shareholders

Dear Shareholders,

On behalf of the Management Board we have the pleasure to present the Annual Report of the MLP Group S.A. for 2015. We have had a very successful period behind us, during which we have strengthened the position of the MLP Group in a dynamically developing warehouse market.

Macroeconomic situation

2015 was characterized by various trends in the global economy, fluctuations in exchange rates and uncertainty in global markets, which also had an impact on the situation in Poland. Despite these conditions, the Polish economy has developed and maintained overall stabilization. In 2015 Gross Domestic Product in our country grew by 3.6% while the unemployment rate was 9.8%. It is estimated that in 2016 the Polish economy will grow by about 3.7%, similarly to the prior year.

Warehouse property market

At the end of 2015 the total supply of modern warehouse space in Poland amounted to approx. 9.76 million sqm. In 2015 approx. 930,000 sqm of new warehouse space was delivered to the market, which was comparable to 2014. The last two years have been a record in terms of developers' activity. It is expected that this trend will continue in 2016. Currently there is almost 900,000 sqm of warehouse space under construction. The most active regions are Warsaw, Poznań and Upper Silesia, which account for approximately 400,000 sqm of the warehouse space currently under construction.

2015 was also the year of a systematic decrease in the vacancy rate. Compared to the end of 2014, the average vacancy rate decreased from 5.8% to 5%, reaching the lowest level in history.

In 2015 approx. 750,000 sqm of new space was rented. Monthly rents in main Polish regions ranged from 2.50 - 3.90 EUR/sqm.

2015 events concerning MLP Group

The year 2015 was a year of continued expansion of our Group to new markets - the Group purchased land on which it is planned to build two new logistics parks, MLP Gliwice and MLP Wrocław.

In the past year MLP Group has achieved significant growth in net asset value (NAV), which at the end of 2015 amounted to PLN 647.4 million - an increase of 16% compared to the previous year.

In the past year, the Group generated PLN 74.6 million of net profit, i.e. 36% more than in 2014. Consolidated revenues of PLN 102.1 million were 0.7% lower in 2015 than in the previous year. In the first three quarters of 2015 the Group's revenues increased steadily on a year to year basis. The decrease occurred only in the fourth quarter as a result of the sale of two logistics parks, MLP Tychy and MLP Bieruń, which took place in late September and mid-October last year. The total area leased in these parks, at the time of sale, was over 123 thousand sqm.

Sales of logistics parks MLP Tychy for EUR 62,663 thousand and MLP Bieruń for EUR 17,125 thousand was in line with the strategy set out in the prospectus.

In 2015, the Group carried out investment projects with a total area of 83.9 thousand sqm, including the construction of 66.1 thousand sqm started in 2015, and 17.8 thousand sqm that was the continuation of the work started in the previous year. Projects with an area of 32.4 thousand sqm were completed. At the end of last year MLP Group had a total of 276.4 thousand sqm of commercial space. At the same time the vacancy rate of 2.8% was lower in comparison to the previous year.

The Group is currently operating four operational logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań and MLP Lublin. There is a fifth park under development, MLP Teresin. In 2015, the Group bought the land for the construction of two new logistics parks: MLP Gliwice and MLP Wrocław, on which it intends to build a total of 142 thousand sqm. Including these projects, total target warehouse area of MLP Group is 767.3 thousand sqm. The total size of surplus land in Poland is 96.3 hectares.

In the Management Board's opinion the Group is in an excellent financial situation, has a very good capital structure enabling the realization of long-term strategic objectives, owns land available for future projects located in prime locations and has a highly qualified management team. All these factors, plus an increase in the macroeconomic indicators in the Polish economy should positively affect the realization of the long-term strategic objectives of the MLP Group.

We would like to thank all our shareholders for their continuing support and confidence. We will do our best for effective and consistent realization of our strategy, reaching the best financial results and constant growth of the MLP Group S.A. Capital Group.

Michael Shapiro
President of Management Board

Radosław T. Krochta
Chief Executive Officer
Vice-President of
Management Board

II. Statement of Management Board

The consolidated financial statements of MLP Group S.A. Capital Group for the period from 1 January 2015 to 31 December 2015 and the comparative data for the period from 1 January 2014 to 31 December 2014 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 Group. Management Board's Report on the activities of Issuer's Capital Group presents a true overview of the development and achievements of the MLP Group S.A. Capital Group and its business situation, including basic risks and exposures.

We declare that the Audit Firm performing audit of the consolidated financial statements of the MLP Group S.A. Capital Group for the period of 12 months ended 31 December 2015 - KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa was appointed in compliance with the respective provision 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.

Michael Shapiro

*President of the Management
Board*

Radosław T. Krochta

*Vice-President of the
Management Board*

Tomasz Zabost

*Member of the Management
Board*

Pruszków, 14 March 2016

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

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

	31 December 2015	31 December 2014
Average exchange rate during the period *	4,1848	4,1893
Exchange rate at the last day of the period	4,2615	4,2623

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

Main positions of the consolidated statement of financial position converted into euro:

	as at		31 December 2015		31 December 2014	
			PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets			927 298	217 599	1 053 501	247 167
Current assets			198 871	46 667	180 935	42 450
Total assets			1 126 169	264 266	1 234 436	289 617
Long term liabilities			403 689	94 729	552 559	129 639
Short term liabilities			75 112	17 626	123 995	29 090
Equity, including:			647 368	151 911	557 882	130 888
Share capital			4 529	1 063	4 529	1 063
Total equity and liabilities			1 126 169	264 266	1 234 436	289 617
Number of shares (in units)			18 113 255	18 113 255	18 113 255	18 113 255
The book value and diluted book value per share attributable to the owners of the Parent Company (in PLN)			35,74	8,39	30,80	7,23

To translate the consolidated 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 consolidated statement of profit or loss and other comprehensive income converted into euro:

	for the year ended		31 December 2015		31 December 2014	
			PLN thousand	EUR thousand	PLN thousand	EUR thousand
Revenues			102 091	24 396	102 786	24 535
Other operating income			3 652	873	679	162
Gain on revaluation of investment property			19 700	4 708	47 386	11 311
Selling and administrative expenses			(42 907)	(10 253)	(40 444)	(9 654)
Operating profit			81 535	19 484	106 242	25 360
Profit before taxation			49 962	11 939	75 509	18 024
Net profit from continuing operations			74 628	17 833	54 769	13 074
Total comprehensive income			89 486	21 384	49 015	11 700
Net profit attributable to the owners of the Parent Company			74 628	17 833	54 769	13 074
Net profit and diluted net profit per share attributable to the owners of the Parent Company (in PLN)			4,12	0,98	3,02	0,72

To translate the consolidated profit or loss and other comprehensive income an average Euro exchange rate calculated as an 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) on that day was used.

The main positions of the consolidated statement of cash flows converted into Euro:

<i>for the year ended</i>	31 December 2015		31 December 2014	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net cash flow from operating activities	63 304	15 127	43 851	10 467
Cash flow from investing activities	220 848	52 774	(43 573)	(10 401)
Cash flow from financing activities	(199 556)	(47 686)	(32 914)	(7 857)
Total net cash flows	84 596	20 215	(32 636)	(7 791)

To translate the consolidated statement of cash flows an average Euro exchange rate calculated as an 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) on that day was used.

<i>as at</i>	31 December 2015		31 December 2014	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Cash at the beginning of the period	51 801	12 153	83 787	20 203
Cash at the end of the period	136 456	32 021	51 801	12 153

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

- for the position "Cash at the end of the period" the average exchange rate published by the National Bank of Poland (NBP) on the last day of the reporting period was used
- for the position "Cash at the beginning of the period" the average exchange rate published by the National Bank of Poland (NBP) on the last day of the period preceding the reporting period was used

Euro exchange rate on the last day of the reporting period ended 31 December 2013 was 4,1472 EUR/PLN.



MLP Group S.A. **Capital Group**

Consolidated financial statements

for the year ended 31 December 2015
prepared in accordance with IFRS UE

IV. Consolidated financial statements

Approval of the consolidated financial statements

On 14 March 2016 the Management Board of the Parent Company MLP Group S.A. approved the consolidated financial statements ("Consolidated Financial Statements") of MLP Group S.A. Capital Group ("Group") for the period from 1 January 2015 to 31 December 2015 for publication.

Consolidated financial statements for the period from 1 January 2015 to 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards as approved by the European Union ("IFRS EU"). Information is presented in this report in the following sequence:

1. Consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2015 to 31 December 2015, with net profit of PLN 74.628 thousand.
2. Consolidated statement of financial position as at 31 December 2015, with total assets and total liabilities and equity in the amount of PLN 1.126.169 thousand.
3. Consolidated statement of cash flows for period from 1 January 2015 to 31 December 2015, with a net cash increase of PLN 84.655 thousand.
4. Statement of changes in consolidated equity for the period from 1 January 2015 to 31 December 2015, with an equity increase of PLN 89.486 thousand.
5. Explanatory information and explanations to the consolidated financial statements.

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

Michael Shapiro
*President of the Management
Board*

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

Tomasz Zabost
*Member of the Management
Board*

Consolidated statement of profit or loss and other comprehensive income

	<i>for the year ended 31 December</i>	Note	2015	2014
Revenues		6	102 091	102 786
Other operating income		7	3 652	679
Gain on revaluation of investment property			19 700	47 386
Selling and administrative expenses		10	(42 907)	(40 444)
Other operating costs		9	(1 001)	(4 165)
Operating profit			81 535	106 242
Financial income		11	7 132	4 404
Financial costs		11	(38 705)	(35 137)
Net financial loss			(31 573)	(30 733)
Profit before taxation			49 962	75 509
Corporate income tax		12	24 666	(20 740)
Net profit from continuing operations			74 628	54 769
Other comprehensive income				
The effective portion of changes in the fair value relating to cash flow hedges			4 485	(4 525)
Change in the fair value of cash flow hedges reclassified to statement of profit or loss			16 028	-
Valuation of financial instruments			(2 170)	(2 579)
Deferred tax on other comprehensive income			(3 485)	1 350
Other net comprehensive income			14 858	(5 754)
Total comprehensive income			89 486	49 015
Net Profit attributable to:				
Owners of the Parent Company			74 628	54 769
Net profit			74 628	54 769
Comprehensive income attributable to:				
Owners of the Parent Company			89 486	49 015
Total comprehensive income			89 486	49 015
Profit per share		21		
- Basic and diluted (in PLN) profit for the year attributable to the ordinary shareholders of the Parent Company			4,12	3,02

Consolidated statement of financial position

	as at Note	31 December 2015	31 December 2014
Non-current assets			
Tangible fixed assets		919	491
Intangible assets		5	10
Investment property	13	845 153	1 046 337
Other long-term investments	15	69 215	3 943
Other long-term assets		48	2
Deferred tax assets	14	11 958	2 718
Total non-current assets		927 298	1 053 501
Current assets			
Inventories		40	125
Short-term investments	15	31 096	97 829
Corporate income tax receivables	16	784	305
Trade and other receivables	16	19 333	30 875
Other short-term investments	17	11 162	-
Cash and cash equivalents	18	136 456	51 801
Total current assets		198 871	180 935
TOTAL ASSETS		1 126 169	1 234 436
Equity			
	20		
Share capital		4 529	4 529
Other capital reserve		81 384	81 384
Share premium		71 121	71 121
Reserve capital		153 963	153 963
Capital reserve from valuation of hedging instruments		(7 989)	(22 847)
Retained earnings		344 360	269 732
Total equity		647 368	557 882
Long-term liabilities			
Credits, loans and other debt instruments	22.1	303 650	409 343
Deferred tax liability	14	79 896	95 345
Other long-term liabilities	22.1	20 143	47 871
Total-long term liabilities		403 689	552 559
Short-term liabilities			
Credits, loans and other debt instruments	22.2	19 696	95 790
Other short-term liabilities	22.2	164	-
Payroll liabilities	23	1 917	1 432
Corporate income tax liabilities	24	1 594	728
Trade and other liabilities	24	51 741	26 045
Total short-term liabilities		75 112	123 995
Total liabilities		478 801	676 554
TOTAL EQUITY AND LIABILITIES		1 126 169	1 234 436

Consolidated statement of cash flows

	<i>for the year ended 31 December</i>	Note	2015	2014
Cash flows from operating activities				
Profit before taxation			49 962	75 509
<i>Adjustments for:</i>				
Depreciation and amortization			192	178
Change in fair value of investment property			(19 700)	(47 386)
Net interest			12 430	20 436
IRS settlement - MLP Spółka z ograniczoną odpowiedzialnością SKA			19 413	-
IRS settlement - MLP Bieruń Sp. z o.o.			1 004	-
Foreign exchange losses/(gains)			(761)	11 170
Profit on sale of investment property			(2 513)	-
Other			792	(169)
Changes in trade and other receivables		19.2	(9 228)	(17 406)
Changes in short-term and other liabilities		19.3	17 136	2 920
Partial decommitment of the bank loan			(2 302)	-
Cash generated from operating activities			66 425	45 252
Income tax paid			(3 121)	(1 401)
Net cash from operating activities			63 304	43 851
Cash flows from investing activities				
Interest received			1	841
Loans granted		19	(30)	-
Repayments of loans granted		19.1	474	30 016
Purchase of investment property, tangible fixed assets and intangible assets			(106 159)	(74 453)
Disposal of intangible assets and tangible fixed assets			1 561	23
Disposal of investment property		19.4	325 001	-
Cash from investing activities			220 848	(43 573)
Cash flows from financing activities				
Proceeds from credits and loans		19.1	77 431	47 636
Repayment of credits and loans		19.1	(236 685)	(56 499)
Interest paid			(19 885)	(24 051)
IRS settlement - MLP Spółka z ograniczoną odpowiedzialnością SKA			(19 413)	-
IRS settlement - MLP Bieruń Sp. z o.o.			(1 004)	-
Cash from financing activities			(199 556)	(32 914)
Total cash flow			84 596	(32 636)
Cash and cash equivalents at the beginning of the period				
		18	51 801	83 787
Foreign exchange losses/gains on cash and cash equivalents			59	650
Cash and cash equivalents at the end of the period		18	136 456	51 801
<i>- including restricted cash and cash equivalents</i>		18	<i>(13 478)</i>	<i>(16 271)</i>

Statement of changes in consolidated equity

Equity attributable to shareholders of the Parent Company

	Share capital	Other capital reserve	Share premium	Reserve capital	Capital reserve from valuation of hedging instruments	Retained earnings	Total equity
Equity as at 1 January 2014	4 529	81 384	71 121	153 963	(17 093)	214 963	508 867
<u>Comprehensive income:</u>							
Profit for the year	-	-	-	-	-	54 769	54 769
Total other comprehensive income	-	-	-	-	(5 754)	-	(5 754)
Total comprehensive income for the year ended 31 December 2014	-	-	-	-	(5 754)	54 769	49 015
Equity as at 31 December 2014	4 529	81 384	71 121	153 963	(22 847)	269 732	557 882
Equity as at 1 January 2015	4 529	81 384	71 121	153 963	(22 847)	269 732	557 882
<u>Comprehensive income:</u>							
Profit for the year	-	-	-	-	-	74 628	74 628
Total other comprehensive income	-	-	-	-	14 858	-	14 858
Total comprehensive income for the year ended 31 December 2015	-	-	-	-	14 858	74 628	89 486
Equity as at 31 December 2015	4 529	81 384	71 121	153 963	(7 989)	344 360	647 368

Explanatory information and explanations to the consolidated financial statements

1. General information

1. 1 Information on the Parent Company

The Parent Company of the Group is MLP Group S.A. ("Company", "Parent Company", "Parent Entity", "Issuer"), which is a joint-stock company registered in Poland, shares of which are publicly traded. The Company headquarters is seated in Pruszków, 3-go Maja 8 Street.

The Parent Company was established as a result of a transformation of the state company Zakłady Naprawcze Taboru Kolejowego im. Bohaterów Warszawy seated in Pruszków into the joint stock company fully owned by the state. Notarial deed on 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's General Meeting of 27 June 2007.

Currently, the Company is registered in the National Court Register in the District Court for the Capital City of Warsaw, XIV Commercial Department under the National Court Register number of 0000053299.

As at the date of preparation of this consolidated financial statements, the composition of the Parent Company Management and Supervisory Board is as follows:

The Management Board of the Parent Company:

- Michael Shapiro - President of the Management Board
- Radosław T. Krochta - Vice-President of the Management Board
- Tomasz Zabost¹⁾ - Member of the Management Board

¹⁾ On 14 January 2015, according to the resolution of the Supervisory Board Mr. Tomasz Zabost was appointed as a Member of the Management Board.

The Supervisory Board of the Parent Company:

- Shimshon Marfogel - President of the Supervisory Board
- Yosef Zvi Meir - Member of the Supervisory Board
- Eytan Levy - Vice-President of the Supervisory Board
- Guy Shapira¹⁾ - Member of the Supervisory Board
- Jacek Tucharz - Member of the Supervisory Board
- Maciej Matusiak - Member of the Supervisory Board

¹⁾ On 3 March 2015, Mr. Baruch Yehezkelov resigned from the position of Member of the Supervisory Board. For the position of Member of the Supervisory Board, Mr. Guy Shapira was appointed by one of the Company's shareholder - Miro B.V. - according to rights arising from Company Statute.

1. 2 Information about the Group

As at the end of the reporting period MLP Group S.A. Capital Group ("Capital Group", "Group") consists of MLP Group S.A. as the Parent Company and 21 subsidiaries.

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

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

The core business of the Parent Company and its subsidiaries are: management, buying and selling of real estate, rental of real estate, the management of residential and non-residential properties, works related to the construction of buildings and other construction (see note 5.).

As at 31 December 2015, MLP Group S.A. Capital Group consisted of the following entities:

Entity	Country of registry	Direct and indirect share of the Parent Company in the equity		Direct and indirect share of the Parent Company in the voting rights	
		31 December 2015	31 grudnia 2014	31 December 2015	31 grudnia 2014
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. zo.o.	Poland	100%	100%	100%	100%
MLP Moszna I 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. ¹⁾	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. ²⁾	Poland	100%	100%	100%	100%
MLP FIN Sp. z o.o.	Poland	100%	100%	100%	100%
LOKAFOP 201 Sp. z o.o. ³⁾	Poland	100%	-	100%	-
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA ⁴⁾	Poland	100%	-	100%	-
MLP Wrocław w organizacji Sp. z o.o. ⁵⁾	Poland	100%	-	100%	-
MLP Gliwice w organizacji Sp. z o.o. ⁶⁾	Poland	100%	-	100%	-

1. 3 Changes in the Group

On 12 February 2015 MLP Fin Sp. z o.o. w organizacji Spółka komandytowa was registered in the National Court Register.

On 17 February 2015 MLP Fin Sp. z o.o. was registered in the National Court Register.

¹⁾ On 2 February 2015 MLP Poznań I Sp. z o.o. changed its name to MLP Lublin Sp. z o.o.

²⁾ On 16 April 2015 MLP Poznań Zachód Sp. z o.o. changed its name to MLP Poznań West Sp. z o.o.

³⁾ On 24 June 2015 MLP Group S.A. acquired 100 shares of PLN 5.000 in LOKAFOP 201 Sp. z o.o. and acquired directly 100% of the share capital and voting rights in the above mentioned company.

⁴⁾ On 20 August 2015 MLP Group S.A. acquired 50.000 A series registered shares numbered A00001 to A50000 of nominal value of PLN 1 each in LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA, whose sole general partner is a LOKAFOP 201 Sp. z o.o.

⁵⁾ On 9 December 2015 MLP Wrocław Sp. z o.o. was established by virtue of notarial deed. MLP Group S.A. took up 50 equal and indivisible shares of a nominal value of PLN 100 each, with a total nominal value of PLN 5.000 and paid them fully in cash.

⁶⁾ On 9 December 2015 MLP Gliwice Sp. z o.o. was established by virtue of notarial deed. MLP Group S.A. took up 50 equal and indivisible shares of a nominal value of PLN 100 each, with a total nominal value of PLN 5.000 and paid them fully in cash.

During the financial year ended 31 December 2015 there were no other changes in structure of MLP Group S.A. Capital Group.

The consolidated financial statements for the period ended 31 December 2015 includes financial statements of the Parent Company and its subsidiaries controlled by the Parent Company ("the Group").

1. 4 The shareholding structure of the Parent Company

1. 4. 1 Structure of shareholders holding, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders

Since the publication of the last quarterly report, the structure of Shareholders who hold, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders has not changed and is as follows:

Shareholder	Number of shares and votes at the General Meeting of Shareholders	% share in the capital and votes at the General Meeting of Shareholders
MIRO B.V.	1 004 955	5,55%
GRACECUP TRADING LIMITED	1 094 388	6,04%
THESINGER LIMITED	1 920 475	10,60%
Other shareholders	3 773 595	20,83%
CAJAMARCA Holland BV	10 319 842	56,98%
Total	18 113 255	100,00%

1. 4. 2 Shares and rights to shares of the Parent Company owned by members of management and supervisory bodies

Michael Shapiro holds indirectly, through controlled by himself in 100% MIRO B.V., 5,55% in share capital of MLP Group S.A. and by 25% shares in share capital held by MIRO B.V. in Cajamarca Holland B.V. economically participate in 14,24% of MLP Group S.A. share capital, what results in effective economic share of 19,80% in MLP Group S.A. share capital.

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

2. Basis for the preparation of the consolidated financial statements

2. 1 Statement of compliance

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

2. 2 Status of Standards Approval in the European Union

The Group plans to adopt the following new Standards and amendments to Standards and Interpretations, which are not yet mandatorily effective until the date of the approval of consolidated financial statements, according to their date of entry into force.

Standards and interpretations approved by EU, which did not come into force for annual periods	Possible impact on the consolidated financial statements	Effective date for periods beginning as the date or after that date
Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions	No significant impact	1 February 2015
Improvements to IFRS (2010-2012), including:	No significant impact	1 February 2015
<ul style="list-style-type: none"> - IFRS 2 Share-based Payment - IFRS 8 Operating segments - IFRS 9 Financial instruments - IAS 39 Financial Instruments: Recognition and Measurement - IFRS 13 Fair Value Measurement - IAS 16 Property, Plant and Equipment - IAS 38 Intangible Assets 		
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements)	No impact	1 January 2016
Agriculture: Bearer Plants (Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture)	No impact	1 January 2016
Explanations of accepted methods of dilution and depreciation (Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets)	No impact	1 January 2016
Improvements to IFRS (2012-2014), including	No significant impact	1 January 2016
<ul style="list-style-type: none"> - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - IFRS 7 Financial Instruments: Disclosures - IAS 19 Employee Benefits - IAS 34 Interim Financial Reporting 		
Disclosure initiative (Amendments to IAS 1 Presentation of Financial Statements)	No significant impact	1 January 2016

Standards and interpretations pending for approved by EU	Possible impact on the consolidated financial statements.	Effective date for periods beginning as the date or after that date
IFRS 9 Financial Instruments (2014)	It is expected that the new Standard, when initially applied, will have an impact on the consolidated financial statements. However, the Group is not able to prepare an analysis of the impact it will have on the consolidated financial statements until the date of initial application. The Group has not yet decided on the date that it will initially apply the new Standard.	1 January 2018
IFRS 14 Regulatory Deferral Accounts	No impact	1 January 2016
IFRS 15 Revenue from Contracts with Customers	The Group has not prepared an analysis of the impact of new standard on its financial situation and results.	1 January 2018
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)	No impact	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures)	No impact	1 January 2016
IFRS 16 Leases	The Group has not prepared an analysis of the impact of new standard on its financial situation and results.	1 January 2019
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)	No significant impact	1 January 2017
Disclosure initiative (Amendments to IAS 7 Statement of Cash Flows)	No significant impact	1 January 2017

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

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

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

- derivative hedging instruments which are measured at fair value,
- non-derivative financial instruments at fair value through profit or loss which are measured at fair value,
- available-for-sale financial instruments which are measured at fair value,
- investment properties which are measured at fair value,
- cash settled share based payments which are measured at fair value.

