MLP GROUP

MLP Group S.A. Capital Group

Consolidated

Annual Report

FOR THE YEAR ENDED 31 DECEMBER 2014

This document is a translation.
Polish version prevails.

www.mlp.pl

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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. Capital Group for 2014. 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

2014 was characterized by various trends in the global economy. Conflict between Ukraine and Russia had a significant impact on the overall situation in Europe. As a consequence, countries of the European Union imposed several economic sanctions on Russia, which caused retaliatory economic actions. However, despite such conditions, the Polish economy grew and remained stable. In 2014 Gross Domestic Product in our country grew by 3.3% while the unemployment rate was 11.5%. The lowest level of unemployment was in Poznań at 3.3%, and the highest in Radom at 20.3%. It is estimated that in 2015 the Polish economy will grow by about 3.3%, similarly to the prior year.

Warehouse property market

In 2014 developers delivered over 1.02 million sqm of warehouse space (compared to only 305 thousand sqm in 2013). The overall demand in the prior year was 2.06 million sqm of which 1.4 million sqm was related to new agreements and enlargements of leased space. The most popular regions were the suburban zone of Warsaw and Poznań, Wrocław, Upper Silesia and Central Poland markets. At the end of 2014 the overall supply of modern warehouse space amounted to 8.54 million sqm. The vacancy rate was 9.8% and was lower by 1.6 p.p. compared to the prior year. The volume of investment transactions in 2014 reached a level close to 744 million EUR, 13% more than last year. During the last twelve months no significant rent rate changes occurred in the majority of the markets.

2015 expectations

Currently approximately 687 thousand sqm of modern warehouse space is under construction, out of which 26.8% (184 thousand sqm) is being built on a speculative basis, which confirms developers' anticipation for further growth of warehouse demand. We expect a gradual decrease in vacancy rates in selected regions. In 2015 BTS contracts will continue to be popular, especially among the manufacturing industry. A continuation of speculative investments is expected in regions characterized by low levels of available storage space. Growth in the Warsaw area is expected (in 2014 higher interest was observed in the areas of Wrocław, Poznań and several locations in Upper Silesia). A growth of interest in surrounding areas of Lublin is observed, meaning the Poland Eastern border, where developers are more likely to find land for investment. A stabilization in rent rates at existing levels will be observed, with a possible pressure for growth in regions characterized by limited supply of vacant warehouse space.

According to various forecasts, a faster GDP growth is expected for Poland. Because of a high correlation between the economy and tendencies on the warehouse market, we can expect this to be reflected in demand for warehouse space.

2014 events concerning MLP Group

2014 was a record-breaking year in the history of the MLP Group in terms of the volume of leased warehouse space. The Group entered into lease contracts (including conditional lease agreements and extensions) for 256 thousand sqm. 195 thousand sqm related to agreements signed with new clients. The last quarter of 2014 was especially successful, during which the Group signed conditional lease agreements for 158.4 thousand sqm. At the end of the last year, total space leased by the MLP Group exceeded 357.1 thousand sqm. For comparison, at the end of 2013, the space let under lease agreements was 303.7 thousand sqm.

Among the investment projects carried out in 2014 covering a total area of 71.9 thousand sqm, the Group finished construction of 54 thousand sqm. Within the current projects, the MLP Group is to construct a total of 174 thousand sqm in the logistic parks: MLP Pruszków II, MLP Poznań, MLP Poznań Zachód and MLP Teresin.

The Group currently runs six operational logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Tychy, MLP Poznań, MLP Bieruń and MLP Lublin and also purchased land for construction of the new logistics park MLP Teresin. The total land bank held in Poland is 85.7 hectares. Target area of these investments is 773.6 thousand sqm of new warehouse space. This gives the possibility of doubling the current scale of operations. Including the projects in the pipeline in the region of Wielkopolska, Upper and Lower Silesia and Central Poland, among others including MLP Poznań Zachód and MLP Teresin, the target warehouse space of the MLP Group will exceed 1 million