For fair value measurement methods see note 3.

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

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

These consolidated financial statements are presented in Polish złoty, rounded to the nearest thousand. Polish złoty is the Parent Company's functional currency and the presentation currency of the consolidated financial statements.

2. 4. 2 **Methods applied to translation of financial data**

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

Consolidated statement of financial position:

	31 December 2015	31 December 2014
EUR	4,2615	4,2623
USD	3,9011	3,5072

2. 5 **Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRS as approved by EU requires management 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 do not result directly from other sources. Actual results may differ from estimated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period, in which the estimates are revised and in any future periods affected. Significant estimates are based on valuation performed by independent experts.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements, is included in the note 13. „Investment property”.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by all the Group entities.

3. 1 Basis of consolidation

The consolidated financial statements of MLP Group S.A. Capital Group include data of MLP Group S.A and its subsidiaries prepared as at the end of the same reporting period.

In view of the fact that not all entities being part of the Group apply the same accounting principles consistent with the accounting principles applied by the Parent Company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Company.

The Parent Company controls an investee if and only if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the control commences until the date when the control ceases.

In preparing the consolidated financial statements the financial statements of the Parent Company and its subsidiaries are combined by adding appropriate positions of assets, liabilities, equity, incomes and costs. In order to present the Group's financial information as if it constituted a single unit, book value of the Parent Company's investment in its subsidiaries (the share of Parent Company in subsidiaries) is eliminated. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. 2 Foreign currency

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 are translated using the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured based at historical cost or purchase price in foreign currency are translated using the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was determined.

Foreign exchange differences arising from settlements of transactions in foreign currencies and valuation at the end of each reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

3. 3 Financial instruments

3. 3. 1 Non-derivative financial instruments

Non-derivative financial instruments include equity instruments, debt securities, trade and other receivables, cash and cash equivalents, credits and loans and trade and other liabilities.

Non-derivative financial instruments are initially measured at fair value increased by the transaction costs – with exception of investments measured at fair value through profit or loss (with exceptions mentioned below).

The Group initially recognizes financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Standardized transactions are recognized on the day of transaction, i.e. on the day of commitment to buy or sell. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Cash and cash equivalents comprise cash balances and bank deposits with maturity of up to three months from the end of the reporting period. The balance of cash and cash equivalents presented in the consolidated statements of cash flow comprises the above-mentioned cash and cash equivalents less bank overdrafts that constitute an integral part of the Group's cash management system and deposits with maturity of over three months.

3. 3. 2 Derivative financial instruments, including hedge accounting

Derivatives are recognized initially at fair value; any directly attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income. Profit or loss recognized in other comprehensive income are transferred to financial income in the same period and in the same position where hedged cash flows are presented in financial income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group uses interest rate swaps in order to avoid fluctuation of interest rate ("cash flows hedge").

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

Regarding derivatives that meet the conditions for cash flow hedges, part of the profit or loss on the hedging instrument that is considered to be an effective hedge is recognized directly in other comprehensive income, while part considered as ineffective hedge is recognized as a gain or loss of the period. Classification of hedging depends on their maturity.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in the equity is reclassified to profit or loss. When the hedged item is a non-financial asset, the amount accumulated in other comprehensive income is included in the carrying amount of the asset when the asset is recognized. In other cases, the amount accumulated in other comprehensive income is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

3. 3. 3 Held-to-maturity financial instruments

Held-to-maturity financial assets comprise other than derivative financial instruments that have defined payments terms and maturity dates and the Group has the positive intent and ability to hold instruments to maturity excluding financial instruments that are classified as financial assets at fair value through profit or loss, available-for-sale financial assets or loans and receivables.

Current assets comprise assets which will be sold within twelve months from the reporting date.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

3. 3. 4 Loans and receivables

Loans and receivables are financial assets, other than derivative instruments, with fixed or determinable payments that are not quoted in an active market. Such assets are recognized as result of cash expenditure, delivery of goods or rendering of services for a debtor without intent to classify these receivables as financial assets measured at fair value through profit or loss. They are recognized as current assets except for those with maturities exceeding twelve months from the reporting date.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Revaluation takes into account the time and probability of the payment.

3. 3. 5 Financial instruments at fair value through profit or loss

A financial instrument is classified as at fair value through profit or loss if it is designed as held for trading upon initial recognition or will be designed as such subsequent to initial recognition. Financial assets are designated as at fair value through profit or loss if the Group actively manages such investments and makes purchase and sale decisions based on their fair value. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

The fair value of financial instruments unquoted in an active market (e.g. derivative instruments unquoted in the market) is determined by means of individual analysis based on discounted cash flow. The result of valuation is recognized in profit or loss.

3. 3. 6 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. They are recognized as current assets, as long as there is the intent of selling them within 12 months of the reporting date. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value except for equity investments that do not have a quoted market price on an active market and the fair value of which is not reliably measurable.

Gain or loss from the valuation of available-for-sale financial assets is presented as other comprehensive income until the asset is sold or until impaired, at which point the gain or loss previously recognized as other comprehensive income is reclassified to profit or loss.

3. 4 Equity

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

3. 4. 1 Share capital

Share capital is recorded in the amount stipulated in the Articles of Association and registered in the National Court Register. The Capital Group share capital is the share capital of MLP Group S.A.

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

Preferred shares are classified as liability if they are redeemable on a specific date or on shareholder's option 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 costs, net of any tax effects, is recognized as a deduction from equity. The repurchased shares are presented as a separate position in equity as a negative value.

3. 4. 2 Other capital reserves

Other capital reserves are created from distribution of profits generated in previous years. Other capital reserves include also amounts transferred in accordance with applicable regulations.

3. 4. 3 Share premium

Share premium is created by the surplus of the issuance value in excess of the par value of shares. It is presented as a separate position within equity. Issuance costs of shares and options decrease the premium.

3. 4. 4 Capital reserve from valuation of hedging instruments

The capital reserve from valuation of hedging instruments comprises the effective portion of the cumulative net change in the fair value of cash flow hedges that meets the criteria of hedge accounting.

3. 4. 5 Reserve capital

Reserve capital encompasses retained earnings from prior years.

3. 4. 6 Retained earnings

The current-period result is recognized as retained earnings.

3. 5 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 Group assumes substantially all of the risks and rewards of ownership, are used for own purposes, and the expected duration of their use exceeds one year).

3. 5. 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. Tangible fixed assets that had been revalued to fair value as at 1 January 2006, the day of the first application of IFRS EU by the Group, are valued based on the deemed cost, which is the fair value at the date of revaluation.

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 cost of property, plant and equipment and tangible fixed assets under construction includes all costs incurred by the Group 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 date if the asset is not yet available for use). The construction cost also includes, in cases 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 the 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. 5. 2 Subsequent expenditures

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

3. 5.3 Depreciation

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 (land is not depreciated), on the basis of the useful life of an asset adopted by the Group and periodically verified. Items of property, plant and equipment are depreciated from the date when they are available for use 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 consolidated statement of financial position, the residual value of an asset exceeds its the 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
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 Group.

3. 6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance which value has been determined in a reliable manner which will result in the entity deriving economic benefits in the future.

Intangible assets that are acquired by the Group 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, 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 consolidated financial statements, when its residual value is higher than the book value or when it is completely amortized.

3. 7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at purchase price or construction cost together with costs directly attributable to the acquisition of the investment property on initial recognition and subsequently at fair value with any change therein recognized in consolidated statement of profit or loss.

Investment property is removed from the consolidated statement of financial position in case of disposal or when permanently withdrawn from use, when no future benefits from disposal are expected. Gains or losses arising from these operations are recognized in consolidated statement of profit or loss in the period in which disposal or liquidation took place.

For tax purposes, investment properties are depreciated.

Perpetual usufruct

The Group recognizes the perpetual usufruct right as a financial lease. Financial liabilities related to the perpetual usufruct right are determined using the effective interest rate method.

3. 8 *Investment property under construction*

Investment property under construction is presented as investment property.

Investment property under construction is measured at fair value or at cost. Cost method is possible in two cases:

- it is not possible to determine the fair value of the investment property under construction, however its measurement at fair value after the construction process is expected to be possible,
- when measurement of the investment property at fair value after the construction process is not possible.

Gain or losses arising from fair value measurement are recognized directly in consolidated statement of profit or loss.

3. 9 *Leased assets - The Group as a lessee*

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset value is decreased by accumulated depreciation and impairment losses.

Lease payments are divided between financial cost and decrease of unpaid balance of financial liabilities balance. Financial expenses are recognized directly in the financial results. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. In other cases leased assets shall be fully depreciated during their useful life term.

Lease agreements which are not financial leases are treated as operating leases and are not recognized in the Group's consolidated statement of financial position.

3. 10 Impairment of assets

3. 10. 1 Financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and had a negative impact on the estimated future cash flows from that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses on available-for-sale financial assets are established in relation to the current fair value.

All individually significant assets are assessed for impairment. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

Impairment losses are recognized in consolidated statement of profit or loss at the end of each reporting period. If the fair value of an impaired available-for-sale financial assets was recognized in other comprehensive income, cumulated loss recognized previously in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Impairment losses are reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the recognition of an impairment loss. Impairment losses on available-for-sale financial assets are recognized in consolidated statement of profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in consolidated statement of profit or loss.

3. 10. 2 Non-financial assets

The carrying amounts of the Group'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 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 asset or CGU. For the purpose of impairment testing of assets that don't 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. At each reporting date, impairment is assessed if there is any indication of reversal of impairment. For other assets, an impairment loss is reversed (if there are changes in estimates) only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. 11 Employee benefits

Defined benefit plans

The Group entities employing workers are obliged to collect and pay contributions for pension benefit for employees. 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. 12 Cash settled share based payment

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

The Group 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. 13 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, 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. 14 Bank credits and loans

Initially, they 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 is determined by including costs associated with obtaining the loan and the premium or discount from settling obligations.

3. 15 Revenues

3. 15. 1 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 stage of completion is assessed by reference to surveys of work performed. The outcome of a transaction involving the rendering of services can be estimated reliably when all the following conditions are satisfied: the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, the stage of completion of the transaction at the reporting date can be measured reliably, the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. 15. 2 Rental income

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

3. 16 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Conditional payments are recognized as a reduction of minimum lease payments during the rest lease period, when reduction is confirmed.

3. 17 Financial income and financial costs

Finance income comprises interest income on funds invested by the Group, 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 forex exchange foreign differences, 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 Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses from exchange forex differences, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognized on financial assets, losses on hedging instruments that are recognized in profit. Interest cost is recognized as it incurs in profit or loss, using the effective interest method.

3. 18 *Income Tax*

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

Tax expense 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 or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill; temporary differences on the initial recognition of assets or liabilities that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it 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 the payment of dividends are recognized at the time of the obligation to pay the dividend.

3. 19 *Earnings per share*

The Group 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 include, 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.

3. 20 Segment reporting

An operating segment is a separate part of the Group which is engaged in providing certain products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is exposed to other risks and derives other benefits than other segments. The primary and sole activity of the MLP Group S.A. Capital Group is the construction and property management of logistics areas. Revenues of the Group comprise rental income and revaluation of investment property. Group activities are carried out in Poland.

4. Financial risk management

The Group is exposed to the following risks arising from the financial instruments:

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

The note presents information about the Group's exposure to a particular type of risk, objectives, policies and procedures to manage the particular type of risk and the method of capital management adopted by the Group. The required data has been presented in the following part of the consolidated financial statement.

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training 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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's receivables from customers, loans granted and cash and cash equivalents.

4. 1. 1 Trade and other receivables

The Group's exposure to the 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 have less significant influence on credit risk.

In relation to the customers of the Group there are no significant concentrations of credit risk. The Group manages risk in this respect by securing the payment using bank guarantees. In some cases tenants make deposits as well.

There were only few cases when the Group incurred losses resulting from unpaid receivables.

4. 1. 2 Loans granted

The Group's credit risk from loans granted relates mainly to receivables 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 Group will encounter difficulty in meeting the obligations associated with its financial liabilities on maturity date.

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

The Group aims to maintain the level of its cash and cash equivalents at an amount in extent of expected cash outflows related to business activity. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

4. 3 Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and prices of securities will affect the Group'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 Group is exposed to currency risk on sales, purchases and borrowings that are denominated in foreign currencies (primarily the euro) other than the functional currency of Group's entities.

The Group draws loans denominated in EUR, while construction works are invoiced in PLN. In connection with above, between the beginning of the use of a credit line until it is completely used (average 2 years) Group is exposed to the risk of appreciation of the value of PLN in relation to EUR. A significant change in the PLN against EUR means that credit lines given by a bank at the beginning of the project may not be sufficient to finance the total cost of construction of logistics park.

The Group uses natural hedging as the main financial and operating cash flows are denominated in these same currency, i.e. the loan is denominated in EUR as well as the lease agreement.

Available cash is maintained by the Group divided into PLN, EUR and USD in proportion which allows achieving an effect of natural hedging.

4. 3. 2 Interest rate risk

Interest rate risk management primarily aims to make the Group independent from the changing market conditions and to enable precise planning for the level of costs in different periods. Therefore, the effect of hedging activities carried out should be recognized with no impact on the financial result as not having an operating nature.

One method of ensuring precisely the level of interest costs is concluding with bank an agreement to exchange floating rate to fixed rate.

In order to reduce interest rate risk the Group entered into interest rate swap agreements exchanging floating rate for a fixed-based rate. In companies MLP Pruszków I Sp. z o.o. and MLP Sp. z o.o. SKA (formerly Tychy Sp. z o.o.) adopted step-up solution consists in the fact that the entire agreement is divided into stages with different levels of rates, while it is an upward trend.

In the initial period the level of rate is the lowest (close to current market level). General objective is to protect the interest rate cash flows, thus reference rate EURIBOR 1M is hedged. For hedging purposes spread on loans shall be excluded. In companies MLP Poznań II Sp. z o.o. and MLP Moszna I Sp. z o.o. and MLP Bieruń Sp. z o.o. future interest outflows accrues at floating rates are effectively converted into fixed interest from the payment schedule of swap agreement. Companies receive from the bank an amount equivalent to the product of the reference rate and the amount of debt equal to the amount which would be paid if floating rate was valid.

The purpose is to hedge cash flows from interest exposed to interest rate risk.

4. 4 Capital management

The 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 Board of Directors monitors the return on capital which is defined as operating profit divided by equity, excluding non-buying / redemption of preference shares and non controlling interest. The Board of Directors monitors as well as the level of dividends to ordinary shareholders.

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

Neither the Parent Company nor any of its subsidiaries are not subject to external capital requirements.

5. Segment reporting

The primary and sole business of the MLP Group S.A. Group is the construction and management of the logistic real estate. Group generates profit from renting its own real estate and from valuation of investment property.

The Group operates in Poland. The criteria of location of assets was the same as criteria of location of customers. The operating segments were the same as the geographical segments. Currently, due to existence of one segment, all information regarding operations in the segment were presented in the consolidated statement of profit or loss and other comprehensive income, as well as in the consolidated statement of financial position.

As at 31 December 2015, and in the reporting period ended on that day, the Group has one operating segment - Poland.

6. Revenues

	<i>for the year ended 31 December</i>	2015	2014
Revenue from rental of properties		85 226	87 049
Other revenues		16 865	15 737
Total revenues		102 091	102 786
<i>including revenues from related parties</i>		<i>169</i>	<i>157</i>
Reinvoicing of utilities		15 152	13 203
Revenues from rental of apartments		35	33
Services provided to tenants		1 678	2 501
Other revenues		16 865	15 737

7. Other operating income

	<i>for the year ended 31 December</i>	2015	2014
Profit on sale of investment property		2 513	-
Write-off of liabilities		62	500
Other		564	179
Cessation of consolidation of MLP Fin Spółka z ograniczoną odpowiedzialnością Sp.k.		160	-
Reversal of provisions		353	-
Other operating income		3 652	679

8. Profit on sale of investment property

On 30 September 2015 a subsidiary of the Company, MLP spółka z ograniczoną odpowiedzialnością SKA ("Seller"), signed an agreement concerning the sale of land located in Tychy, Turyńska Street along with buildings with WestInvest Gesellschaft für Investmentfonds mbH seated in Düsseldorf ("Buyer"). Total land area amounted to 176,676 sqm. Within the framework of the signed agreement the Seller also committed to assign all copyrights to the Project, all rights under the Building Guarantees, Design Guarantees and rights under the Lease Agreement Security Documents to the Buyer. The Parties have also entered into the Escrow Account Agreement and agreed to conclude the Guarantee Agreement.

The net price for the „Assets” amounted to EUR 62,663,156.00.

On 29 October 2015 LokaFop 201 spółka z ograniczoną odpowiedzialnością Spółka komandytowo akcyjna signed an agreement for transferring the ownership of land located in Bieruń along with buildings with WestInvest Gesellschaft für Investmentfonds mbH seated in Düsseldorf. Total land area amounts to 114,875 sqm.

The management of the Katowicka Special Economic Zone did not use its statutory right of first refusal in relation to the Property, based on the art. 8 par. 2 of the Act of 20 October 1994 on special economic zones (Journal of Laws 2015 No. 282 as amended) at the time and on the terms specified in Art. 598 of the Civil Code.

The transaction price for the property and assets amounted to EUR 17,215,144.

Profit on sale of investment property presents as follows:

<i>for the year ended 31 December</i>	2015
The selling price of MLP Tychy Logistics Park investment property	265 905
The fair value of sold investment property ¹⁾	(258 010)
Repair costs provision	(3 097)
Indirect costs associated with the sale of investment property	(2 548)
Profit on sale of investment property (MLP Tychy)	2 250
The selling price of MLP Bieruń Logistics Park investment property	73 470
The fair value of sold investment property ¹⁾	(72 587)
Indirect costs associated with the sale of investment property	(664)
Profit on sale of investment property (MLP Bieruń)	219
The selling price of part of MLP Teresin Logistics Park investment property	1 440
The fair value of sold investment property	(1 396)
Profit on sale of investment property (MLP Teresin)	44
Total profit on sale of investment property	2 513

¹⁾ The fair value of sold investment property was set as at the day of last valuation prepared by independent and qualified expert. Fair value of sold investment property owned by MLP Tychy logistics park was set as at 30 June 2015, while fair value of sold investment property owned by MLP Bieruń logistics park was set as at 30 September 2015.

9. Other operating costs

<i>for the year ended 31 December</i>	2015	2014
Allowances for receivables	(10)	(53)
Other	(991)	(1 555)
Provision for liabilities related to acquisition of shares in MLP Bucharest Sud S.R.L.	-	(2 557)
	(1 001)	(4 165)

10. Selling and administrative expenses

<i>for the year ended 31 December</i>	2015	2014
Depreciation and amortization	(192)	(178)
Materials and energy	(12 889)	(11 280)
External services	(13 068)	(13 809)
Taxes and charges	(12 302)	(11 136)
Payroll	(3 515)	(2 948)
Social security and other employee benefits	(318)	(293)
Other expenditures by kind	(623)	(800)
Total selling and administrative expenses	(42 907)	(40 444)

Selling and administrative expenses for the year ended 31 December 2015 of PLN 42.907 thousand were related mostly to costs of the maintenance of revenue-generating investment properties. Costs that are not directly related to those properties are depreciation costs of tangible fixed assets used for operating activity and not generating lease revenue and property tax on undeveloped land.

11. Financial income and costs

<i>for the year ended 31 December</i>	2015	2014
Interest on loans granted	3 222	2 756
Interest income on bank deposits	825	1 476
Other interest	-	126
Foreign exchange differences net	761	-
Interest on receivables	22	7
Credit redemption	2 302	-
Other financial income	-	39
Total financial income	7 132	4 404

<i>for the year ended 31 December</i>	2015	2014
Interest expenses on credits and loans	(11 304)	(12 199)
Other interest	(56)	(46)
IRS settlement - MLP Spółka z ograniczoną odpowiedzialnością SKA	(19 413)	-
IRS settlement - MLP Bieruń Sp. z o.o.	(1 004)	-
Interest paid on SWAP	(10 868)	(12 125)
Interest results on cash flow hedges	5 360	2 233
Ineffective part of valuation of cash flow hedges	1 160	(1 101)
Foreign exchange differences net	-	(11 170)
Other financial expenses	(27)	(42)
Debt management costs	(2 553)	(687)
Total financial costs	(38 705)	(35 137)

In March 2015, MLP Spółka z ograniczoną odpowiedzialnością SKA and MLP Pruszków IV Sp. z o.o. entered into a new floating-to-fixed interest rate agreement. In addition, in May 2015 MLP Pruszków IV Sp. z o.o. entered into additional floating-to-fixed interest rate agreements. Next, on 17 August 2015 MLP Lublin Sp. z o.o. entered into a floating-to-fixed interest rate agreement.

On 1 October 2015, the subsidiary of the Issuer - MLP Spółka z ograniczoną odpowiedzialnością SKA repaid the bank credit taken from Raiffeisen Bank Polska S.A. along with the liability concerning the SWAP transaction.

Moreover, on 12 October 2015, the subsidiary of the Issuer - MLP Bieruń Sp. z o.o. repaid the bank credit taken from PKO BP S.A. along with the liability concerning the SWAP transaction.

In 2015, the Group recognized the cost of swap transaction as financial expenses i.e. ineffective part of swap valuation and interest resulting from this valuation. Foreign exchange differences are mainly a result of valuation of credits and loans denominated in EUR and USD at the end of the reporting period.

12. Income tax

<i>for the year ended 31 December</i>	2015	2014
Current income tax for the period	3 508	3 190
Origination/ reversal of temporary differences	(28 174)	17 550
Income tax	(24 666)	20 740

Effective tax rate

<i>for the year ended 31 December</i>	2015	2014
Profit before taxation	49 962	75 509
<i>Current income tax on the basis of the enacted tax rate (19%)</i>	<i>(9 493)</i>	<i>(14 347)</i>
Adjustment of deferred tax assets recognized in respect of impairment allowance	-	(4 031)
Not recognized asset, for the reserve for liabilities to buy a share in MLP Bucharest Sud S.R.L.	-	(486)
Difference on value of shares sold to Sanborn Holding Ltd.	3 176	-
Unrecognized deferred income tax assets	-	(1 403)
Difference resulting from the lack of taxation in MLP Spółka z ograniczoną odpowiedzialnością SKA and Lokafo 201 Spółka z ograniczoną odpowiedzialnością SKA	31 958	1 548
Non-tax deductible costs	(975)	(2 021)
Income tax	24 666	(20 740)

13. Investment property

	31 December 2015	31 December 2014
	<i>as at</i>	
Gross value at the beginning of the period	1 046 337	930 708
Additions	111 109	68 243
Sale of investment property	(331 993)	-
Change in the fair value	19 700	47 386
Gross value at the end of the period	845 153	1 046 337

Investment property includes warehouses and undeveloped land. The Group's revenues relate mainly to rental of warehouses.

Investment property divided into parks:

	31 December 2015	31 December 2014
	<i>as at</i>	
MLP Pruszków I Park		
Fair value of property - MLP Pruszków I	343 519	347 079
Perpetual usufruct - MLP Pruszków I	2 641	2 641
	346 160	349 720
MLP Pruszków II Park		
Fair value of property - MLP Pruszków II	291 141	251 109
Perpetual usufruct - MLP Pruszków II	2 619	2 620
	293 760	253 729
MLP Poznań Park		
Fair value of property - MLP Poznań	98 539	72 395
	98 539	72 395
MLP Lublin Park		
Fair value of property - MLP Lublin	47 281	28 984
	47 281	28 984
MLP Tychy Park		
Fair value of property - MLP Tychy ²⁾	-	262 200
Perpetual usufruct - MLP Tychy	-	16
	-	262 216
MLP Bieruń Park		
Fair value of property - MLP Bieruń ³⁾	-	77 356
	-	77 356
MLP Teresin Park		
Fair value of property - MLP Teresin ¹⁾	16 407	1 901
	16 407	1 901
MLP Gliwice Park		
Fair value of property - MLP Gliwice	17 890	-
	17 890	-
MLP Wrocław Park		
Fair value of property - MLP Wrocław	25 041	-
	25 041	-
MLP Energy - apartments	75	36
Gross value at the end of the period	845 153	1 046 337

¹⁾ In December 2014 the Group acquired property of 6.1 ha area located in Gnatowice Stare. It was the first phase of investment in construction of a new logistics park - MLP Teresin.

In the next phase of above mentioned investment, in July 2015, the Group purchased another property of 8.9 ha area located in Gnatowice Stare, while selling part of the property of 4.4 ha area acquired in December 2014.

Fair value of sold part of property amounted to PLN 1.396 thousand.

²⁾ MLP Tychy Logistics Park's investment property was sold on 30 September 2015.

³⁾ MLP Bieruń Logistics Park's investment property was sold on 29 October 2015.

Information regarding collateral on investment property is disclosed in note 28.

In accordance with the adopted accounting policy interest expense on investment loans attributable to the construction in progress are capitalized and increase the value of the property. Details are presented in the following table.

	31 December	31 December
	<i>as at</i>	<i>as at</i>
	2015	2014
Capitalized interest expenses	97	791

Investment liabilities are presented in the following table.

	31 December	31 December
	<i>as at</i>	<i>as at</i>
	2015	2014
Investment liabilities	24 528	19 111

13. 1 The Fair value of the Group's investment property

The fair value of investment property is based on reports of independent and qualified experts, who possess renowned professional qualifications, as well as, expertise in property valuation (based on inputs that are unobservable - level 3).

Property valuations have been prepared in accordance with Standards of Professional Appraisals Royal Institution of Chartered Surveyors (RICS). They are in accordance with International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC).

Valuations were prepared based on the income approach method for the existing warehouses and for land with building permission and comparable method for undeveloped lands.

Because of different localizations and characteristics of investment properties, assumptions used by experts concerning yield rates are in the range 7.50%-8.50%.

Group performs valuation twice during the year: on 30 June and 31 December. Fair value of surplus land in valuation reports established on the basis of comparable approach is presented in polish zloty. Fair value in valuation reports is presented in EUR and recalculated to PLN based on average exchange rate published by the National Bank of Poland (NBP) on the last day of the reporting period.

There was no change in the method of valuation in comparison with previous periods.

In the year ended 31 December 2015, there were no reclassifications between the levels.

Information on fair value valuation using significant unobservable inputs (Level 3)

	Fair value as at 31 December 2015	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Pruszków I Logistics Park					
(i) warehouse and office buildings	80 610 thousand EUR	Income approach	Monthly rent per 1 sqm	2,83 - 7,11 EUR/sqm, (4,97 EUR/sqm)	The higher rent, the higher fair value
			Capitalization rate	7,50% - 8,50 %, (8,00%)	The lower capitalization rate, the higher fair value
80 610 thousand EUR					
MLP Pruszków II Logistics Park					
(i) warehouse and office buildings	37 667 thousand EUR	Income approach	Monthly rent per 1 sqm	2,28 - 3,69 EUR/sqm, (3,09 EUR/sqm)	The higher rent, the higher fair value
			Capitalization rate	7,50% - 8,50 %, (7,63%)	The lower capitalization rate, the higher fair value
(ii) chimney	5 930 thousand EUR	Income approach	Monthly rent	42,7 thousand EUR - 43,0 thousand EUR, (42,8 thousand EUR)	The higher rent, the higher fair value
			Capitalization rate	(8,50%)	The lower capitalization rate, the higher fair value
(iii) parking	1 132 thousand EUR	Income approach	Monthly rent	7,9 thousand EUR - 10,4 thousand EUR, (9,1 thousand EUR)	The higher rent, the higher fair value
			Capitalization rate	(8,50%)	The lower capitalization rate, the higher fair value
(iv) surplus land	17 150 thousand EUR	Comparable approach	Price for 1 sqm	43,88 EUR/sqm	The higher price for 1 sqm, the higher fair value
(v) land with construction permission	6 440 thousand EUR	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
68 319 thousand EUR					

	Fair value as at 31 December 2015	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Poznań Logistics Park					
(i) warehouse and office buildings	17 642 thousand EUR	Income approach	Monthly rent per 1 sqm	3,7 - 4,66 EUR/sqm., (4,32 EUR/sqm)	The higher rent, the higher fair value
			Capitalization rate	(7,51%)	The lower capitalization rate, the higher fair value
(ii) surplus land	1 791 thousand EUR	Comparable approach	Price for 1 sqm	35,20 EUR/sqm	The higher price for 1 sqm, the higher fair value
(iii) land with construction permission	3 690 thousand EUR	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
23 123 thousand EUR					
MLP Lublin Logistics Park					
(i) warehouse and office buildings	8 315 thousand EUR	Income approach	Monthly rent per 1 sqm	3,10 - 3,66 EUR/sqm, (3,38 EUR/sqm)	The higher rent, the higher fair value
			Capitalization rate	(7,76%)	The lower capitalization rate, the higher fair value
(ii) land with construction permission	2 780 thousand EUR	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
11 095 thousand EUR					

	Fair value as at 31 December 2015	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Teresin Logistics Park					
(i) land with construction permission	3 850 thousand EUR	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
3 850 thousand EUR					
MLP Gliwice Logistics Park					
(i) surplus land	4 198 thousand EUR	Comparable approach	Price for 1 sqm	28,16 EUR/sqm	The higher price for 1 sqm, the higher fair value
4 198 thousand EUR					
MLP Wrocław Logistics Park					
(i) surplus land	5 876 thousand EUR	Comparable approach	Price for 1 sqm	45,05 EUR/sqm	The higher price for 1 sqm, the higher fair value
5 876 thousand EUR					
197 071 thousand EUR					

(a) Capitalized net income: calculation based on the rents from lease agreements, as well as market rents and capitalization rates

(b) Construction costs: the construction costs of the project based on construction contracts

Information on fair value valuation using significant unobservable inputs (Level 3)

	Fair value as at 31 December 2014	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Pruszków I Logistics Park					
(i) warehouse and office buildings	81 430 EUR thousand	Income approach	Monthly rent per 1 sqm	3,31 - 3,54 EUR/sqm, (3,42 EUR/sqm)	The higher rent, the higher fair value
			Capitalization rate	8,00% - 8,75 %, (8,24%)	The lower capitalization rate, the higher fair value
81 430 EUR thousand					
MLP Pruszków II Logistics Park					
(i) warehouse and office buildings	29 404 EUR thousand	Income approach	Monthly rent per 1 sqm	2,28 - 3,87 EUR/sqm, (3,12 EUR/sqm)	The higher rent, the higher fair value
			Capitalization rate	8,00% - 8,75 %, (8,09%)	The lower capitalization rate, the higher fair value
(ii) chimney	5 857 EUR thousand	Income approach	Monthly rent	44,5 thousand EUR, (44,0 thousand EUR)	The higher rent, the higher fair value
			Capitalization rate	(8,75%)	The lower capitalization rate, the higher fair value
(iii) parking	1 089 EUR thousand	Income approach	Monthly rent	7,9 thousand EUR - 10,4 thousand EUR, (9,1 thousand EUR)	The higher rent, the higher fair value
			Capitalization rate	(8,75%)	The lower capitalization rate, the higher fair value
(iv) surplus land	20 264 EUR thousand	Comparable approach	Price for 1 sqm	40,35 EUR/sqm	The higher price for 1 sqm, the higher fair value
(v) warehouse and office buildings under construction	2 300 EUR thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
58 914 EUR thousand					

	Fair value as at 31 December 2014	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Poznań Logistics Park					
(i) warehouse and office buildings	11 608 EUR thousand	Income approach	Monthly rent per 1 sqm Capitalization rate	3,24 - 4,60 EUR/sqm, (4,07 EUR/sqm) (8,25%)	The higher rent, the higher fair value The lower capitalization rate, the higher fair value
(ii) surplus land	4 437 EUR thousand	Comparable approach	Price for 1 sqm	33,32 EUR/sqm	The higher price for 1 sqm, the higher fair value
(iii) land with building permit	940 EUR thousand	Residual approach	Capitalized net income Construction costs	(a) (b)	The lower capitalized net income, the lower fair value The higher construction costs, the lower fair value
16 985 EUR thousand					
MLP Tychy Logistics Park					
(i) warehouse and office buildings	61 060 EUR thousand	Income approach	Monthly rent per 1 sqm Capitalization rate	4,47 - 4,87EUR/sqm, (4,67 EUR/sqm) (8,00%)	The higher rent, the higher fair value The lower capitalization rate, the higher fair value
(ii) surplus land	456 EUR thousand	Comparable approach	Price for 1 sqm	31,44 EUR/sqm	The higher price for 1 sqm, the higher fair value
61 516 EUR thousand					

	Fair value as at 31 December 2014	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Bieruń Logistics Park					
(i) warehouse and office buildings	17 059 EUR thousand	Income approach	Monthly rent per 1 sqm	3,03 - 4,45 EUR/sqm, (3,57 EUR/sqm)	The higher rent, the higher fair value
			Capitalization rate	(7,75%)	The lower capitalization rate, the higher fair value
(ii) land with building permit	1 090 EUR thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
18 149 EUR thousand					
MLP Lublin Logistics Park					
(i) warehouse and office buildings	5 110 EUR thousand	Income approach	Monthly rent per 1 sqm	3,81 EUR/sqm	The higher rent, the higher fair value
			Capitalization rate	(8,25%)	The lower capitalization rate, the higher fair value
(ii) surplus land	1 690 EUR thousand	Comparable approach	Price for 1 sqm	19,94 EUR/sqm	The higher price for 1 sqm, the higher fair value
6 800 EUR thousand					
	Fair value as at 31 December 2014	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Teresin Logistics Park					
(i) surplus land	446 EUR thousand	Comparable approach	Price for 1 sqm	7,27 EUR/sqm	The higher price for 1 sqm, the higher fair value
446 EUR thousand					
244 240 EUR thousand					

(a) Capitalized net income: calculation based on the rents from lease agreements, as well as market rents and capitalization rates

(b) Construction costs: the construction costs of the project based on construction contracts

14. Deferred tax

	Deferred tax assets		Deferred tax liabilities		Net value	
	31 December	31 December	31 December	31 December	31 December	31 December
	<i>as at</i>	2015	2014	2015	2014	2015
Investment property	-	-	82 058	105 047	82 058	105 047
Credits, loans granted and received	1 919	1 335	-	-	(1 919)	(1 335)
Derivatives	2 612	7 336	-	-	(2 612)	(7 336)
Other	900	3 503	-	-	(900)	(3 503)
Tax losses deductible in the future periods	8 689	246	-	-	(8 689)	(246)
Deferred tax assets / liabilities	14 120	12 420	82 058	105 047	67 938	92 627

	<i>as at</i>	31 December 2015	31 December 2014
Including:			
Deferred tax assets		(11 958)	(2 718)
Deferred tax liabilities		79 896	95 345
		67 938	92 627

	1 January 2014	changes recorded in profit or loss	changes recorded in other comprehensive income	31 December 2014
Investment property	91 097	13 950	-	105 047
Credits, loans granted and received	500	(1 835)	-	(1 335)
Derivatives	(6 201)	215	(1 350)	(7 336)
Other	(8 043)	4 540	-	(3 503)
Tax losses deductible in the future periods	(926)	680	-	(246)
	76 427	17 550	(1 350)	92 627

	1 January 2015	changes recorded in profit or loss	changes recorded in other comprehensive income	31 December 2015
Investment property ¹⁾	105 047	(22 989)	-	82 058
Credits, loans granted and received	(1 335)	(584)	-	(1 919)
Derivatives	(7 336)	1 239	3 485	(2 612)
Other	(3 503)	2 603	-	(900)
Tax losses deductible in the future periods	(246)	(8 443)	-	(8 689)
	92 627	(28 174)	3 485	67 938

¹⁾ Investment property related deferred tax change recorded in profit or loss includes PLN 30.561 thousand which relates to reversal of deferred tax liability due to sale of investment property by MLP Spółka z ograniczoną odpowiedzialnością SKA. (PLN 25.699 thousand) and MLP Bieruń Sp. z o.o. (PLN 4.862 thousand).

15. Other investments

<i>as at</i>	31 December 2015	31 December 2014
Other long-term financial assets	-	2 170
Long-term loans granted to related parties	69 215	1 773
Other long-term investments	69 215	3 943
Short-term loans granted to related parties	9 282	97 822
Short-term loans granted to third parties	21 814	7
Short-term investments	31 096	97 829

16. Trade and other receivables

<i>as at</i>	31 December 2015	31 December 2014
Trade receivables	6 014	5 596
Investment settlements	425	297
Prepayments	230	1 974
Advance payment for purchase of land ¹⁾	-	20 855
Accrued interest	-	788
Taxation and social security receivables	12 664	1 365
Trade and other receivables	19 333	30 875
Corporate income tax receivables	784	305
Short-term receivables	20 117	31 180

¹⁾ Advance payment for purchase of land was reclassified to loans.

The reclassification was made, because a suspensive condition in the purchase of property located in Więckowice by MLP Poznań West Sp. o.o. from "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. was not fulfilled. The seller did not lead to a satisfactory legal status of the property which was the cause of suspensive condition failure.

Receivables due from related parties are set out in note 29.

The aging of trade and other receivables, as well as the amount of write-downs are presented in the below table.

<i>as at</i>	31 December 2015		31 December 2014	
	Gross receivables	Write-downs	Gross receivables	Write-downs
Not past due:	2 880	(1)	3 028	-
Past due:				
0 to 90 days	2 348	(2)	2 098	-
91 to 180 days	232	(4)	46	-
over 181 days	4 644	(4 083)	4 548	(4 124)
Total receivables	10 104	(4 090)	9 720	(4 124)

17. Other short-term investments

	31 December <i>as at</i> 2015	31 December 2014
Other short-term investments	11 162	-

Other short-term financial assets comprise funds on Escrow account, retained in connection with the sale of investment properties. These funds will be released when the Group's obligations under the contract of sale of investment properties are met. The Group expects that these obligations will be met within 1 year period from the conclusion of these agreements.

18. Cash and cash equivalents

	31 December <i>as at</i> 2015	31 December 2014
Cash on hand	47	38
Cash in bank	60 836	9 282
Short-term deposits	75 573	42 481
Cash and cash equivalents in the consolidated statement of financial position	136 456	51 801
Cash and cash equivalents in the consolidated statement of cash flows	136 456	51 801
<i>Restricted cash and cash equivalents</i>	<i>(13 478)</i>	<i>(16 271)</i>

Cash at bank bears interest at variable interest rates, the amount of which depends on the interest rate of overnight bank deposits. Short-term deposits are concluded for varying periods, depending on the current Group demand for cash and earn interest at individually set interest rates.

Cash and cash equivalents in the consolidated statement of financial position include cash on hand and bank deposits with maturity up to 3 months from the end of the reporting date.

The Group has restricted cash of PLN 13.478 thousand. Restricted cash consists of: PLN 6.676 thousand separated in accordance with the loan agreements in order to secure the payment of principal and interest; PLN 6.109 thousand guarantees given by MLP Pruszków I Sp. z o.o. in favor of Hapoalim Bank; PLN 374 thousand cash deposit formed from the deposit from tenant; PLN 319 thousand other retained deposits.

19. Explanatory information to consolidated statement of cash flows

19. 1 Cash flow related to loans granted and received

In the year ended 31 December 2015 MLP Group S.A. and its subsidiary MLP Pruszków I Sp. z o.o. granted loans in the amount of PLN 150 thousand to Fenix Polska Sp. z o.o, while Fenix Polska Sp. z o.o. granted loans in the same amount to the companies from the Capital Group. In 2015 loans in the amount of PLN 23,074 thousand received in the prior years from Fenix Polska Sp. z o.o. and at the same time granted to this company by MLP Group S.A. and MLP Pruszków I Sp. z o.o., were rapid. In the consolidated statement of cash flows, the Group presented cash flows related to the abovementioned operations at net value due to lack of cash flows as loans were granted by MLP Group S.A. and MLP Pruszków I Sp. z o. o. on behalf of Fenix Sp. z o. o.

<i>for the year ended 31 December</i>	2015	2014
Cash flows from bank credits received	77 431	47 636
Cash flows from loans received	150	73 034
Total cash flows from bank credits and loans received	77 581	120 670
Elimination of loans received from Fenix Polska Sp. z o.o.	(150)	(73 034)
Total cash flows from bank credit and loans received	77 431	47 636
Total cash flows from bank credit and loans received presented in the consolidated statement of cash flows	77 431	47 636

<i>for the year ended 31 December</i>	2015	2014
Cash flows from bank credits repaid	(233 788)	(24 586)
Cash flows from loans repaid	(25 971)	(31 913)
Total cash flows from bank credits and loans repaid	(259 759)	(56 499)
Elimination of loans repaid to Fenix Polska Sp. z o.o.	23 074	-
Total cash flows from bank credit and loans repaid	(236 685)	(56 499)
Total cash flows from bank credit and loans repaid presented in the consolidated statement of cash flows	(236 685)	(56 499)

<i>for the year ended 31 December</i>	2015	2014
Cash flows from loans granted	(180)	(73 034)
Elimination of loans granted to Fenix Polska Sp. z o.o.	150	73 034
Total cash flows from loans granted	(30)	-
Total cash flows from loans granted presented in the consolidated statement of cash flows	(30)	-

<i>for the year ended 31 December</i>	2015	2014
Cash flows from repayment of loans granted	23 548	-
Elimination of repaid loans granted to Fenix Polska Sp. z o.o.	(23 074)	-
Total cash flows from repayment of loans granted	474	-
Total cash flows from repayment of loans granted presented in the consolidated statement of cash flows	474	-

19. 2 Changes in trade and other receivables

<i>for the year ended 31 December</i>	2015	2014
Changes in trade and other receivables	11 542	(17 730)
Reclassification of loan granted to Czerwona Torebka S.A.	(20 855)	-
Other adjustments	85	324
Changes in trade and other receivables	(9 228)	(17 406)
Changes in trade and other receivables presented in the consolidated statement of cash flows	(9 228)	(17 406)

19. 3 Changes in short-term and other liabilities

<i>for the year ended 31 December</i>	2015	2014
Change in trade and other liabilities	25 696	(2 783)
Changes in payroll liabilities	485	1 275
Change in investment deposits and guarantees from tenants and others	(514)	(2 462)
Changes in finance lease liabilities	(17)	(1)
Exclusion of change in investment liabilities	(5 417)	6 891
Exclusion of change in provision for repairs	(3 097)	-
Changes in short-term and other liabilities	17 136	2 920
Changes in short-term and other liabilities presented in the consolidated statement of cash flows	17 136	2 920

19. 4 Disposal of investment property

	<i>for the year ended 31 December</i>	2015	2014
The selling price of MLP Tychy Logistics Park investment property		265 905	-
Indirect costs associated with the sale of investment property - MLP Tychy		(2 548)	-
Amount retained on the Escrow account		(10 435)	-
Cash flow from disposal of investment property - MLP Tychy		252 922	
The selling price of MLP Bieruń Logistics Park investment property		73 470	-
Indirect costs associated with the sale of investment property - MLP Bieruń		(664)	-
Amount retained on the Escrow account		(727)	-
Cash flow from disposal of investment property - MLP Bieruń		72 079	-
Total cash flows from disposal of investment property		325 001	-
Total cash flows from disposal of investment property presented in the consolidated statement of cash flows		325 001	-

20. Equity

20. 1 Share capital

	<i>as at</i>	31 December 2015	31 December 2014
Share capital			
Ordinary A series shares		11 440 000	11 440 000
Ordinary B series shares		3 654 379	3 654 379
Ordinary C series shares		3 018 876	3 018 876
		18 113 255	18 113 255
Par value of 1 share		0,25	0,25

As at 31 December 2015 the share capital of the parent company amounted to PLN 4,528,313.75 and was divided into 18,113,255 shares entitling to 18,113,225 votes on the General Meeting. The par value of all shares is PLN 0.25 and was fully paid.

In 2013 the Issuer increased its share capital by PLN 754,719 through issuance of new C series shares. The District Court for the Capital City Warsaw registered the capital increase on 29 October 2013.

In year ended 31 December 2015 there were no changes in share capital.

List of shareholders holding, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders as of the date of approval of the consolidated financial statement is presented in note 1.4.1.

Share capital and reserve capital were formed by dividing state-owned enterprise ZNTK funds in the moment of transformation into a joint stock company in 1995. According to the existing law 15% of funds were allocated to share capital, while the rest, after covering the losses from previous years, was allocated to reserve capital. On 9 December 2009 the Meeting of Shareholders adopted a resolution to convert personal A and B series shares to A and B bearer shares. Moreover, in 2013 share capital was raised by PLN 755 thousand through the issuance of shares.

20. 2 Share premium

In year ended 31 December 2015 there were no changes in equity presented under the position "Share premium".

21. Earnings per share

Profit per share for each period is calculated by dividing the net profit attributable to shareholders of the Parent Company for the period by the weighted average number of shares during the reporting period. Diluted earnings per share for each period is calculated by dividing the net profit for the period by the sum of the weighted average number of ordinary shares during the reporting period and all dilutive potential shares.

	<i>for the year ended 31 December</i>	2015	2014
Net profit for the year		74 628	54 769
Number of shares issued (in units)		18 113 255	18 113 255
Weighted average number of shares issued (in units)		18 113 255	18 113 255
Earnings per share attributable to shareholders of the Parent Company for the period (in PLN per share):			
- basic		4,12	3,02
- diluted		4,12	3,02

In presented periods there were no dilutive factors.

22. Credits, loans, other debt instruments and other liabilities

22. 1 Long-term liabilities

	<i>as at</i>	31 December 2015	31 December 2014
Bank credits pledged on the Group's assets		222 889	373 124
Loans		80 761	36 219
Total long-term credits, loans, other debt instruments and other liabilities		303 650	409 343

	31 December	31 December
<i>as at</i>	2015	2014
Finance lease liabilities	5 260	5 277
Liabilities concerning SWAP transactions	13 579	40 776
Investment deposits	309	359
Guarantees from tenants and others	995	1 459
Total other long-term liabilities	20 143	47 871

22. 2 Short-term liabilities

	31 December	31 December
<i>as at</i>	2015	2014
Short-term credits and short-term part of long term credits pledged on the Group's assets	15 730	24 484
Loans	3 966	71 306
Total short-term credits, loans and other debt instruments	19 696	95 790

Secured and unsecured loan and bank credit liabilities result from transactions with both related and third parties.

	31 December	31 December
<i>as at</i>	2015	2014
Liabilities concerning SWAP transactions	164	-
Other short-term liabilities	164	-

22. 3 Credits, loans secured and unsecured on the Group's assets

	currency	effective rate (%)	as at maturity date	31 December 2015		as at maturity date	31 December 2014	
				in currency	in PLN		in currency	in PLN
Bank credits pledged on the Group's assets:								
Investment loan mBank S.A.	EUR	EURIBOR 1M+margin	2018	2 297	9 790	2018	2 407	10 260
Investment loan mBank S.A.	EUR	EURIBOR 1M+margin	2021	2 662	11 346	-	-	-
Construction loan mBank S.A.	EUR	EURIBOR 1M+margin	2021	1 640	6 987	-	-	-
Investment loan Raiffeisen Bank Polska S.A. ¹⁾	EUR	EURIBOR 1M+margin	-	-	-	2021	32 351	137 435
Investment loan Raiffeisen Bank Polska S.A.	EUR	EURIBOR 1M+margin	2017	32 113	136 787	2017	34 477	146 858
Investment loan Deutsche Bank PBC S.A.	EUR	EURIBOR 3M+margin	-	-	-	2027	5 901	25 068
Investment loan BGŻ BNP Paribas ³⁾	EUR	EURIBOR 3M+margin	2022	5 594	23 682	-	-	-
Investment loan BGŻ BNP Paribas ³⁾	EUR	EURIBOR 3M+margin	2022	2 888	12 305	-	-	-
Investment loan DZ Bank S.A.	EUR	EURIBOR 3M+margin	-	-	-	2020	2 949	12 494
Investment loan PKO BP S.A. ²⁾	EUR	EURIBOR 3M+margin	-	-	-	2029	8 924	37 695
Working capital loan (VAT) PKO BP S.A.	PLN	WIBOR 1M+margin	-	-	-	2016	-	1 321
Investment loan PKO BP S.A.	EUR	EURIBOR 3M+margin	2030	3 147	13 410	-	-	-
Investment loan ING Bank Śląski S.A.	EUR	EURIBOR 1M+margin	2020	4 109	17 463	2020	4 559	19 374
Investment loan ING Bank Śląski S.A.	EUR	EURIBOR 3M+margin	2020	1 607	6 849	2020	1 666	7 103
Total credits:					238 619			397 608

¹⁾ On 1 October 2015, the subsidiary of the Issuer - MLP Spółka z ograniczoną odpowiedzialnością SKA repaid the bank credit taken in Raiffeisen Bank Polska S.A. along with the liability concerning SWAP transaction.

²⁾ On 12 October 2015, the subsidiary of the Issuer - MLP Bieruń Sp. z o.o. repaid the bank credit taken in PKO BP S.A. along with the liability concerning SWAP transaction.

³⁾ On 5 November 2015, a credit agreement between MLP Pruszków III Sp. z o.o., MLP Moszna I Sp. z o.o. and BGZ BNP Paribas S.A. bank was signed. MLP Pruszków III Sp. z o.o. refinanced bank loan granted by Deutsche Bank PBC S.A.

22. 3 Credits, loans secured and unsecured on the Group's assets

	currency	effective rate (%)	as at maturity date	31 December 2015		as at maturity date	31 December 2014	
				in currency	in PLN		in currency	in PLN
Loans unsecured on the Group's assets:								
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2016	-	2 699	2015	-	2 627
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2020	-	8 989	2015	-	8 750
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2026	-	5 966	2020	-	6 018
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2029	-	5 202	-	-	5 032
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2016	-	42	2015	-	42
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2016	-	1 225	2015	-	11 795
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2020	-	29 175	2015	-	29 656
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2017	-	15	2017	-	15
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2024	-	3 025	2024	-	13 940
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2024	-	155	-	-	-
Fenix Polska S.A.	EUR	EURIBOR 3M+margin	2020	2 990	12 741	2015	2 938	12 546
Fenix Polska S.A.	EUR	EURIBOR 3M+margin	2029	2 209	9 414	-	2 175	9 270
Fenix Polska S.A.	USD	LIBOR R USD +margin	2018	1 558	6 079	2015	1 679	5 890
Cajamarca Holland B.V.	USD	LIBOR R USD +margin	-	-	-	2016	554	1 944
Total loans:					84 727			107 525
Total credits, loans secured and unsecured on the Group's assets					323 346			505 133

23. Payroll liabilities

	31 December <i>as at</i>	31 December 2015	31 December 2014
Special funds		157	157
Cash settled share based payment		1 760	1 275
Payroll liabilities		1 917	1 432

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

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

Upon approval of the financial statements by the General Meeting of Shareholders, the Supervisory Board will authorize a list of employees, with the number of phantom shares assigned to each employee. Equivalent of phantom shares will be paid in cash.

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

24. Trade and other liabilities

	31 December <i>as at</i>	31 December 2015	31 December 2014
Trade liabilities		3 664	2 835
Deferred income		327	428
Taxation and social security liabilities		17 789	368
Uninvoiced costs		1 578	419
Investment liabilities, guarantees and others		25 286	19 438
Provision for repairs		3 097	-
Provision for purchase of MLP Bucharest Sud S.R.L. shares		-	2 557
Trade and other liabilities		51 741	26 045
Income tax liabilities		1 594	728
Short-term liabilities		53 335	26 773

Liabilities to related parties were disclosed in note 29.

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

	31 December <i>as at</i>	31 December 2015	31 December 2014
Current liabilities		30 447	19 429
Liabilities overdue from 0 to 90 days		639	7 375
Liabilities overdue from 91 to 180 days		103	196
Liabilities overdue over 181 days		643	67
Total trade and other liabilities		31 832	27 067

The above aging structure of liabilities also comprises long-term liabilities.

Trade liabilities are not subject to interest and are usually settled within 30 to 60 days. Other payables are non-interest bearing and have an average maturity of one month. 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.

25. Financial instruments

25. 1 Valuation of financial instruments

The fair value of financial assets and financial liabilities as at 31 December 2015 and 31 December 2014 is equal to the value presented in the consolidated 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 carrying amount is comparable with 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,
- **bank credit and loans taken:** the carrying amount of these instruments is comparable with fair value because of the floating rate, based on market rates,
- **Swap valuation liabilities:** fair value determined on the basis of references to instruments quoted in an active market.

25. 1. 1 Financial assets

<i>as at</i>	31 December 2015	31 December 2014
Available for sale financial assets:		
Other financial instruments (level 3)	-	2 170
	-	2 170
<i>as at</i>	31 December 2015	31 December 2014
Loans and receivables:		
Cash and cash equivalents	136 456	51 801
Loans and receivables, including:		
Trade and other receivables	6 439	6 681
Loans granted	100 311	99 602
Other short-term investments	11 162	-
	254 368	158 084
Total financial assets	254 368	160 254

25. 1. 2 Financial liabilities

	31 December <i>as at</i> 2015	31 December 2014
Hedging financial instruments:		
Liabilities concerning SWAP transactions (level 2)	13 743	40 776
	13 743	40 776
Liabilities valued at amortized cost:		
Bank credits	238 619	397 608
Loans received	84 727	107 525
Trade and other payables	31 832	27 067
Finance lease liabilities	5 260	5 277
	360 438	537 477
Total financial liabilities	374 181	578 253

The fair value of hedging financial instruments as at 31 December 2015 amounted to PLN 13,741 thousand and is based on inputs other than quoted price that are either directly or indirectly observable (level 2). The information is provided by banks and is based on reference to instruments quoted in an active market.

In the year ended 31 December 2015 there were no reclassifications between the levels.

25. 2 Other disclosures relating to financial instruments

Established collaterals

Information concerning established collaterals is disclosed in note 28.

Hedge accounting

On 6 March 2015 MLP Pruszków IV Sp. z o.o. signed an agreement which changes the interest rate from floating to fixed with mBank S.A. All future interest payments calculated on the basis of floating interest rate will be effectively replaced with fixed interest according to the schedule attached in the above mentioned agreement.

On 27 May 2015 MLP Pruszków IV Sp. z o.o. signed another two agreements which change the interest rate from floating to fixed with mBank S.A. All future interest payments calculated on the basis of floating interest rate will be effectively replaced with fixed interest according to the schedule attached in the above mentioned agreement.

On 17 August 2015 MLP Lublin Sp. z o.o. signed an agreement which changes the interest rate from floating to fixed with PKO BP S.A. All future interest payments calculated on the basis of floating interest rate will be effectively replaced with fixed interest according to the schedule attached in the above mentioned agreement.

Monthly payments are expected until 1 August 2020.

On 1 October 2015, the subsidiary of the Issuer - MLP Spółka z ograniczoną odpowiedzialnością SKA repaid the bank credit taken in Raiffeisen Bank Polska S.A. along with the liability concerning SWAP transaction.

On 12 October 2015, the subsidiary of the Issuer - MLP Bieruń Sp. z o.o. repaid the bank credit taken in PKO BP S.A. along with the liability concerning the SWAP transaction.

Identification of the hedging instrument and the hedged position

Entity	Hedged position - debt as at 31 December 2015 in the amount of:		Hedging instrument - amortized Interest Rate Swap of initial value of:		The fair value of the hedging instrument (in EUR thousand) as at 31 December		The fair value of the hedging instrument (in PLN thousand) as at 31 December	
	in EUR thousand	in PLN thousand	in EUR thousand	in PLN thousand	2015	2014	2015	2014
MLP Pruszków I Sp. z o.o.	32 113	136 850	47 382	201 918	(2 819)	(4 243)	(12 013)	(18 084)
MLP Spółka z ograniczoną odpowiedzialnością SKA ¹⁾	-	-	-	-	-	(4 418)	-	(18 830)
MLP Moszna I Sp. z o.o.	-	-	3 600	15 341	-	(357)	-	(1 522)
MLP Poznań II Sp. z o.o.	5 696	24 274	7 211	30 730	(184)	(256)	(784)	(1 091)
MLP Pruszków IV Sp. z o.o.	6 185	26 357	2 565	10 931	(127)	(96)	(541)	(409)
MLP Bieruń Sp. z o.o. ²⁾	-	-	-	-	-	(197)	-	(840)
MLP Lublin Sp. z o.o.	3 159	13 462	-	-	(95)		(405)	-
	47 153	200 943	60 758	258 920	(3 225)	(9 567)	(13 743)	(40 776)

Hedged position and hedging instrument - amortized Interest Rate Swap of initial value refer to values as at 31 December 2015.

As at 31 December 2014, the above mentioned values for MLP Spółka z ograniczoną odpowiedzialnością SKA and MLP Bieruń Sp. z o.o. were as follows:

¹⁾ MLP Spółka z ograniczoną odpowiedzialnością SKA: Hedged position amounted to PLN 154.888 thousand (EUR 36.339 thousand); hedging instrument - amortized Interest Rate Swap of initial value of PLN 147.309 thousand (EUR 4.561 thousand).

²⁾ MLP Bieruń Sp. z o.o.: Hedged position amounted to PLN 29.039 thousand (EUR 6.813 thousand); hedging instrument - amortized Interest Rate Swap of initial value of PLN 29.039 thousand (EUR 6.813 thousand).

The amounts recognized in the consolidated statement of profit or loss and other comprehensive income in 2015:

Entity	Amounts recognized in financial costs - ineffective part	Amounts recognized in financial costs - interest result	Amounts recognized in other comprehensive income
MLP Pruszków I Sp. z o.o.	109	1 716	4 240
MLP Pruszków IV Sp. z o.o.	(123)	-	(11)
MLP Moszna I Sp. z o.o.	-	-	1 522
MLP Poznań II Sp. z o.o.	-	(1)	316
MLP Spółka z ograniczoną odpowiedzialnością SKA	733	3 636	14 461
MLP Bieruń Sp. z o.o.	774	21	45
MLP Lublin Sp. z o.o.	(333)	(12)	(60)
	1 160	5 360	20 513

The amounts recognized in the consolidated statement of profit or loss and other comprehensive income in 2014:

Entity	Amounts recognized in financial costs - ineffective part	Amounts recognized in financial costs - interest result	Amounts recognized in other comprehensive income
MLP Pruszków I Sp. z o.o.	49	1 591	(24)
MLP Pruszków IV Sp. z o.o.	(2)	(3)	(233)
MLP Moszna I Sp. z o.o.	-	-	(493)
MLP Poznań II Sp. z o.o.	-	(1)	(608)
MLP Spółka z ograniczoną odpowiedzialnością SKA	(373)	667	(3 122)
MLP Bieruń Sp. z o.o.	(775)	(21)	(45)
	(1 101)	2 233	(4 525)

25. 3 The nature and extent of risks related to financial instruments

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

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

25. 3. 1 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its long term bank credit and loan liabilities.

The below table shows the maturity structure of credits taking into account interest cash flows:

Credits - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2015	20 043	183 662	51 307	255 012
2014	33 842	244 053	177 600	455 495

The following table shows the maturity structure of derivative instruments related interest:

Derivatives - expected payments		up to 1 year	from 1 to 5		Total
			years	over 5 years	
2015	inflows	-	246	-	246
	outflows	(9 373)	(4 616)	-	(13 989)
		(9 373)	(4 370)	-	(13 743)
2014	inflows	225	1 145	60	1 430
	outflows	(12 972)	(29 188)	(46)	(42 206)
		(12 747)	(28 043)	14	(40 776)

The below table shows the maturity structure of loans taking into account cash flows from interest:

Loans - expected payments		up to 1 year	from 1 to 5		Total
			years	over 5 years	
2015		4 027	64 989	30 632	99 648
2014		75 170	2 148	43 756	121 074

Financial lease liabilities are mainly liabilities related to perpetual usufruct of land.

25. 3.2 Currency risk

The Group is subject to exchange rate risk because of the fact that a significant portion of financial assets and financial liabilities are denominated in EUR and USD.

The currency structure of financial instruments in particular years is presented below:

The currency structure of financial instruments as at 31 December 2015 (PLN thousand):

Financial assets	PLN	EUR	USD	Total
Loans and receivables:				
Cash and cash equivalents	67 392	62 949	6 115	136 456
Loans and receivables, including:				
• Trade and other receivables	6 187	252	-	6 439
• Loans granted	78 182	22 129	-	100 311
• Other short-term investments	-	11 162	-	11 162
	151 761	96 492	6 115	254 368
Financial liabilities	PLN	EUR	USD	Total
Hedging financial instruments:				
Liabilities concerning SWAP transaction	-	13 743	-	13 743
Financial liabilities measured at amortized cost:				
Bank credits	-	238 619	-	238 619
Loans received	56 493	22 155	6 079	84 727
Trade and other liabilities	11 467	20 359	6	31 832
Lease liabilities	5 260	-	-	5 260
	73 220	294 876	6 085	374 181

The currency structure of financial instruments as at 31 December 2014 (PLN thousand):

Financial assets	PLN	EUR	USD	Total
Available for sale financial assets:				
Other financial instruments	-	2 170	-	2 170
Loans and receivables:				
Cash and cash equivalents	35 059	11 199	5 543	51 801
Loans and receivables, including:				
• Trade and other receivables	6 381	300	-	6 681
• Loans granted	77 801	21 801	-	99 602
	119 241	35 470	5 543	160 254

Financial liabilities	PLN	EUR	USD	Total
Hedging financial instruments:				
Liabilities concerning SWAP transaction	-	40 776	-	40 776
Financial liabilities measured at amortized cost:				
Bank credits	1 321	396 287	-	397 608
Loans received	77 875	21 816	7 834	107 525
Trade and other liabilities	9 652	17 411	4	27 067
Lease liabilities	5 277	-	-	5 277
	94 125	476 290	7 838	578 253

Because of the short foreign exchange position, the Group is particularly exposed to fluctuations of the EUR/PLN exchange rate. The table below presents the potential effects of a 5% depreciation of the PLN against the EUR and the USD on the financial results of the Group.

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

	<i>as at 31 December</i>	2015	2014
Increase in the exchange rate EUR/PLN by 5%		(9 920)	(22 039)
Increase in the exchange rate USD/PLN by 5%		2	(115)

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

A 5% depreciation of the PLN against the USD would have a favorable impact on the Group's financial results, decreasing the cost of debt because of the long foreign exchange position of the Group.

25. 3.3 Interest rate risk

The interest rate risk is related mostly to floating-rate credits and loans. A change in the interest rate impacts cash flows associated with these liabilities. In order to reduce the risk of fluctuations in interest rates, the Group entered into interest rate swap transactions with the banks financing its activities.

In the table below the potential impact of interest rates increased by 50 b.p. associated with financial liabilities was presented.

The impact of interest rate changes on interest outflows in respect of credits and loans:

	<i>as at 31 December</i>	2015	2014
EURIBOR + 50 b.p.		(229)	(270)
US LIBOR + 50 b.p.		(30)	(39)
WIBOR + 50 b.p.		(282)	(396)

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

The impact of interest rate changes on interest inflows on loans granted:

	<i>as at 31 December</i>	2015	2014
EURIBOR + 50 b.p.		111	109
WIBOR + 50 b.p.		391	389

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

The table below presents potential impact of increase in interest rates by 50 b.p. associated with cash and cash equivalents.

The impact of interest rate changes on interest inflows for cash and cash equivalents:

	<i>as at 31 December</i>	2015	2014
EURIBOR + 50 b.p.		315	56
WIBOR + 50 b.p.		337	175
US LIBOR + 50 b.p.		31	28

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

25. 3. 4 Credit risk

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

Group's maximum exposure to credit risk corresponds to the book values of the above-mentioned instruments.

Group reduces credit risk by deposits and bank guarantees securing timely fulfilment of the contracts by the tenants.

	<i>as at 31 December</i>	2015	2014
The value of the deposit from tenants at the end of the reporting period		1 374	1 855

26. Operating lease

The Group signs operating lease agreements regarding rental of warehouse and office space. Agreements are signed for periods from 3 to 10 years, generally for 5 years. Typical agreement provides following methods of payments: (a) rent for leased space denominated in EUR (occasionally in USD and PLN) depending on the type and standard of the rental area, (b) property management fees covering the running costs denominated in PLN as PLN per 1 sqm of leasable area, (c) fees for participation in the real estate tax and (d) utility costs re invoicing.

As at 31 December 2015 the aggregate value of rental income (assuming a fixed exchange rate EUR/PLN and USD/PLN and a lack of indexation) amounts to PLN 342.4 mln, out of which PLN 50.8 mln is receivable within one year PLN 148.6 mln in the period from 2 to 5 years, and PLN 143.0 mln after 5 years.

As at 31 December 2014 the aggregate value of rental income (assuming a fixed exchange rate EUR/PLN and USD/PLN and a lack of indexation) amounts to PLN 359.0 mln, out of which PLN 72.1 mln is receivable within one year, PLN 210.1 mln in the period from 2 to 5 years, and PLN 76.8 mln after 5 years.

27. Contractual investment liabilities

	<i>as at 31 December</i>	2015	2014
Contractual investment liabilities		17 788	12 235

28. Contingent liabilities and pledges

As at 31 December 2015 the Group had established the following security on its assets:

28. 1. Mortgages

Entity	Land register number	Details	Mortgage charge
		Mortgage to secure claims of Raiffeisen Bank S.A.	4.950 EUR thousand
		Mortgage to secure claims of Raiffeisen Bank S.A.	1.500 EUR thousand
MLP Pruszków I Sp. z o.o.	WA1P/00036973/9	Mortgage to secure credit repayment for Raiffeisen Bank S.A. - security of credit granted by Raiffeisen Bank Polska S.A. on the basis of agreement dated 4 December 2007 to MLP Tychy	80.000 EUR thousand
		Mortgage to secure credit dated 5 November 2015 granted by BGŻ BNP PARIBAS S.A.	12.975 EUR thousand
MLP Pruszków III Sp. z o.o. ¹⁾	WA1P/00079808/5	Mortgage to secure claims under credit agreement dated 5 November 2015 granted by BGŻ BNP PARIBAS S.A.	2.895 PLN thousand

Entity	Land register number	Details	Mortgage charge
MLP Moszna I Sp. z o.o. ²⁾	WA1P/00101970/5	Mortgage to secure credit dated 5 November 2015 granted by BGŻ BNP PARIBAS S.A.	12.975 EUR thousand
		Mortgage to secure claims under credit agreement dated 5 November 2015 granted by BGŻ BNP PARIBAS S.A.	2.895 PLN thousand
MLP Pruszków IV Sp. z o.o.	WA1P/00111450/7	Mortgage to secure credit repayment granted by mBank S.A. under the agreement dated 24 April 2013	3.870 EUR thousand
		Mortgage to secure claims of mBank S.A.	3.660 PLN thousand
MLP Poznań II Sp. z o.o.	PO1D/00041540/8 PO1D/00050728/6 PO1D/00051882/0	Joint mortgage to secure credit granted by ING Bank Śląski S.A. under agreement no 11/0002 dated 08 September 2011 with amendments.	11.114 EUR thousand
		Joint mortgage to secure claims for ING Bank Śląski S.A.	1.415 EUR thousand
		Joint mortgage to secure VAT credit and interest claims of ING Bank Śląski S.A.	3.750 PLN thousand
MLP Lublin Sp. z o.o.	LU1S/00012867/9	Mortgage to secure claims for PKO B.P. S.A. due to: investment credit agreement, working capital credit agreement dated 13 April 2015 for current VAT liabilities with its amendments and claims under concluded IRS transactions	25.502 EUR thousand

¹⁾ Following MLP Pruszków III Sp. z o.o. repayment of the bank credit in 2015 mortgages on land register WA1P/00079808/5 up to EUR 10,350 thousand and EUR 19,335 thousand granted to Deutsche Bank PBC S.A. were cancelled.

In December 2015 capped contractual mortgages on the above mentioned property have been established in favour of BGŻ BNP PARIBAS S.A. as security for claims under the credit agreement dated 5 November 2015.

²⁾ Following MLP Moszna I Sp. z o.o. repayment of the bank credit in 2015 mortgages on land register WA1P/00101970/5 up to EUR 3,600 thousand and EUR 1,800 thousand granted to DZ BANK AG DEUTSCHE ZENTRAL- GENOSSENSCHAFTSBANK were cancelled.

In December 2015 capped contractual mortgages on the above mentioned property in favor of BGŻ BNP PARIBAS S.A. have been established as security for claims under the credit agreement dated 5 November 2015.

28. 2. Financial and registered pledges on shares

Pledge type	Security	Value of the established security
• Securities established on the MLP Group's shares in the entities:		
Registered pledge on shares:		
MLP Pruszków I Sp. z o.o.	Raiffeisen Bank Polska S.A receivables resulting from the credit CRD/25846/07 granted to MLP Pruszków I Sp. z o.o.	80.000 EUR thousand
MLP Poznań II Sp. z o.o.	ING Bank Śląski S.A. receivables resulting from the credit granted ING 11/0002 granted to MLP Poznań II Sp. z o.o.	14.047 EUR thousand
Registered and financial pledge on shares:		
MLP Moszna I Sp. z o.o.	BGŻ BNP Paribas S.A. receivables resulting from the credit dated 5 November 2015 granted to MLP Moszna I Sp. z o.o.	12.975 EUR thousand
• Securities established on the MLP Property Sp. z o.o.'s shares in the entities:		
Registered pledge on shares:		
MLP Pruszków III Sp. z o.o. ¹⁾	Deutsche Bank PBC S.A. receivables resulting from credit no KNK/1212752 granted to MLP Pruszków III Sp. z o.o.	13.800 EUR thousand
MLP Lublin Sp. z o.o.	PKO BP S.A. receivables resulting from investment credit	19.221 EUR thousand
Financial pledge on shares:		
MLP Poznań II Sp. z o.o.	ING Bank Śląski S.A. receivables resulting from investment credit no. ING 11/0002	14.047 EUR thousand
Registered and financial pledge on shares:		
MLP Pruszków IV Sp. z o.o.	mBank S.A. receivables resulting from credit agreement dated 17 December 2014 with MLP Pruszków IV Sp. z o.o.	10.579 EUR thousand
MLP Pruszków IV Sp. z o.o.	mBank S.A. receivables resulting from credit agreement dated 17 December 2014 with MLP Pruszków IV Sp. z o.o. (VAT credit)	3.750 PLN thousand
• Securities established on the MLP Poznań Sp. z o.o.'s shares in the entities:		
Registered and financial pledge on shares:		
MLP Poznań II Sp. z o.o.	ING Bank Śląski S.A. receivables resulting from credit no. ING 11/0002 granted to MLP Poznań II Sp. z o.o.	14.047 EUR thousand

Pledge type	Security	Value of the established security
<p>• <u>Securities established on the MLP Pruszków II Sp. z o.o.'s shares in the entities:</u></p> <p>Registered pledge on shares:</p>		
MLP Pruszków III Sp. z o.o. ¹⁾	Deutsche Bank PBC S.A. receivables resulting from credit no KNK/1212752 granted for MLP Pruszków III Sp. z o.o.	13.800 EUR thousand
<p>Registered and financial pledge on shares:</p>		
MLP Pruszków IV Sp. z o.o.	mBank S.A. receivables resulting from credit agreement dated 17 December 2014 with MLP Pruszków IV Sp. z o.o. ¹⁾	10.579 EUR thousand
MLP Pruszków IV Sp. z o.o.	mBank S.A. receivables resulting from credit agreement dated 17 December with MLP Pruszków IV Sp. z o.o. (VAT credit)	3.750 PLN thousand

Following MLP Moszna I Sp. z o.o. repayment of loan, a registered pledge on shares of MLP Group S.A. in MLP Moszna I Sp. z o.o. (established as collateral for DZ Bank S.A.) was removed from the register of pledges in September 2015.

¹⁾ Following MLP Pruszków III Sp. z o.o. repayment of loan, a registered pledge on shares of MLP Property Sp. z o.o. in MLP Pruszków III Sp. z o.o. and registered pledge on shares of MLP Pruszków II Sp. z o.o. in MLP Pruszków III Sp. z o.o. were removed from the register of pledges in January 2016.

Moreover, in February 2016 pledges on shares of MLP Property Sp. z o.o. and MLP Pruszków II Sp. z o.o. in MLP Pruszków III Sp. z o.o. up to EUR 12,975 thousand were established as collateral for BGŻ BNP Paribas S.A. under the bank loan dated 5 November 2015 granted to MLP Pruszków III Sp. z o.o.

Following MLP Spółka z ograniczoną odpowiedzialnością SKA repayment of loan, a registered pledge on shares of MLP Group S.A. and MLP Sp. z o.o. in MLP Spółka z ograniczoną odpowiedzialnością SKA and shares of MLP Group S.A. in MLP Sp. z o.o. (established as collateral for the bank Raiffeisen Bank Polska S.A. under the loan agreement CRD/39165/13), was removed from the register of pledges in November 2015.

Following MLP Bieruń Sp. z o.o. repayment of loan, a registered pledge on shares of MLP Group S.A. in MLP Bieruń Sp. z o.o., was removed from the register of pledges in November 2015.

On 27 October 2015 a pledge on 1,245,000 shares of MLP Group owned by Cajamarca Holland BV has been established. The pledge was established in order to secure a complete and timely payment of the secured debt owed to the Mercantile Discount Bank Ltd bank seated in Tel-Aviv arising from the loan agreement, which was concluded in 2002 by RRN Holdings and Investments Ltd. seated in Tel-Aviv (which holds 75% of Cajamarca Holland BV's shares).

In accordance with the signed agreement, the subject of the pledge will remain in possession of the pledgor, i.e. Cajamarca Holland BV, which will have the right to execute the rights from the pledged shares.

28. 3. Pledges on cash receivables

Due to loan repayment by MLP Spółka z ograniczoną odpowiedzialnością SKA, an ordinary pledge on cash receivables previously established by MLP Sp. z o.o. (as collateral for the bank Raiffeisen Bank Polska S.A. under the refinancing loan agreement CRD/39165/13 taken out by MLP Spółka z ograniczoną odpowiedzialnością SKA up to the amount of EUR 74,720 thousand), was removed from the register of pledges in November 2015.

On 19 June 2015, a registered and financial pledge on cash receivables was entered in the register of pledges as collateral for the bank PKO BP S.A. under the term of the facility loan granted to MLP Lublin Sp. z o.o. of EUR 19,221 thousand.

28. 4. Guarantees

As at 31 December 2015 the Group granted the following guarantees:

- On 22 April 2015 MLP Pruszków I Sp. z o.o. granted a guarantee in favor of Hapoalim Bank of USD 200,000, which expires on 10 May 2016,
- On 15 April 2015 MLP Pruszków I Sp. z o.o. granted a guarantee in favor of Mercantile Discount Bank of USD 1,000,000, which expires on 24 April 2016,
- On 15 December 2015 MLP Pruszków I Sp. z o.o. granted a guarantee in favor of Mercantile Discount Bank of USD 53,000, which expires on 15 September 2016.

28. 5. Additional guarantees

In conjunction with the insurance policies obtained by WestInvest Gesellschaft für Investmentfonds mbH seated in Düsseldorf ("Buyer"), guarantees provided by MLP Group S.A. in favour of the Buyer, in connection with the contracts for the sale of real estate owned by MLP Tychy and MLP Bieruń, expired in October 2015.

As at 31 December 2015 the Group did not grant any additional guarantees.

28. 6. Other security

- **Security claims to mBank S.A.:**
 - Assignment of the claims under the insurance policy,
 - Assignment of the lease agreements,
 - Power of attorney to all the accounts of the borrower,
 - The agreement of loans subordination,
 - A blank bill of exchange,
 - Statement of execution.
 - Support agreement granted to MLP Pruszków IV Sp. z o.o. by MLP Group S.A, under which if MLP Pruszków IV will not cover any excessive property construction costs (A2b building) with its own contributions, then the Issuer will grant to the above mentioned company 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 will not cover any excessive costs of property construction (A3a building) with its own contributions, then the Issuer will grant to the abovementioned company unsecured loan, which will be subordinated to repayment of the company's liabilities, in an amount not exceeding EUR 193 thousand.

- **Security claims to Raiffeisen Bank Polska S.A.:**
 - Assignment of the lease agreements,
 - Power of attorney to all the accounts of the borrower,
 - Restricted cash for debt service,
 - Assignment of the agreements relating to construction works,
 - Assignment of the claims under the insurance policy.

- **Security claims to BGŻ BNP Paribas S.A.:**
 - Power of attorney to all the accounts of the borrower,
 - Assignment of rights under the contract transfer,
 - Statement of execution of each borrower,
 - Statement of execution of each borrower's shareholder,
 - Subordination of claims based on the subordination agreement,
 - Restricted cash for debt service,
 - Assignment of the claims under the insurance policy.

- **Security claims to ING Bank Śląski S.A.:**
 - Assignment of the claims under the insurance policy,
 - Deposit of EUR 85 000 thousand,
 - Assignment of the lease agreements,
 - Power of attorney to all the accounts of the borrower,
 - Agreement regarding establishment of a deposit for ING Bank Śląski S.A. to secure receivables from the loan granted for MLP Poznań II Sp. z o.o. and interest, charges and costs under the agreement.
 - Appendix signed for registered and financial pledge agreement on shares of MLP Poznań II Sp. z o.o.,

- **Security claims to PKO B.P. S.A.:**
 - A blank bill of exchange with blank promissory note agreement,
 - Debt deduction clause from the borrower's accounts held at the bank,
 - An assignment of cash claims from the property insurance agreement during the construction and after completion (throughout the credit period),
 - Assignment of the lease receivables,
 - Assignment of guarantee deposits from the lease agreement,
 - A guarantee granted by MLP Group S.A. under the civil law for the full amount of the credit, valid until the decision concerning the mortgage registration is in force,
 - An assignment of cash claims from the management agreement concluded with MLP Group S.A., or another entity,
 - An assignment of claims regarding contract/contracts rights concluded with the general contractor and an assignment of cash from the successful execution guarantee,

- A deposit on the bank account as collateral of credit payments,
- Transfer of cash receivables from profit insurance policy to the borrower,
- MLP Lublin Sp. z o.o. support agreement granted by the MLP Group S.A. in case of exceeding the investment costs of Phase I and Phase II. The MLP Group S.A. support agreement for Phase I will remain in force until the date on which permission to use Phase I will become final and a final report regarding this phase will be issued by an Independent Technical Advisor ("ITA"), which will include, among others, a confirmation of financial settlement with GC. MLP Group S.A. support agreement for stages under Phase II will remain in force until the date on which the permission to use the last stage of Phase II becomes final and a final report is issued by ITA regarding the entire investment.

29. Related party transactions

29. 1 Trade and other receivables and payables

Related party balances related to trade and other receivables and payables as at 31 December 2015 are as follows:

	Trade and other receivables	Trade and other payables*
Parent company		
The Israel Land Development Company Ltd., Tel-Aviv	50	-
	50	-
Key management personnel		
ROMI CONSULTING, Michael Shapiro	-	40
RTK CONSULTING, Radosław T. Krochta	-	37
Other key management personnel	-	1
	-	78
Total	50	78

* "Trade and other payables" do not include key management personnel remuneration and share-based payments that were disclosed in Note 32.

29. 2 Loans granted and received

Related party balances related to loans granted and received as at 31 December 2015 are as follows:

	Loans granted	Loans received
Other related parties		
Fenix Polska Sp. z o.o.	78 497	84 727
Total	78 497	84 727

29. 3 Revenues and expenses

Related party transactions related to revenues and expenses for the year ended 31 December 2015 are as follows:

	Sales-other	Purchase of services and salary cost	Interest income	Interest cost
Parent company				
CAJAMARCA HOLLAND B.V., Delft	-	-	-	(41)
The Israel Land Development Company Ltd., Tel-Aviv	169	-	-	-
	169	-	-	(41)
Other related parties				
Fenix Polska Sp. z o.o.	-	-	2 297	(2 774)
	-	-	2 297	(2 774)
Key management personnel				
ROMI CONSULTING, Michael Shapiro	-	(402)	-	-
RTK CONSULTING, Radosław T. Krochta	-	(540)	-	-
PROFART, Tomasz Zabost	-	(370)	-	-
PEOB, Marcin Dobieszewski	-	(217)	-	-
Other key management personnel	-	(539)	-	-
	-	(2 068)	-	-
Total	169	(2 068)	2 297	(2 815)

Fenix Polska Sp. z o.o. is a related party through Cajamarca Holland B.V. which, as at 31 December 2015, owns 100% of shares in Fenix Polska Sp. z o.o. and 56.98% in the share capital of the Group.

30. Significant litigation and disputes

30. 1 Czerwona Torebka S.A.

On 29 January 2016 the suspensive condition in respect to purchase by MLP Poznań West Sp. z o.o. from "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. of a property located in Więckowice (Dopiewo community, poznański county, wielkopolskie voivodeship), consisting of plot under land register no. PO1P/00295155/9 kept by Poznań District Court - Old Town in Poznań, V department of land registers, did not come into force. The suspensive condition in the lease agreements concluded with following entities was not fulfilled: "Dyskont Czerwona Torebka" S.A. (formerly: "Dziwiąta – Czerwona Torebka spółka akcyjna" S.K.A.); "Małpka" S.A. (in the moment of signing the lease agreement the company belonged to „Czerwona Torebka” S.A. capital group).

The seller did not reach a satisfactory legal status of the above mentioned property resulting in failure condition.

Due to the fact, that "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. did not return a loan of PLN 20,790,455 to MLP Poznań West Sp. z o.o., on 29 January 2016 the company filed a lawsuit in District Court in Poznań against:

- "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. for PLN 21,888,674.51 plus statutory interest for the period from the day of filing the suit until the repayment date;
- Czerwona Torebka S.A. for PLN 21,258,766.01 plus statutory interest for the period from the day of filing the suit until the repayment date,

with the stipulation, that with relation to PLN 21,258,766.01 plus statutory interest for the period from the day of filing the suit until repayment date, responsibility of defendants is joint, taking into account that payment of that amount by one of the defendants relieves the second defendant.

Repayment of the loan is secured by a contractual mortgage of PLN 31,094,182.50, entered in section IV of the land register no. PO1P/00295155/9 kept by the Poznań District Court - Old Town in Poznań, V department of land registers for plots 319/1, 319/2 and 319/3 with a total area of 45.9807 ha.

30. 2 CreditForce Holding B.V

On 12 January 2012 the Warsaw District Court pronounced its verdict in favor of MLP Tychy Sp. z o.o. (currently MLP Sp. z o.o. SKA) for PLN 2,005 thousand plus contractual interest from CreditForce Holding BV with its seat in Houten (Netherlands) jointly with the European Bakeries Sp. z o.o., respective default judgment rendered on 16 March 2011.

The abovementioned amount includes receivables from investment expenditures incurred by the lessor related to the construction works that increased the technical standard of the leased asset.

On 22 November 2012, CreditForce Holding BV filed to the District Court in Warsaw a complaint to renew the proceedings. The court suspended the execution of the judgment. In the course of the proceedings, the Company received information that CreditForce Holding BV declared bankruptcy.

Currently there are two proceedings in front of the Warsaw District Court: to renew the proceedings ended with a legally valid verdict and objection to the default verdict in the case mentioned above (proceedings were suspended because CreditForce Holding B.V. declared bankruptcy). The Group recognized an impairment allowance of the abovementioned receivables.

On 24 June 2015 a response on European Bakeries Sp. z o.o. complaint regarding resumption of proceeding was filed. The hearing date has not been set yet.

30. 3 **OLPIZ Sp. z o.o.**

On 16 January 2014 the Issuer's subsidiary MLP Sp. o.o. SKA (formerly MLP Tychy Sp.) received a formal notice to pay PLN 5,406 thousand for improper storage and custody over possessions taken over by the court executive officer in the course of enforcement actions and loss of profits of OLPIZ Sp. z o.o. The Management of the Group, after consultation with their lawyer, does not agree with this claim. Therefore the Group has not created a provision. Currently the case is proceeded in front of the court of first instance.

31. **Significant events during the financial year and subsequent events**

- According to the resolution of the Supervisory Board dated 14 January 2015 Mr. Tomasz Zabost was appointed as a Member of Management Board.
- On 3 March 2015, Mr. Baruch Yehezkelov resigned from the position of Member of the Supervisory Board. Mr. Guy Shapira was appointed, by one of the Company's shareholders - Miro B.V., for the position of Member of the Supervisory Board according to rights arising from the Company Statute.
- On 5 March 2015, MLP Group S.A. entered into an agreement with Accurcius Ltd regarding the final amount to be paid for the shares in MLP Bucharest Sud S.R.L and on 6 March 2015 EUR 600 thousand was paid to Accurcius Ltd.
- On 13 April 2015, loan agreements between MLP Lublin Sp. z o.o. and PKO BP S.A. were signed, under which the bank granted the Company the following loans:
 - Investment loan in convertible currency not exceeding the lower of the following amounts: (i) EUR 14,465,918; (ii) 75% of the net investment held by the Company; the interest rate of the credit is based on EURIBOR 3M plus margin defined in the credit agreement; interest should be paid on a monthly basis. The credit is granted for the period from the date of signing of the credit agreement to the date falling 180 months from the date of signing of the credit agreement, but not later than 30 June 2030.
 - Revolving credit in PLN to finance current liabilities related to VAT of PLN 3,000,000; the interest rate of the credit is based on WIBOR 1M plus margin defined in the credit agreement. The credit is granted for the period from the date of signing of the credit agreement to the date falling 30 months from the date of signing of the credit agreement, but not later than 30 August 2017.

Security claims regarding the above mentioned credit were described in note 28.

The company MLP Lublin Sp. z o.o. will allocate the amounts obtained under the above mentioned credits to finance and refinance the costs of carrying out construction of the warehouse and logistic centre in Lublin.

The above described loan was taken at the beginning of August 2015.

- On 23 April 2015, the subsidiary of the Issuer - MLP Moszna I Sp. z o.o. concluded an agreement with DZ Bank AG S.A. regarding an early repayment of credit. According to the concluded agreement, the floating-to-fixed interest rate swap agreement was terminated without any liabilities for the bank or for the company. On 27 April 2015 the above mentioned credit was repaid by MLP Moszna I Sp. z o.o.
- On 25 June 2015 the General Meeting of Shareholders renewed mandates of members of the Supervisory Board of MLP Group SA. Personnel composition remained unchanged.
- On 25 June 2015 the Supervisory Board of MLP Group SA appointed The Management Board for another term. Personnel composition remained unchanged.

- On 30 September 2015 a subsidiary of the Company, MLP spółka z ograniczoną odpowiedzialnością SKA ("Seller"), signed an agreement concerning the sale of land located in Tychy, Turyńska Street along with buildings ("Property") with WestInvest Gesellschaft für Investmentfonds mbH seated in Düsseldorf ("Buyer").

Details of this transaction were described in note 8.

Guarantees issued by the Company regarding signed investment property sale agreement were described in note 28.5.

- On 29 October 2015 Lokafo 201 spółka z ograniczoną odpowiedzialnością SKA signed a conditional agreement for transferring the ownership of land located in Bieruń along with buildings with WestInvest Gesellschaft für Investmentfonds mbH seated in Düsseldorf.

Details of this transaction were described in note 8.

Guarantees issued by the Company regarding signed investment property sale agreement were described in note 28.5.

- On 5 November 2015 a credit agreement between MLP Pruszków III Sp. z o.o. (Borrower 1), MLP Moszna I Sp. z o.o. (Borrower 2) and BGŻ BNP Paribas S.A. were signed.

The bank granted the following credits:

- credit in the amount of EUR 5,750,000 for the purpose of refinancing of the existing loan granted by Deutsche Bank PBC S.A. to MLP Pruszków III Sp. z o.o.
- credit in the amount of EUR 2,900,000 for the purpose of refinancing of investments conducted by MLP Moszna I Sp. z o.o.

The credits have been granted for the period from the date of signing of the agreement to the day falling 84 months from the day the loan was taken.

Pledges regarding the above mentioned credit were described in note 28.

- On 11 December 2015, by virtue of notarial deed, MLP Wrocław Sp. z o.o. w organizacji, bought a plot of land with a total area of 13.0416 ha located in the Mirków, Długołęka community.
- On 17 December 2015, by virtue of notarial deed, MLP Gliwice Sp. z o.o. w organizacji, bought a plot of land of total area 14.9097 ha located in Szałsza, Zbrostawice community, tarnogórski district, śląskie voivodeship.
- On 4 January 2016 MLP Moszna I Sp. z o.o. and MLP Pruszków III Sp. z o.o. signed agreements that change the interest rate from floating to fixed with BGŻ BNP Paribas S.A. All future interest payments calculated on the basis of a floating interest rate will be effectively replaced with fixed interest according to the schedule attached in the above mentioned agreements.
- On 4 March 2016 MLP Group S.A. acquired 50 shares of PLN 5,000 in MLP Łódź Sp. z o.o. and acquired directly 100% of the share capital and voting rights in the above mentioned company. The shares were fully paid in cash.
- On 4 March 2016 MLP Group S.A. acquired 50 shares of PLN 5,000 in MLP Czeladź Sp. z o.o. and acquired directly 100% of the share capital and voting rights in the above mentioned company. The shares were fully paid in cash.

Following the end of the reporting period, until the date of approval for publication of these consolidated 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 consolidated financial statements of the Group.

32. Remuneration paid or due to members of management and supervisory bodies

<i>for the year ended 31 December</i>	2015	2014
Remuneration of Management Board:		
• Remuneration and other benefits:		
Michael Shapiro	402	403
Radosław T. Krochta	540	465
Dorota Jagodzińska-Sasson	-	253
Tomasz Zabost	370	84
Marcin Dobieszewski	217	55
	1 529	1 260
• Cash settled share based payment		
	662	536
	2 191	1 796
Remuneration of Supervisory Board:		
• Remuneration and other benefits		
Maciej Matusiak	30	29
Jacek Tucharz	30	29
Eytan Levy	30	29
Shimshon Marfogel	30	29
Yosef Zvi Meir	30	29
Baruch Yehezkelov	5	29
Guy Shapira	25	-
	180	174
Total remuneration paid or due to the Management Board and Supervisory Board members	2 371	1 970
Other Key Management Personnel:		
• Remuneration and other benefits	539	527
• Cash settled share based payment	300	242
	839	769
Total remuneration paid or due to Management Board, Supervisory Board and Key Management Personnel	3 210	2 739

The above note presents remuneration of members of management and supervisory bodies and costs of services provided to subsidiaries of the Group and other Key Management Personnel.

Apart from the transactions presented in note 29 and above, Members of the Management Board, Supervisory Board and other Key Management Personnel did not receive any other benefits from any of the entities of the Capital Group.

33. Employment structure

	<i>for the year ended 31 December</i>	2015	2014
Average employment in the period		18	23

34. Information about the audit firm

On 12 December 2013, the Supervisory Board, acting on the basis of the article no. 21.2 g) of the Company's Articles of Association appointed KPMG Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its seat in Warsaw, as the entity entitled to audit separate and consolidated financial statements for the years: 2013, 2014, 2015, and perform the interim reviews of separate and consolidated financial statements for the years 2014, 2015, 2016.

Headquarters of KPMG Spółka z ograniczoną odpowiedzialnością spółka komandytowa is seated in 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 the number 3546.

The agreement with the auditor was concluded by the Management Board for the time required to perform the tasks assigned to the auditor.

35. Information regarding the issuance, redemption and repayment of debt and equity securities

In the period ended 31 December 2015 there were no events related to the issuance, redemption or repayment of debt and equity securities.

36. The Management Board's statement on published financial forecasts

The Management Board of MLP Group S.A. has not published any financial forecasts for 2015.

37. A brief description of achievements and failures in the period ended 31 December 2015

There were no other significant achievements or failures other than those described in these consolidated financial statements.

38. Seasonality and cyclicity

Group activities are not subject to seasonality or cyclicity.

Except for the information presented in this Consolidated report for the period ended 31 December 2015, there is no other information relevant for the assessment of the human resources, financial result of the Group and their changes and information, which are significant for assessing the possibility of achievement of commitments by the MLP Group S.A. Capital Group.

Michael Shapiro
*President of the Management
 Board*

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

Tomasz Zabost
*Member of the Management
 Board*

Pruszków, 14 March 2016



**Management Board
report on the activities of
MLP GROUP S.A.
Capital Group**

for the year ended 31 December 2015

The Management Board's report on the activities of MLP Group S.A. Capital Group for 2015 was prepared in accordance with paragraph 91 of 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 No. 33 item 259 with amendments).

Pruszków, 14 March 2016

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MLP Group S.A. Management Board approval of the report on the MLP Group S.A. Capital Group Activities for the year ended 31 December 2015

The Management Report on the MLP Group S.A. Capital Group activities for the year ended 31 December 2015 was prepared and approved by the Management Board on 14 March 2016.

Michael Shapiro
President of the Management Board

Radosław T. Krochta
Vice-President of the Management Board

Tomasz Zabost
Member of the Management Board

Pruszków, 14 March 2016

Introduction

The Parent Company of the MLP Group S.A. Capital Group ("Group") is MLP Group S.A. ("Company", "Issuer", "Parent Company"). The Company is registered in the National Court Register under registration number 0000053299, District Court for the Capital City Warsaw, XIV Department of the National Court Register. Company headquarters is located in Pruszków (05-800 Pruszków, 3-go Maja 8 Street).

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

The core business of the Parent Company and its subsidiaries is management, buying and selling of real estate, rental of real estate, the 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 Group is CAJAMARCA HOLLAND B.V. that is registered in the Netherlands, 2 Martinus Nijhofflaan, 2624 ES Delft.

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

1. Basic information on MLP Group S.A. Capital Group and MLP Group S.A.

1.1 Group structure

As at 31 December 2015, MLP Group S.A. Group consisted of following entities:

Entity	Country of registry	Direct and indirect share of the Parent Company in the equity	Direct and indirect share of the Parent Company in the voting rights
MLP Pruszków I Sp. z o.o.	Poland	100%	100%
MLP Pruszków II Sp. z o.o.	Poland	100%	100%
MLP Pruszków III Sp. z o.o.	Poland	100%	100%
MLP Pruszków IV Sp. zo.o.	Poland	100%	100%
MLP Moszna I Sp. z o.o.	Poland	100%	100%
MLP Poznań Sp. z o.o.	Poland	100%	100%
MLP Lublin Sp. z o.o. ²⁾	Poland	100%	100%
MLP Poznań II Sp. z o.o.	Poland	100%	100%
MLP Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
MLP Energy Sp. z o.o.	Poland	100%	100%
MLP Property Sp. z.o.o.	Poland	100%	100%
MLP Bieruń Sp. z o.o.	Poland	100%	100%
MLP Bieruń I Sp. z o.o.	Poland	100%	100%
MLP Sp. z o.o.	Poland	100%	100%
MLP Teresin Sp. z o.o.	Poland	100%	100%
MLP Poznań West Sp. z o.o. ³⁾	Poland	100%	100%
MLP FIN Sp. z o.o. ¹⁾	Poland	100%	100%
LOKAFOP 201 Sp. z o.o. ⁴⁾	Poland	100%	100%
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA ⁵⁾	Poland	100%	100%
MLP Wrocław w organizacji Sp. z o.o. ⁶⁾	Poland	100%	100%
MLP Gliwice w organizacji Sp. z o.o. ⁷⁾	Poland	100%	100%

The Company holds shares in MLP Bucharest Sud S.R.L. which is in bankruptcy

Changes in the Group

- ¹⁾ On 17 February 2015 MLP Fin Sp. z o.o. was registered in the National Court Register.
 - ²⁾ On 2 February 2015 MLP Poznań I Sp. z o.o. changed its name to MLP Lublin Sp. z o.o.
 - ³⁾ On 16 April 2015 MLP Poznań Zachód Sp. z o.o. changed its name to MLP Poznań West Sp. z o.o.
 - ⁴⁾ On 24 June 2015 MLP Group S.A. acquired 100 shares of total value PLN 5.000 in LOKAFOP 201 sp. z o.o. and acquired directly 100% of the share capital and voting rights in the above mentioned company.
 - ⁵⁾ On 20 August 2015 MLP Group S.A. acquired 50.000 A series registered shares numbered A00001 to A50000 with a nominal value of PLN 1 each in LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA, whose sole general partner is a LOKAFOP 201 Sp. z o.o.
 - ⁶⁾ On 9 December 2015 MLP Wrocław Sp. z o.o. was established by virtue of a notarial deed. MLP Group S.A. acquired 50 equal and indivisible shares with a nominal value of PLN 100 each and a total nominal value of PLN 5.000 paid fully in cash.
 - ⁷⁾ On 9 December 2015 MLP Gliwice Sp. z o.o. was established by virtue of a notarial deed. MLP Group
On 12 February 2015 MLP FIN Spółka z ograniczoną odpowiedzialnością Sp. k. was registered in the National Court Register.
- On 6 March 2015 MLP Group S.A. made a contribution in kind of PLN 150 thousand to MLP FIN Spółka z ograniczoną odpowiedzialnością sp.k.
- On 30 December 2015 MLP Group S.A. sold all the shares held in MLP FIN Spółka z ograniczoną odpowiedzialnością Sp.K. to Sanborn Holdings Ltd.

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

Since 1998, MLP Group has operated in the market of commercial real estate, specializing in the construction of modern warehouse and manufacturing centers, offering its tenants both storage space and production space, adopted to carry light industrial production. Acting on the market as a developer, consultant and manager of real estate, the Group provides comprehensive solutions to many national and international manufacturing and distribution companies, for the optimization of warehouse and production space.

In order to provide high quality services, all projects undertaken by the Group are distinguished by an attractive location of the logistics parks, application of built-to-suite type solutions and support given to tenants during the lease term. Management believes that the attractiveness of the location of the logistics parks operated by the Group is reflected in the following criteria:

- location of logistics parks near large metropolitan areas,
- location of logistics parks near road communication nodes,
- easy access to public transportation to and from the logistics parks.

The Group is currently operating four logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań and MLP Lublin, and has a logistics park under construction - MLP Teresin and bought land for construction of two new logistics parks - MLP Gliwice and MLP Wrocław. The total size of surplus land in Poland is 96.3 hectares.

1. 3 Information about the Capital Group real estate portfolio

The investment portfolio of the Capital Group is comprised of four operating logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, and MLP Lublin and a logistics park under construction – MLP Teresin.

Moreover, in December 2015 the Group bought land for construction of two new logistics parks - MLP Wrocław and MLP Gliwice.

The Group classifies its investment portfolio under two categories:

- properties generating rental income,
- investment projects and surplus land.

The following table shows the structure of the investment portfolio by category of the Group's parks at 31 December 2015:

Logistics parks in Poland	Location	Target area (sq.m)	Developed space (sq.m)	Space under construction (sq.m)	Surplus land (sq.m)
MLP Pruszków I	Pruszków	167 033	165 421	-	-
MLP Pruszków II	Brwinów	280 000	67 014	14 057	503 865
MLP Poznań	Poznań	90 825	28 252	7 382	114 420
MLP Lublin	Lublin	49 889	15 750	-	64 879
MLP Teresin ¹⁾	Teresin	37 601	-	37 601	-
MLP Gliwice ²⁾	Szałsza	78 000	²⁾	²⁾	149 097
MLP Wrocław ³⁾	Mirków	64 000	³⁾	³⁾	130 416
Total		767 348	276 437	59 040	962 677

¹⁾ In December 2014 the Group acquired land located in Gnatowice Stare of 6.1 ha area. It was the first stage of investment related to construction of new logistics park - MLP Teresin.

In the next phase of the above mentioned investment, in July 2015 the Group purchased another property of 8.9 ha area located in Gnatowice Stare, while selling part of the property of 4.4 ha area acquired in December 2014.

²⁾ In December 2015 the Group acquired land located in Szałsza of 14.9 ha. This investment is related to construction of the new logistics park - MLP Gliwice.

³⁾ In December 2015 the Group acquired land located in Mirków of 13.0 ha. This investment is related to construction of the new logistics park - MLP Wrocław.

Moreover, in 2015, the Group sold investment properties comprising of two parks: MLP Tychy and MLP Bieruń. Total leasable area in those parks amounted to 123,228 sq.m.

Summary of leasable area owned by the Group in Poland as at 31 December 2015 (sq.m):

Total developed space upon completion (sq.m)	Developed space (sq.m)	Space under construction (sq.m)	Space built and leased (sq.m)	Space under development leased on the basis of signed agreements (sq.m)	Space under development not yet leased (sq.m)
767 348	276 437	59 040	268 569	51 658	7 868

Types of rental space offered:

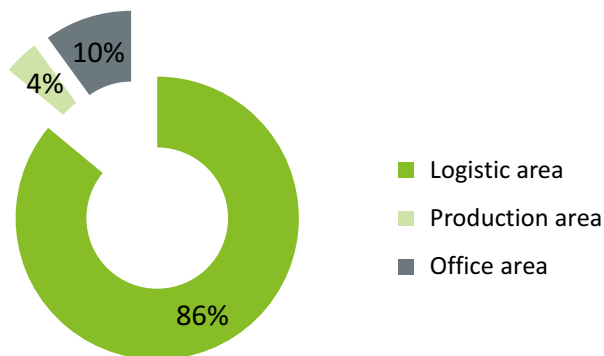
The Company offers its tenants two types of space:

- warehouse space for storage of goods, and
- space for light industrial production.

Additionally, the Group provides its tenants with office space, in connection with their core business. The final allocation of the gross leasable area is dependent on the requirements of the tenants.

The completed area of the Group's parks at 31 December 2015 is:

Breakdown of the Group's developed space by type as at 31 December 2015



The fair value of the Group's property portfolio at 31 December 2015:

Logistics Park	Fair Value in EUR thousand	Fair Value in PLN thousand
MLP Pruszków I	80 610	343 519
MLP Pruszków II	68 319	291 141
MLP Poznań	23 123	98 539
MLP Lublin	11 095	47 281
MLP Teresin	3 850	16 407
MLP Gliwice	4 198	17 890
MLP Wrocław	5 876	25 041
Total	197 071	839 818

Value of the investment property portfolio presented in the consolidated financial statements at 31 December 2015 is comprised of: (i) fair value of investment property of PLN 839,818 thousand, (ii) perpetual usufruct of land of PLN 5,260 thousand.

1. 4 Information about the market, customers and suppliers

In 2015, the Group operated in Poland. As at 31 December 2015 the Group runs four logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań and MLP Lublin, has a logistics park under construction - MLP Teresin and bought land for construction of two new logistics parks - MLP Gliwice and MLP Wrocław.

1. 4.1 The structure of the Group's sales

The Group's revenue is generated from rental of investment property (logistics parks) in Poland. The following table presents the types of rental revenue:

Revenue from sales			
<i>in the year ended 31 December</i>	2015	2014	change (%)
External customer sales:			
Investment property rental	67 759	69 081	-1,9%
Parks: MLP Tychy and MLP Bieruń	21 736	26 035	-16,5%
Other Parks	46 023	43 046	6,9%
Re-invoicing of operating costs	17 467	17 968	-2,8%
Parks: MLP Tychy and MLP Bieruń	4 124	5 019	-17,8%
Other Parks	13 343	12 949	3,0%
Re-invoicing of utilities	15 152	13 203	14,8%
Parks: MLP Tychy and MLP Bieruń	272	307	-11,4%
Other Parks	14 880	12 896	15,4%
Other	1 713	2 534	-32,4%
Parks: MLP Tychy and MLP Bieruń	94	1 626	-94,2%
Other Parks	1 619	908	78,3%
Total	102 091	102 786	-0,7%

The structure of the Group's tenants is diversified, and therefore the Group is not exposed to significant risk arising from contracts signed with a single tenant or group of tenants. As at 31 December 2015, the average space rented to one tenant was approximately 4.2 thousand sq.m. (as at 31 December 2014 average space rented to one tenant was 4.7 thousand sq.m).

As at 31 December 2015 about 55% of the total leased space was occupied by the 10 largest tenants in logistics parks belonging to the Group (as at 31 December 2014 it was 40%).

1. 4.2 The largest counterparties

In the reporting period the Group's companies cooperated mainly with suppliers providing the following services:

- construction (cooperation in investment and development projects),
- media delivery,
- consulting - business and legal advisory,
- maintenance of properties,
- security.

In case of construction, general contractors are chosen through the process of internally organized tender procedures. In 2015 the Group cooperated with four construction companies, with purchase turnover exceeding 10% of the Group's revenue, that were acting as general contractors:

- Bln - Biuro Inżynierskie Sp. z o.o.
- Depenbrock Polska Sp.z o.o. Sp.k.
- Bremer Sp. z o.o.
- Antczak Marek Spółka z o.o.

In case of purchase of other services, due to a broad base of suppliers, the Group is not dependent on a single supplier. In 2015 purchase turnover with any of the Group's other suppliers did not exceed 10% of the Group's revenues.

2. MLP Group S.A. Capital Group activities

2. 1 Activities of MLP Group S.A. Capital Group in 2015

In 2015, the Group continued its activities of construction and property management in relation to warehouse and office space. Constructions were carried out mainly in a general contractor system, delivered by specialized external entities.

Moreover, in the second half of 2015, the Group sold investment properties comprising of two logistics parks: MLP Tychy and MLP Bieruń.

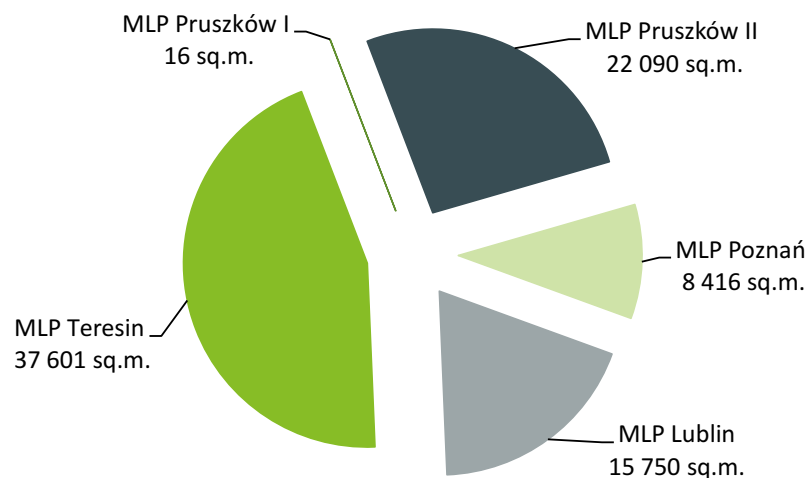
In the analyzed period, the Group simultaneously operated several development projects and rented more than 268 thousand sq.m of existing warehouse and office space. In addition, in 2015, the Group sold investment properties forming two parks: MLP Tychy and MLP Bieruń. The total area under lease agreements in these parks, in the moment of sales, was 123,228 sq.m. 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 Investment projects started and completed

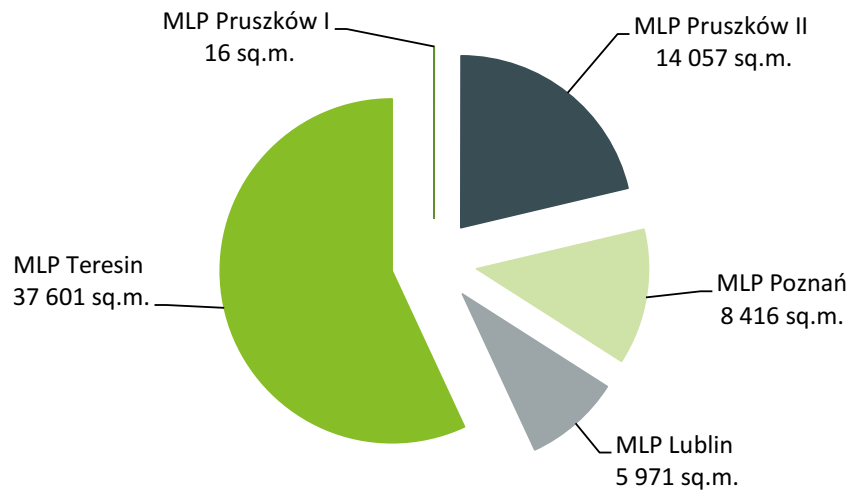
In 2015 the Group carried out investment projects with a total area of 83,873 sq.m.

Area of investment projects with construction activity in 2015
(sq.m)



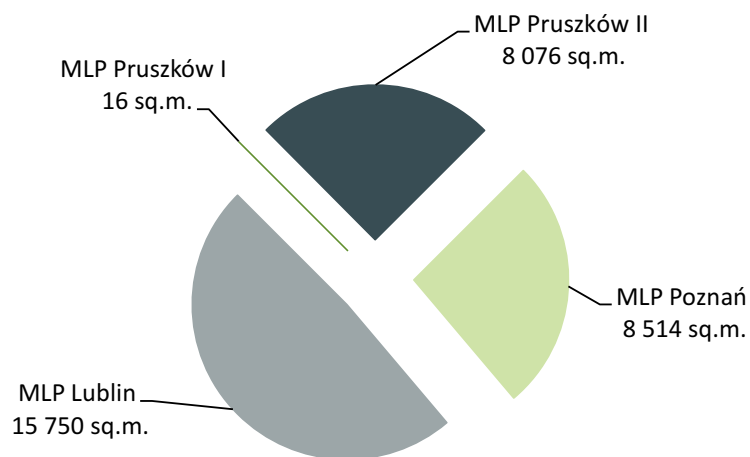
Out of the total area of projects that were with construction activity in 2015, 17,812 sq.m of investment projects were started before 2015. Additionally in 2015, the Group commenced the construction of warehouse and office buildings with a total area of 66,061 sq.m. The chart presents the surface area of initiated investment projects in various parks of the Group:

Area of investment projects started in 2015 (sq.m)



Among the total area of 83,873 sq.m. of projects under construction, in 2015 the Group had finalized projects of 32,356 sq.m.

Area of investment projects completed in 2015 (sq.m)



As at 31 December 2015, the Group is preparing investment project of 7,382 sq.m. in MLP Poznań Logistics Park, construction of which will begin at the end of 2016.

2. 1.2 Development projects currently underway and in preparation

In 2015 the Group has finished all projects under construction at 31 December 2014. Additionally, 59,040 sq.m of space in logistic parks: MLP Pruszków II, MLP Poznań, MLP Poznań West and MLP Teresin is to be built.

Moreover, the Group acquired land for construction of two new logistics parks - MLP Gliwice and MLP Wrocław, where it plans to build a total of 142,000 sq.m.

The Group's strategy is to focus on expanding the existing industrial parks (i.e. construction of warehouses on land belonging to the Group), and development of BTS projects outside existing parks. The Group realizes BTS projects, i.e. a lease agreement with a prospective tenant must be signed prior to the initiation of the investment process.

Currently, the Group has not entered into any binding commitments for realization of new investment projects. Future investments will be financed, among other sources, from proceeds from sale of investment properties comprising two logistics parks: MLP Tychy and MLP Bieruń.

2. 1.3 Significant agreements for the Group's activities

Significant suppliers with whom the Group entered into agreements in 2015 with a total value exceeding 10% of Group's equity.

In the financial year ended 31 December 2015, the Group has not entered into a trade agreement with a single supplier the total value of which exceeded 10% of the Group equity.

In 2015 the Group signed a credit agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A., which had a value that exceeded 10% of Group's equity. Credit agreement details were described in chapter 3.4.2.

On 5 November 2015 a credit agreement between MLP Pruszków III Sp. z o.o. (Borrower 1), MLP Moszna I Sp. z o.o. (Borrower 2) and BGŻ BNP Paribas S.A. bank has been signed.

2. 1.4 Agreements between the shareholders

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

Additionally, MLP Group S.A. Capital Group has no 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 2015 MLP Group S.A. Capital Group did not sign any significant agreement related to the cooperation or collaboration with other entities.

2. 1.6 Transactions with related parties

All transactions with related parties entered into by the Company or its subsidiaries were concluded on market terms.

A description of related party transactions is presented in Note 29 to the Consolidated Financial Statements for the year ended 31 December 2015.

2. 1.7 Litigation

Ongoing proceedings in court, arbitration proceedings.

As at 31 December 2015 there was no individual proceeding in court, arbitration or public administration related to liabilities or receivables of the Company or its subsidiaries, which would exceed 10% of the Group's equity.

As at 31 December 2015 there were no combined proceedings in court, arbitration or public administration related to liabilities or receivables, that together would exceed 10% of the Group's equity.

As at 31 December 2015, the Group was a party to proceedings related to liabilities and receivables of approximately PLN 29,307 thousand, including the total value of proceedings relating to liabilities of approximately PLN 5,486 thousand (out of which PLN 5,406 thousand relates to a court case with OLPIZ Sp. z o.o.). The total value of proceedings concerning receivables amounted to approximately PLN 23,821 thousand (out of which PLN 20,730 thousand relates to the court case with Czerwona Torebka S.A.).

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

The arbitration proceedings initiated by Accursius Limited, with its seat in Limassol, were closed in 2015. On 5 March 2015, MLP Group S.A. entered into an agreement with Accurcius Ltd regarding the final amount to be paid for the shares in MLP Bucharest Sud S.R.L and on 6 March 2015 EUR 600 thousand was paid to Accurcius Ltd.

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

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

The Group's operations are exposed to the following risks arising from financial instruments held by the Group:

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

The Management Board is responsible for the establishment and oversight of the Group's risk management, including the identification and analysis of risks to which the Group 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 Group's activities.

Credit risk

Credit risk is a risk of financial loss to the Company and companies from the Group if a customer or 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 Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial instrument. The Group'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 Group's reputation. For this purpose, the Group 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 Group'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 Group in this respect include applying hedge accounting to minimize volatility in the profit or loss for the current period.

◦ Foreign exchange risk

The consolidated financial statements of the Group are prepared in PLN, which is the functional currency of the Group. The majority of the Group's revenue from rent is denominated in EUR and occasionally in PLN 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's 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 the 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, the depreciation of the Polish currency against the EUR adversely affects the Group's performance, resulting in increased debt service costs.

◦ **Interest rate risk**

The Group's 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's control. Changes in interest rates may increase the financing cost of the Group with respect to existing loans, and thus affect its profitability. A need to hedge the risk of interest rates is considered by the Group in each case. In order to reduce the impact of the interest rate risk, the companies enter into Interest Rate SWAP transactions with the banks financing their activities. Changes in interest rates may have a material adverse effect on the financial position and results of the Group.

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

Risks associated with the Group's dependence on the macroeconomic situation

The development of the commercial real estate market, where the Group operates, is dependent on the changes taking place in the construction and real estate sector, trends in the sectors of: manufacturing, commerce, industry, services, transport and the development of the economy, which is influenced by many macroeconomic factors, such as: economic growth, inflation, interest rates, the situation on the labor market and the value of foreign direct investment. The Group's operations are dependent indirectly on changes in the world economy. The Group's business is affected in particular by: the level of GDP, the inflation rate, exchange rates, interest rates, the unemployment rate, the average wage, fiscal policy and monetary policy. The pace of growth in the domestic economy, and thus also, on the business and results of operations may be affected by a downturn and the slowdown of the world economy. Adverse changes in the macroeconomic situation in Poland and other countries' economic monetary policy are likely to adversely affect the Group's financial results materially and the ability to implement its plans.

Risks associated with factors specific to the real estate sector

The Group 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 Group 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 Group operates; (iii) the Group's ability to obtain appropriate services for construction, management, maintenance, and insurance services. Although the Group 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 Group'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's 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 Group 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 the Group's business, financial condition and results.

Insurance risk

The Group's 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 is responsible for. Due to the scope of insurance coverage currently held by the Group, 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 the case of other types of risks insurance premium costs are disproportionately high in relation to risk occurrence likelihood. The Group's insurance coverage may not protect the Group against all losses that the Group 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's 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 Group

The development of the Group'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 Group.

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

The Group'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, the Group's 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 has limited or no control, that may result in a delay or otherwise adversely affect the development or modernization of the Group's properties include:

- increase in the cost of materials, labor costs or other expenses that may cause the completion of a project to be unprofitable;
- actions taken by public authorities and local governments resulting in unexpected changes in the land use planning and development plan;
- disadvantages or limitations on legal title to land or buildings acquired by the Group or defects, restrictions or conditions related to management decisions on land owned by the Group;
- 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 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 of the Group 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 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's control, such as a slowdown in the real estate market. The Group 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 commissions their projects to general contractors or other third parties. The successful completion of construction projects depends on the ability of the Group 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. In addition, the above-mentioned events may adversely affect the Group's image and the ability to sell completed projects.

The financial strength and liquidity of the general contractors of the Group 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's strategy. Any security usually established by general contractors in order to secure the performance of obligations under the respective agreements with the Group, may not cover the total costs and damages incurred by the Group in these circumstances.

The Group's dependency on general contractors also exposes the Group 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 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, by the contractor or by the appropriate subcontractor.

Risks associated with obtaining administrative decisions:

As part of its activities and in the course of management of its assets, the Group is 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 can not guarantee that 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 in such decisions additional conditions and obligations, which may involve additional costs and the extension of the procedures.

In addition, the Group may seek changes of certain projects or facilities of the Group, 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 from obtaining the required permits, approvals or other decisions, including participation in administrative and judicial proceedings involving the Group, challenging decisions, regulations and rulings issued in the course of such proceedings, as well as disseminating negative and defamatory information about the Group and its investments. These actions may, in particular, significantly extend the realization of investment activities by the Group, as well as result in additional costs incurred by the Group in connection with the ongoing investments.

2. 2.2 Business prospects

The strategic goal of the Group is to permanently increase the owned warehouse space on the Polish market. The effect of this will be strengthening the Company's position as a long-term partner of customers developing operations in the area. The strategic objective of the Group is the realization of buildings in the Build to Suit (BTS) System on the current surplus land and construction of buildings in the BTS system beyond the current parks for resale. According to many forecasts, Poland is facing a period of increasingly rapid GDP growth. As the general state of the economy and trends in the industrial market are highly correlated, we expect that it will be reflected in the demand for storage.

2015 was a very intense year in the warehouse market in Poland, for tenants, investors and developers. At the end of 2015, the total warehouse stock in Poland exceeded 9.9 million sq m which reflected a 10% growth compared to the previous year. Modern warehouses are located primarily in seven major areas of concentration (i.e. Warsaw, Upper Silesia, Wielkopolska, Lower Silesia, Central Poland, Tricity and Kraków). However, along with the improving road infrastructure, the past year saw a dynamic development of smaller logistic markets, such as Szczecin, Lublin, Rzeszów.¹⁾

Currently, over 893 thousand sq.m. of modern industrial space remains under construction, of which 68% is leased. Developers are frequently deciding for partly speculative investments.

In 2016, further development of the industrial market is expected (Lublin, Rzeszów, Szczecin). Apart from BTS, BTO transactions will be observed (known also as fee development), in which clients contract developers to build warehouses for ownership.

Despite the low vacancy rate, effective rental rates will remain at a stable level and demand on logistic area in the following year is to maintain at a stable level.²⁾

¹⁾ Source: Knight Frank

²⁾ Source: Colliers International

3. Capital Group's financial position, financial resources management

3. 1 Key economic and financial data disclosed in the consolidated financial statements of the Group for the year 2015

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

The structure of the consolidated statement of financial position of the Group (selected, significant items):

<i>as at 31 December</i>	2015	Share %	2014	Share %	Change %
ASSETS	1 126 169	100%	1 234 436	100%	-9%
Non-current assets	927 298	82%	1 053 501	85%	-12%
Including:					
Investment property	845 153	75%	1 046 337	85%	-19%
Other long-term investments	69 215	7%	3 943	0%	1655%
Current Assets	198 871	18%	180 935	15%	10%
Including:					
Short-term investments	31 096	3%	97 829	8%	-68%
Trade receivables and other	19 333	2%	30 875	3%	-37%
Other short-term investments	11 162	1%	-	0%	-
Cash and cash equivalents	136 456	12%	51 801	4%	163%

<i>as at 31 December</i>	2015	Share %	2014	Share %	Change %
EQUITY AND LIABILITIES	1 126 169	100%	1 234 436	101%	-9%
Equity	647 368	57%	557 882	46%	16%
Long-term liabilities	403 689	36%	552 559	45%	-27%
Including:					
Credits, loans, other debt instruments and other long-term liabilities	323 793	29%	457 214	37%	-29%
Short-term liabilities	75 112	7%	123 995	10%	-39%
Including:					
Credits, loans and other debt instruments	19 696	2%	95 790	8%	-79%
Trade and other liabilities	51 741	5%	26 045	2%	99%

As at 31 December 2015 investment properties, including logistics parks belonging to the Group, constituted the main part of the Group's assets, i.e. 75 % total assets (85% in 2014). The main items of equity and liabilities were: credits, loans, perpetual usufruct, other debt instruments, equity and trade and other liabilities, which as at 31 December 2015 respectively accounted for: long term credits, loans, other debt instruments and other long term liabilities 29%, short term credits, loans and other debt instruments 2% and trade and other liabilities 5%. Decreased credit, loans, other debt instruments and other long term liabilities result mainly from early repayment of bank credits (along with SWAP liability) granted by: DZ Bank AG S.A., Raiffeisen Bank Polska S.A and PKO BP S.A., as well as part of the loans.

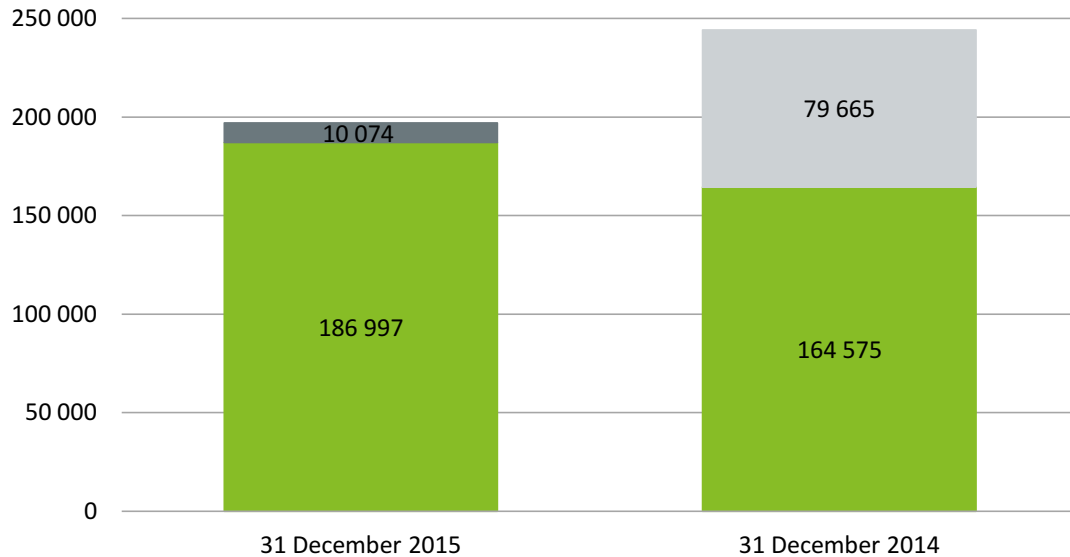
Investment property

<i>as at 31 December</i>	2015	2015	2014	2014	Change
	in thousand EUR	in thousand PLN	in thousand EUR	in thousand PLN	in thousand PLN
MLP Pruszków I	80 610	343 519	81 430	347 079	(3 560)
MLP Pruszków II	68 319	291 141	58 914	251 109	40 032
MLP Poznań	23 123	98 539	16 985	72 395	26 144
MLP Tychy	-	-	61 516	262 200	(262 200)
MLP Bieruń	-	-	18 149	77 356	(77 356)
MLP Lublin	11 095	47 281	6 800	28 984	18 297
MLP Teresin	3 850	16 407	446	1 901	14 506
MLP Gliwice	4 198	17 890	-	-	17 890
MLP Wrocław	5 876	25 041	-	-	25 041
Value of investment property according to valuations	197 071	839 818	244 240	1 041 024	(201 206)

According to the valuations as at 31 December 2015, the total value of the investment property portfolio of the Group amounted to EUR 197,071 thousand (PLN 836,434 thousand) and decreased by EUR 47,169 thousand in comparison to the value of the properties according to the valuations as at 31 December 2014. The change in the value of the investment property portfolio resulted mainly from sale of investment property comprising of MLP Tychy logistics park (in September 2015) and MLP Bieruń logistics park (in October 2015), total fair value of which amounted to EUR 79,665 thousand as at 31 December 2014.

Analysing the fair value change of investment properties, which are currently owned by the Group, a strong growth in value is observable (by EUR 32,496 thousand). The change in the value of the investment properties resulted from completion of several investment projects and handover of the total area of over 32 thousand sq.m. of warehouse space in 2015, as well as acquisition of land for construction of two new logistics parks - MLP Wrocław and MLP Gliwice (fair value of which amounted to EUR 10,074 thousand). The total area under lease agreements as at 31 December 2015 increased by 71 thousand sq.m. compared to 31 December 2014.

The value of the investment properties (in EUR thousand)



- value of other investment property (in EUR thousand)
- value of investment properties sold in 2015 (MLP Tychy and MLP Bieruń) (in EUR thousand)
- value of acquired investment property in 2015 (MLP Wrocław and MLP Gliwice) (in EUR thousand)

Other Investments

	<i>as at 31 December</i>	2015	2014
Other long-term financial assets		-	2 170
Long-term loans		69 215	1 773
Short-term loans		31 096	97 829
Other short-term investments		11 162	-
Total other investments		111 473	101 772

As at 31 December 2015, the amount of outstanding loans granted increased by PLN 709 thousand in comparison to the end of 2014. The balance has increased despite a repayment of PLN 23,548 thousand of loans and only PLN 180 thousand of loans granted (of which PLN 150 thousand related to Fenix Polska Sp. z o.o.) due to the increase of reclassification of an advance for the purchase of land of PLN 21,777 thousand to loans in the current year.

The reclassification was made, because a suspensive condition in the purchase of property located in Więckowice by MLP Poznań West Sp. z o.o. from "Trzecia - Czerwona Torebka spółka akcyjna" sp. k. was not fulfilled. The seller did not lead to a satisfactory legal status of the property which was the cause of suspensive condition failure.

Due to the fact, that "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. did not return the above mentioned loan to MLP Poznań West Sp. z o.o., on 29 January 2016 the company filed a lawsuit in the District Court in Poznań. Detailed information regarding this case was presented in note 2.1.7 of the Consolidated Management Board Report and in note 30.1 of the Consolidated Financial Statements.

Cash

	<i>as at 31 December</i>	2015	2014
Cash in hand		47	38
Cash in bank		60 836	9 282
Short-term deposits		75 573	42 481
Cash and cash equivalents presented in the consolidated statement of financial position		136 456	51 801
Cash and cash equivalents, presented in the consolidated statement of cash flows		136 456	51 801
<i>Restricted cash</i>		<i>(13 478)</i>	<i>(16 271)</i>

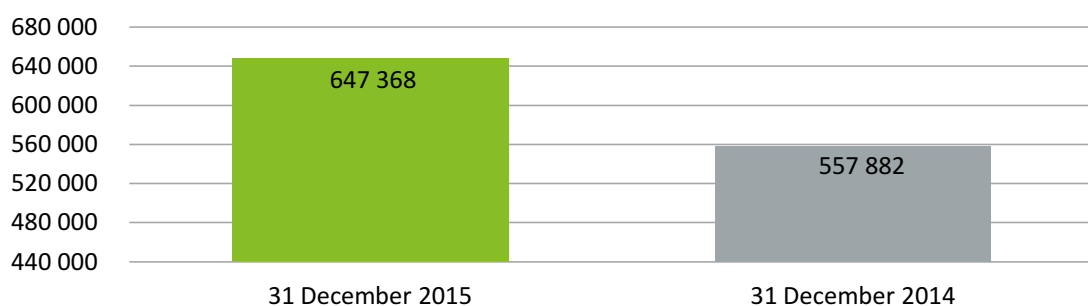
Cash and cash equivalents in the annual consolidated statement of financial position includes cash in hand and bank deposits with a maturity of up to 3 months from the end of the reporting period.

The balance of cash as at 31 December 2015 amounted to PLN 136,456 thousand and increased as compared to PLN 51,801 thousand as at the end of the prior year. The significant increase of cash results from sale of investment properties in 2015 (owned by logistics parks MLP Tychy and MLP Bieruń).

Equity

Net assets value (NAV)

Net asset value (PLN thousand)



Net assets value as at 31 December 2015 amounted to PLN 647,368 thousand, and increased by PLN 89,486 thousand (16.0%). The increase is related to the net profit generated in 2015. The increase is also related to PLN 14,858 thousand valuation of the hedging instruments and financial assets recognized in equity.

Share capital

	<i>as at 31 December</i>	2015	2014
Series A shares		11 440 000	11 440 000
Series B shares		3 654 379	3 654 379
Series C 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 2015, share capital of the Parent 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.

Credits, loans, other debt instruments and other liabilities

	<i>as at 31 December</i>	2015	2014
Credits secured on the Group's assets		222 889	373 124
Loan liabilities		80 761	36 219
Total long-term credits, loans and other debt instruments		303 650	409 343
Finance lease liabilities		5 260	5 277
Liabilities concerning SWAP transactions		13 579	40 776
Investment guarantees, guarantees from tenants and other		1 304	1 818
Total other long-term liabilities		20 143	47 871
Short-term credits and short term part of credits secured on the Group's assets		15 730	24 484
Loan liabilities		3 966	71 306
Liabilities concerning SWAP transactions		164	-
Total short-term liabilities		19 860	95 790
Credits, loans, other debt instruments and other liabilities		343 653	553 004

Credits, loans and other debt instruments constitute a major part of the Group's equity and liabilities. Credits and loans finance the expansion of Group's logistic parks.

Value of credits and long and short term loans decreased as compared to the end of 2014. It is related to the credits repaid by the Group: in April 2015 (credit taken from DZ Bank AG S.A., PLN 2,302 thousand of which of was redeemed) and in October 2015 (credits taken from Raiffeisen Bank Polska S.A. and PKO BP S.A.). In 2015 part of loans was repaid as well.

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

Consolidated statement of profit or loss of the MLP Group S.A. Capital Group for the year ended 31 December 2015 compared to 2014:

<i>for the year ended 31 December</i>	2015	% sales	2014	% sales	Change %
Revenues	102 091	100%	102 786	100%	-1%
Other operating income (excluding profit on sale of investment property)	1 139	1%	679	1%	68%
Selling and administrative expenses	(42 907)	42%	(40 444)	39%	6%
Other operating costs	(1 001)	1%	(1 608)	2%	-38%
Operating profit before gain on sale and revaluation of investment property and provision for purchase of shares of MLP Bucharest Sud S.R.L.	59 322	58%	61 413	60%	-3%
Gain on revaluation of investment property	19 700	19%	47 386	46%	-58%
Profit on sale of investment property (one-off revenue)	2 513	2%	-	-	-
Provision for purchase of shares of MLP Bucharest Sud S.R.L. (one-off cost)	-	0%	(2 557)	-2%	-100%
Operating profit	81 535	80%	106 242	103%	-23%
Net financial loss	(31 573)	31%	(30 733)	30%	3%
Profit before taxation	49 962	49%	75 509	73%	-34%
Corporate income tax	24 666	-24%	(20 740)	20%	-219%
Net profit from continuing operations	74 628	73%	54 769	53%	36%

	<i>for year ended 31 December</i>	2015	2014
Earnings per share:			
- Basic (in PLN) earnings for the year attributable to the ordinary shareholders of the Parent Company		4.12	3.02
- Diluted (in PLN) earnings for the year attributable to the ordinary shareholders of the Parent Company		4.12	3.02

The main source of revenue of the Group's core activities includes rental revenues. In the period of 3 quarters of 2015, rental revenues of the Group increased steadily and increased by PLN 5,457 thousand compared to the same period of the previous year. The decrease in revenue in the fourth quarter of 2015 (by PLN 6,152 thousand) in comparison to the fourth quarter of 2014 resulted from the sale of properties forming two logistics parks - MLP Tychy and MLP Bieruń in the end of September 2015 and in the middle of October 2015. As a result, revenues for 2015 decreased slightly (by PLN 695 thousand) in comparison to 2014 (PLN 102,786 thousand) and amounted to PLN 102,091 thousand. The increase in rental revenue in the first three quarters of 2015 resulted primarily from the expansion of the existing warehouse and production parks operated by the Group. In this period the average leased space amounted to 433,472.5 sq.m i.e. a 25% increase compared to the same period of 2014. While in 2015 the average leased space amounted to 409,827.7 sq.m i.e. a 16% increase compared to 2014. The average leased space increased, among others, due to space leased in MLP Teresin logistics park. The lease agreement was signed in 2014, however it included a suspensive condition in respect to purchase of land for further investment. The Group bought the land in July 2015.

Selling and administrative expenses in 2015 amounted to PLN 42,907 thousand and increased by PLN 2,463 thousand in comparison to 2014.

Due to the nature of the Group's operations, the largest position of selling and administrative expenses were costs of materials and energy consumption, external services and tax charges, which in 2015 amounted to PLN 12,889 thousand, PLN 13,068 thousand, and PLN 12,302 thousand - these costs are closely correlated to the volume of space in warehouses and manufacturing parks owned by the Group and their development and related maintenance costs. The Group re-invoices all utilities and maintenance costs related to the leased area to its tenants.

Net financial costs of the Group increased in 2015 (PLN 31,571 thousand) in comparison to the analogical period of the previous year (PLN 30,733 thousand). The increase was mainly due to settlement of MLP Spółka z ograniczoną odpowiedzialnością SKA and MLP Bieruń Sp. z o.o. IRS hedge transactions (in total PLN 18,549 thousand) connected with repayment of credits taken by these companies.

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

	<i>for the year ended 31 December</i>	2015	2014
Net Cash flows from operating activities		63 304	43 851
Net Cash flows from investing activities		220 848	-43 573
Net Cash flows from financing activities		-199 556	-32 914
Total net cash flow		84 596	-32 636
Cash at the beginning of the period		51 801	83 787
Foreign exchange differences on cash		59	650
Cash and cash equivalents at the end of the period		136 456	51 801
<i>- Including restricted cash</i>		<i>-13 478</i>	<i>-16 271</i>

In 2015, the Group recorded positive cash flows from operating activities of PLN 63,304 thousand. Compared to 2014, there was an increase of PLN 19,453 thousand.

In 2015 the Group recorded positive cash flows from investing activities of PLN 220,848 thousand. In the previous year negative cash flows from investing activities amounted to PLN 43,573 thousand. Negative cash flows from investing activities were associated with the Group's investment program. The most significant outflows were related to investments connected with the development of logistics parks. Change in cash flows from investing activities as compared to 2014 results from sale of investment property forming MLP Tychy and MLP Bieruń logistics parks in 2015.

Higher cash flows from financing activities (PLN 199,556 thousand) in 2015 as compared to 2014 (PLN 32,914 thousand) are mainly a result of repayment of loans (together with SWAP liabilities) taken from: DZ Bank AG S.A., Raiffeisen Bank Polska S.A, Deutsche Bank PBC S.A. and PKO BP S.A., as well as partial repayment of loans.

Cash inflows from credits and loans received in 2015 were higher as compared to 2014. During this period, the Group received credit of PLN 18,462 thousand (credit received by MLP Pruszków IV Sp. z o.o), next tranche of credit was drawn in the amount of PLN 8,459 thousand (received by MLP Spółka z ograniczoną odpowiedzialnością SKA), tranche of credit in the amount of PLN 1,355 thousand (received by MLP Bieruń Sp. z o.o.), credit in the amount of PLN 13,029 thousand (received by MLP Lublin Sp. z o.o.), credit in the amount of PLN 12,299 thousand (received by MLP Moszna I Sp. z o.o) and PLN 23,827 thousand (credit received by MLP Pruszków III Sp. z o.o.). Cash from loans received refinanced expenditures for a construction of warehouse and office space in Group's parks.

3. 2 Forecasts

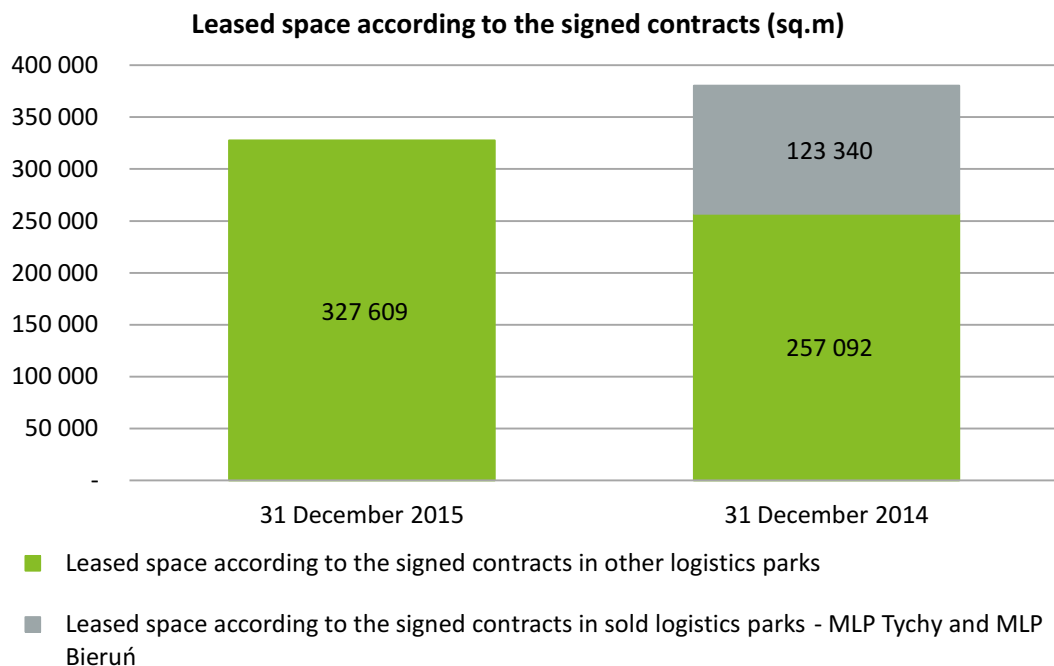
MLP Group S.A. Capital Group as well as MLP Group S.A. has not published forecasts of consolidated or individual financial results for 2015.

3.3 Group's financial management

Management of financial resources of the MLP Group S.A. Capital Group in 2015, in connection with the ongoing investment projects for the development of warehouse and office space, focused primarily on acquiring and structuring appropriate financing sources, as well as maintaining safe liquidity ratios. The Management Board conducts regular analysis of the existing and future optimal financing structure in order to achieve the ratios and financial results while ensuring the liquidity of the Group and the wider financial security.

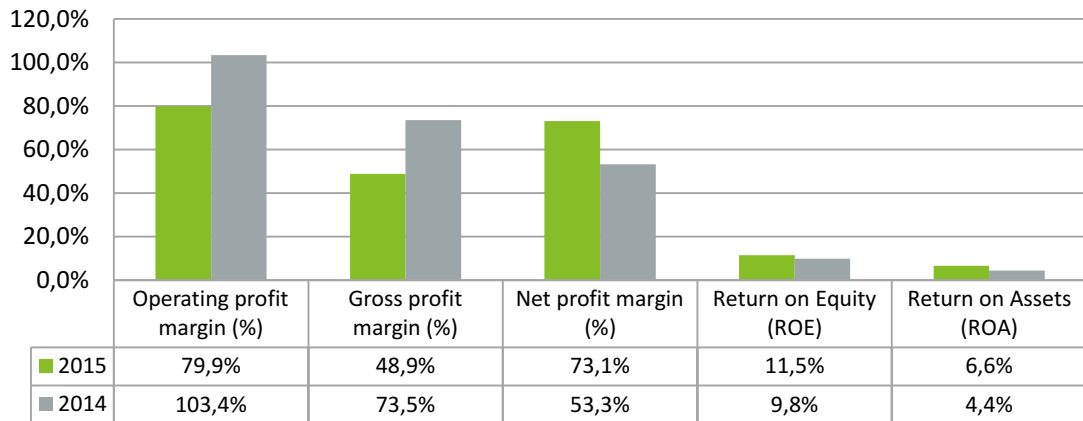
According to the Management Board, the Group's financial position and its performance as at the end of 2015 proves a stable situation of the Group. This is achieved by the established position of the Group on the warehouse market, the accumulation of experience and operational capacity both in terms of implementation of investment projects as well as in the process of renting the facilities. The financial position and the performance of the Group is described by liquidity and debt ratios further in the report.

Taking into account the situation in the real estate market in Poland in recent years, the financial results achieved by the Group in 2015 are to be considered positive. As at 31 December 2015, the Group leased a total area of 327,609 sq.m, in comparison to 380,432 sq.m as at 31 December 2014.



3. 3.1 Profitability ratios

Profitability ratio



Profitability analysis was based on the below defined indicators:

- **operating profit margin:** profit (loss) from operating activities / revenue;
- **gross profit margin:** profit (loss) before tax / revenue;
- **net profit margin:** net profit (loss) / revenue;
- **return on equity (ROE):** net profit (loss) / equity;
- **return on assets (ROA):** net profit (loss) / total assets.

In 2015, the operating profit margin decreased in comparison to 2014. The level of operating profit margin in 2015 was mainly affected by decrease of gain on revaluation of investment property of PLN 19,700 thousand (in 2014 the Group recognized a gain on revaluation of investment property of PLN 47,386 thousand).

Gross profit margin ratio decreased in 2015 by 24.6 p.p. and amounted to 48.9% as a result of a significant decrease of profit before tax (33.8% as compared to 2014).

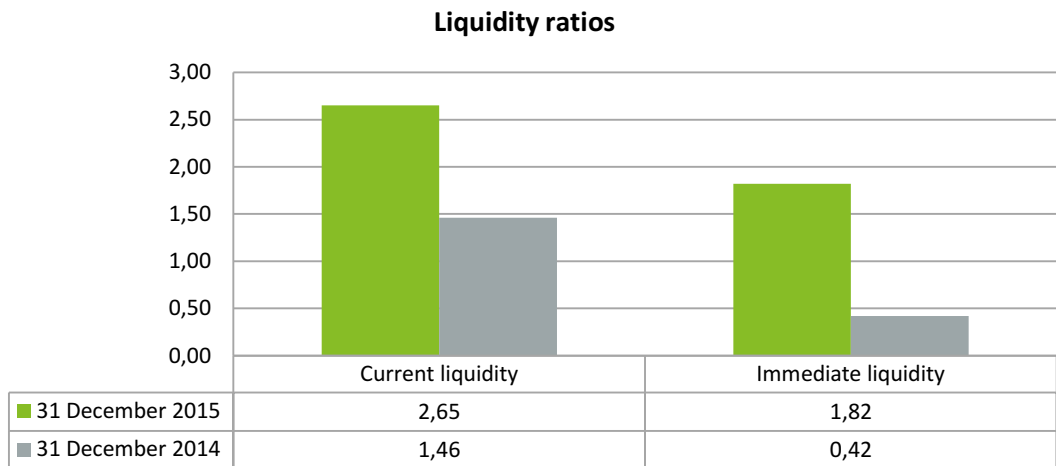
Net profit margin increased as compared to the previous year by 19.8 p.p. and amounted to 73.1% in 2015. This change was affected by an increase of net result in comparison to the prior year (increase by 36.3%).

Despite lower gross profit, net profit for 2015 increased as compared to 2014 due to change in deferred tax recognized in the profit or loss, affected by the reversal of deferred tax liability of PLN 30,561 thousand due to sale of investment properties by MLP Spółka z ograniczoną odpowiedzialnością SKA. and MLP Bieruń Sp. z o.o.

Return on equity in 2015 increased slightly as compared to the previous year (change of 1.7 p.p.). Higher increase in net profit (by 36.3%) in comparison to the increase in equity (16.0%) as compared to 2014 had the most significant impact on ROE.

Also return on assets increased as compared to 2014 by 2.2 p.p.

3. 3.2 Liquidity ratios



Liquidity analysis was based on the below defined indicators:

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

Current liquidity ratio as at 31 December 2015 increased compared to 2014 (increase by 1.19).

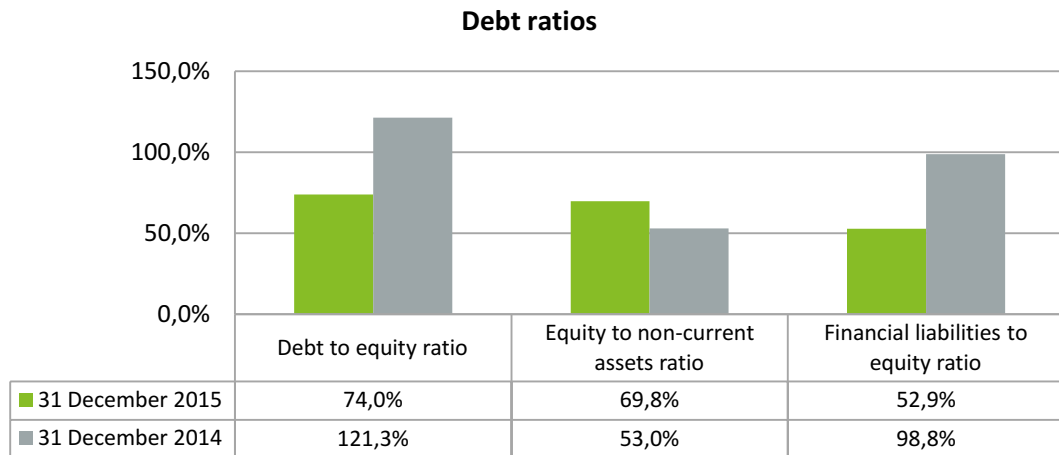
Cash and cash equivalents as at 31 December 2015 increased significantly compared to 31 December 2014 due to sale of investment properties, which resulted in a higher value of current assets as at 31 December 2015.

On the contrary, short-term liabilities decreased as compared to 31 December 2014, due to repayment of three bank credits (taken from: DZ Bank S.A., Raiffeisen Bank Polska S.A. and PKO BP S.A.), as well as repayment and reclassification of loans to long-term assets.

The changes described above had significant influence on the change of the current liquidity ratio.

Immediate liquidity ratio also increased.

3. 3.3 Debt ratios



Debt analysis was performed based on the following ratios presented:

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

¹⁾ *Financial liabilities include: long and short term liabilities from credits, loans and other debt instruments, finance lease liabilities and liabilities related to SWAP valuation.*

Debt to equity ratio decreased in 2015 as a result of decreased liabilities mainly due to repayment of credits and loans taken to finance expansion of existing, and development of new, logistics parks (related to sale of investment property forming MLP Tychy and MLP Bieruń logistics parks).

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

3. 4.1 Concluded and terminated loan agreements

As at 31 December 2015 the Group recognized liabilities due to loans received in 2015:

Borrower	Lender	Date of loan agreement	Amount of loan	The amount of loan outstanding
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2015-01-19	150 000 PLN	150 000 PLN

In 2015 the Group repaid the following loans and interest:

Borrower	Lender	Date of loan agreement	Amount of loan repaid	The amount of interest repaid
MLP Pruszków I Sp. z o.o.	Cajamarca Holland B.V.	1998-12-23	545 532 USD	19 534 USD
MLP Pruszków I Sp. z o.o.	Fenix Polska Sp. z o.o.	1998-05-25	105 713 USD	118 220 USD
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-12-24	2 756 779 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-03-31	500 000 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-05-05	4 000 000 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-11-21	256 665 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-07	1 681 450 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-18	879 451 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-12-10	1 000 000 PLN	0 PLN
MLP Moszna I Sp. z o.o.	Fenix Polska Sp. z o.o.	2009-12-21	216 932 PLN	0 PLN
MLP Lublin Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-07-07	200 000 PLN	0 PLN
MLP Lublin Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-10-06	900 000 PLN	0 PLN
MLP Lublin Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-11-05	1 448 167 PLN	0 PLN
MLP Lublin Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-04-07	9 648 180 PLN	0 PLN
MLP Lublin Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-05-08	60 000 PLN	0 PLN

In 2015 no loan agreements were terminated.

3. 4.2 Concluded and terminated bank credit agreements

- **New credit agreements in 2015**

On 13 April 2015, credit agreements between MLP Lublin Sp. z o.o. and PKO BP S.A. were signed (details were described in note 31 of the Consolidated financial statements).

Funds were transferred in August 2015.

On 5 November 2015 a credit agreement between MLP Pruszków III Sp. z o.o. (Borrower 1), MLP Moszna I Sp. z o.o. (Borrower 2) and BGŻ BNP Paribas S.A. were signed (details were described in note 31 of the Consolidated financial statements).

Funds were transferred in December 2015.

- **Credits repaid in 2015**

On 23 April 2015, the subsidiary of the Issuer - MLP Moszna I Sp. z o.o. concluded an agreement with DZ Bank AG S.A. regarding an early repayment of credit, based on which the bank forgave EUR 605 thousand of the credit capital and the company repaid EUR 2,300 thousand. According to the concluded agreement, the floating-to-fixed interest rate swap agreement was terminated without any obligations for the bank or for the company. On 27 April 2015 the above mentioned credit was repaid by MLP Moszna I Sp. z o.o.

On 1 October 2015, the subsidiary of the Issuer - MLP Spółka z ograniczoną odpowiedzialnością SKA repaid the bank credit taken in Raiffeisen Bank Polska S.A. along with the liability concerning the SWAP transaction.

On 12 October 2015, the subsidiary of the Issuer - MLP Bieruń Sp. z o.o. repaid the bank credit taken in PKO BP S.A. along with the liability concerning the SWAP transaction.

On 5 November 2015 MLP Pruszków III Sp. z o.o. repaid the bank credit taken in Deutsche Bank PBC S.A.

Moreover MLP Group Capital Group paid all credit installments according to the agreed schedules in 2015.

In 2015 no credit agreements were terminated.

3. 4.3 Bonds

The Group does not hold or issue bonds.

3. 4.4 Loans granted

As at 31 December 2015, the Group recognized receivables from loans granted in 2015:

Lender	Borrower	Date of loan agreement	Amount of loan	The amount of loan outstanding
MLP Group S.A.	Fenix Polska Sp. z o.o.	2015-01-19	150 000 PLN	150 000 PLN

3. 4.5 Granted and received securities

In conjunction with the insurance policies obtained by WestInvest Gesellschaft für Investmentfonds mbH seated in Düsseldorf ("Buyer"), guarantees provided by MLP Group S.A. in favour of the Buyer, in connection with the contracts for the sale of real estate owned by MLP Tychy and MLP Bieruń, expired in October 2015.

As at 31 December 2015 the Group did not grant any additional guarantees.

3. 4.6 Granted and received guarantees

As at 31 December 2015 the Group granted the following guarantees:

- On 22 April 2015 MLP Pruszków I Sp. z o.o. granted a guarantee in favor of Hapoalim Bank of USD 200,000, which expires on 10 May 2016,
- On 15 April 2015 MLP Pruszków I Sp. z o.o. granted a guarantee in favor of Mercantile Discount Bank of USD 1,000,000, which expires on 24 April 2016,
- On 15 December 2015 MLP Pruszków I Sp. z o.o. granted a guarantee in favor of Mercantile Discount Bank of USD 53,000, which expires on 15 September 2016.

3. 5 Assessment of the feasibility of the investment plans

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

The Group 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 Group 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 consolidated financial result for the year

In 2015, due to repayment of credits (together with SWAP liabilities) taken by MLP Spółka z ograniczoną odpowiedzialnością SKA and MLP Bieruń Sp. z o.o., SWAP amounts recognized in other comprehensive income were reclassified to the Consolidated statement of profit or loss.

In 2015, there were no other factors or unusual events that would have a significant impact on the consolidated financial result for the year.

4. Statement on Corporate Governance

Statement of MLP Group S.A. with its seat in Pruszków (the "Company", "The Issuer", "Parent Company", "Parent Entity") on selected corporate governance principles set out in the annex to Resolution No. 19/1307/2012 of the Warsaw Exchange Supervisory Board of 21 November 2012, which were not complied with in the year ended 31 December 2015, 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 2015, all the principles of corporate governance set out in "Best Practice for Companies Listed on the Stock Exchange" were applied with the exception of:

I. Recommendations on good practices of listed companies.

Recommendation No. 5. The company should have a remuneration policy and the principles of its determination. The remuneration policy should, in particular, describe the form, structure and level of remuneration of members of the supervisory and management board. In determining the remuneration policy for members of the supervisory and management board, the company should apply the Recommendation of the European Commission dated 14 December 2004 with regards to an appropriate form of remuneration of directors of listed companies (2004/913/EC), supplemented by the Recommendation of European Commission dated 30 April 2009 (2009/385/EC).

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.

Recommendation No. 9. WSE recommends public companies and their shareholders ensure a balanced representation of women and men within the management and supervisory bodies of the companies, thereby enhancing the creativity and innovation of the company's business.

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 of the candidate. The Company therefore is not able to provide a balanced representation of women and men in management and supervisory bodies.

Recommendation No. 12. The company should provide shareholders with the opportunity to exercise their voting rights in person or by proxy during the general shareholders meeting, outside of the venue of the general shareholders meeting by means of electronic communication.

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

In order to provide shareholders the possibility to exercise voting rights in the course of the General Shareholders Meeting by means of electronic communication, the Board proposed to undertake at the first general meeting, which took place after the registration of the Company on the Stock Exchange on 15.01.2014, a resolution amending the Articles of Association so as to provide the opportunity for Shareholders Meeting to take place through electronic communications. Such a resolution was adopted and the court registered a change in the Articles of Association.

Due to the fact, that no shareholder was interested in voting through electronic communications at a location other than the venue of the meeting, no means of electronic communication were used in 2015.

II. Best Practices applied by the Management Board.

Rule No. 1.2a). The company runs a corporate website and presents every year, in fourth quarter - information regarding representation of women and men within the management and supervisory bodies of the company in the period of the last two years.

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

The composition of the Supervisory Board and the Management Board is updated by the current reports and website of the Issuer on a regular basis. Information on the past composition of the management and supervisory bodies are presented in the periodic reports. Non-compliance with this rule, results from non-conformity by the Issuer with recommendation No. 9 on the balanced representation of women and men in the management and supervisory bodies.

Rule No. 1.7. The Company maintains a corporate website and publishes questions of its Shareholders on issues on the agenda of the general meeting arising before and during the general meeting, along with answers to those questions.

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

This principle was not applied, because in the Company's opinion publication of the questions and answers could affect the interests of individual shareholders.

Rule No. 1.9a). The Company maintains a corporate website where a record of the proceedings of the general meeting, in the form of audio or video, are published.

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

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.

Rule No. 1.14. The Company maintains a corporate website and publishes information regarding internal regulations on auditor rotation requirements or information about respective absence of such a rule.

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

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.

Rule No. 3. The Management Board asks for the supervisory board approval of the transaction/ agreement before concluding a significant agreement with a related party.

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

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.

III. Best Practices applied by the Supervisory Board Members.

Rule No. 1.3. (except for activities listed by law) the Supervisory Board should review and give opinions on issues subject to resolution of the General Shareholders Meeting.

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

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.

Rule No. 9. Conclusion of a contract / transaction with a related entity which meets the conditions referred to in Part II, point 3, requires the approval of the Supervisory Board.

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

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. Best practices applied by shareholders

Rule No. 1.1. Representatives of the media should be allowed to attend general meetings.

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

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.

Rule No. 10. The company should provide shareholders with the opportunity to participate in the General Meeting by means of electronic communication through:

- 1) transmission of the general meeting in real time,
- 2) two-way communication in real time within which shareholders may speak during the general meeting from a location other than the venue of the meeting.

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

In order to provide shareholders the possibility to exercise voting rights in the course of the General Shareholders Meeting by means of electronic communication, the General Shareholders Meeting proposed to undertake at the first general meeting, which took place after the registration of the Company on the Stock Exchange on 15.01.2014, a resolution amending the Articles of Association so as to provide the opportunity for Shareholders Meeting to take place through electronic communications. Such a resolution was adopted and the court registered a change in the Articles of Association.

Due to the fact, that no shareholder was interested in voting through electronic communications at a location other than venue of meeting, no means of electronic communication were used in 2015.

4. 1 Share capital and the shareholders

4. 1.1 Shareholders

As at 31 December 2015, the Parent Company 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 2015:

Shareholders	Number of shares	Share in capital	Share in total number of votes
Cajamarca Holland B.V	10 319 842	56,98%	56,98%
Thesinger Limited	1 920 475	10,60%	10,60%
Gracecup Trading Limited	1 094 388	6,04%	6,04%
MIRO B.V.	1 004 955	5,55%	5,55%
Shareholders holding less than 5% of the votes	3 773 595	20,83%	20,83%
Total	18 113 255	100%	100%

4. 1.2 Special rights of the Shareholders

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 Shareholders should be:

- 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 duties,
- 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 is required for both the 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 require:

- 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 Management 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.

Sixteen days before the General Meeting of Shareholders persons that are the company's shareholders have the right to participate in the General Meeting of Shareholders (date of registration 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 shall notify the registration court when there is a change in the Articles of Association. MLP Group S.A. General Meeting of Shareholders may authorize 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

According to the Articles of Association, the Management Board consists of one to three members, appointed and dismissed 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 25 June 2015. The Supervisory Board appointed Mr. Michael Shapiro as the President of the Management Board, Mr. Radosław Tomasz Krochta 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 28 June 2018. However, the mandates of the members of the Management Board shall expire no later than the date of the Ordinary Meeting of Shareholders when the approval of the financial statements for the year 2017 shall take place.

4. 4.1 Competence 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 PLN 2.000.000 (two million), 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.

By the end of the third month after the end of each financial year, the Management Board shall prepare an annual financial statement and the statement of the Company's activities, which, 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 operates under the Articles of Association, Rules of the Management Board and the Commercial Companies Code.

Rules of the Management Board regulate the issues related to the organization of the meetings, and decision-making of the Management Board. In accordance with the Rules of the Management Board, the Board meetings take place when necessary but no less than twice a month.

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 2015, 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 last appointment	Expiry of the current term
Michael	Shapiro	President of the Management Board	25 June 2015	25 June 2018
Radosław Tomasz	Krochta	Vice-President of the Management Board	25 June 2015	25 June 2018
Tomasz	Zabost	Member of the Management Board	25 June 2015	25 June 2018

Michael Shapiro - 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.

Radosław T. Krochta - Vice-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. In 2010, he joined MLP Group S.A. and serves as the Vice-President of the Management Board.

On 14 January 2015 pursuant to the resolution of Supervisory Board, Mr. Tomasz Zabost was appointed a member of the management board.

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 The 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 25 June 2015 and expires on 25 June 2018. 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 2015, the Supervisory Board consisted of six members.

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

4. 5.1 Competence 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 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

As at 31 December 2015 the composition of the supervisory bodies of the parent company was as follows:

Name	Surname	Position	Date of appointment	Expiry of the current term
Shimshon	Marfogel	Chairman of Supervisory Board	25 June 2015	25 June 2018
Eytan	Levy	Vice-Chairman of Supervisory Board	25 June 2015	25 June 2018
Yosef Zvi	Meir	Member of Supervisory Board	25 June 2015	25 June 2018
Guy	Shapira ¹⁾	Member of Supervisory Board	25 June 2015	25 June 2018
Jacek	Tucharz	Member of Supervisory Board	25 June 2015	25 June 2018
Maciej	Matusiak	Member of Supervisory Board	25 June 2015	25 June 2018

Shimshon Marfogel - Chairman 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-Chairman 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.

Yosef Zvi Meir - Member of the Supervisory Board

Mr. Yosef Zvi Meir graduated from the Hebrew University of Jerusalem, earning a BA (Bachelor of Arts) at the Faculty of Economics. In addition, Mr Yosef Zvi Meir completed postgraduate MBA studies at Darby University, in Israel.

Since 1977, Mr. Yosef Zvi Meir has worked in Israel Land Development Company Ltd. based in Tel Aviv, as Chief Financial Officer.

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.

Jacek Tucharz - Member of the Supervisory Board

Mr. Jacek Tucharz has graduated from the Warsaw School of Economics, Foreign Trade department and obtained postgraduate degree in the Warsaw School of Economics in the study of Marketing Policy. He is a licensed stock broker. In 1993, he joined the Brokerage Office of Powszechny Bank Kredytowy from the beginning as a specialist, later as a stock broker. From 1996 to 1999 he was associated with the XI NFI. Then he held the position of Investment Director at Trinity Management and PZU NFI Management. In 2005 he was appointed a Vice-President of the Management Board in ZELMOT S.A., and in 2006 he was appointed a CFO in Hygienika S.A. Since 2006 he runs his own business.

¹⁾ On 3 March 2015 Mr. Baruch Yehezkelov resigned from the position of Member of the Supervisory Board. For the position of Member of the Supervisory Board, Mr. Guy Shapira was appointed by one of the shareholders of the Company - Miro B.V. - according to the rights arising from the Company's Articles of Association.

Guy Shapira - Member of the Supervisory Board

Mr. Guy Shapira graduated with honours 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. lawfirm 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).

4. 5.4 Committees of the Supervisory Board

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.

On 31 December 2015 Mr. Shinshon Marfogel resigned from the position of Chairman of the Audit Committee.

In accordance with the above, pursuant to a resolution of the Supervisory Board, Jacek Tucharz was appointed as Chairman of the Audit Committee on 31 December 2015.

Composition of the Audit Committee as at 31 December 2015 is as follows:

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

As at 31 December 2015 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 2015, there is no remuneration committee in the Supervisory Board of the Issuer.

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

4. 6.1 Remuneration, bonuses and benefits received by the Management Board of companies and the Supervisory Board

Remuneration of Management Board in 2015	In the Company	In other Group entities
<ul style="list-style-type: none"> Remuneration and other benefits: 		
Michael Shapiro	376	26
Radosław T. Krochta	168	372
Tomasz Zabost	24	346
Marcin Dobieszewski	217	-
<ul style="list-style-type: none"> Cash settled share based payments 	662	-
	1 447	744

In 2015, the total remuneration received by the Management Board of the Company and other Group entities amounted to PLN 2,191 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 favour of the Group, (iii) in respect of service as a member of the Management Board, (iv) in respect of cash settled share-base payments.

Remuneration of the Supervisory Board in 2015

Maciej Matusiak	30
Jacek Tucharz	30
Eytan Levy	30
Shimshon Marfogel	30
Yosef Zvi Meir	30
Baruch Yehezkelov	5
Guy Shapira	25
	180

In 2015, the total value of remuneration received by the Supervisory Board was PLN 180 thousand.

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

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

The 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 Mr. Tomasz Zabost is employed by the Company since January 2015 on the basis of an employment agreement. Under the terms of the employment agreement, the dismissal of individual members of the Management Board entitles them to receive a salary during the notice period.

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

Michael Shapiro is indirectly in possession, through a company MIRO B.V which he controls 100%, of 5.55% of the share capital of MLP Group S.A. and also through 25% of the share capital which MIRO B.V. holds of Cajamarca Holland B.V. which economic participation in the MLP Group S.A share capital of 14.25%. In total, the economic effective participation in MLP Group S.A. share capital is 19.80%.

Members of the Supervisory Board are not in a direct possession of MLP Group S.A. shares.

4. 8 Management stock options program

In MLP Group S.A. there is no management stock option program. However in 2014 the Group introduced a cash settled share based payments program. Details of the program are disclosed in note 23 of the Consolidated Financial Statements for the year ended 31 December 2015.

4. 9 Changes in the core principles of management of the Company and the Group

In 2015, 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. as well as other entities of the Group.

4. 10 The 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 No. 33 item 259).

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 Group'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,
- operational projects,
- general and administrative expenses and sales.

The financial and accounting system of the Group is the source of data for the entire reporting system of the Group, 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 deviations from the plan and explain the reasons for the deviations. The observation and study of the causes helps to optimize the Group's operations and minimize potential risks. Due to the nature of the industry, analyses are conducted on many levels - not only are the costs of individual groups analysed, but also separate individual investments projects. Based on these reports, the Management Board analyses the current financial result during the year by comparing them with the agreed 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. 11 Audit firm

On 12 December 2013, the Supervisory Board, acting on the basis of article No. 21.2 g) of the Company's Articles of Association appointed KPMG Audit Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its seat in Warsaw, as the entity authorized to audit separate and consolidated financial statements for the years: 2013, 2014, 2015, and perform the interim reviews of separate and consolidated financial statements for years 2014, 2015, 2016.

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.

Remuneration of the entity authorized to audit the financial statements of the Issuer and the MLP Group S.A. Capital Group for the financial year comprise:

- the remuneration for the audit of separate financial statements of MLP Group S.A. for the year 2015, consolidated financial statements of MLP Group S.A. for 2015 and the annual group report of MLP Group S.A. Capital Group for the year ended 31 December 2015: PLN 155 thousand.

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

	31 December <i>as at</i>	31 December 2015	31 December 2014
Audit of the annual financial statements		96	96
Audit of individual financial statements of subsidiaries		106	99
Review of the consolidated and unconsolidated financial statements		60	60
Other services, including review the of group reporting package		173	158
Total remuneration		435	413

Michael Shapiro
*President of the Management
 Board*

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

Tomasz Zabost
*Member of the Management
 Board*

Pruszków, 14 March 2016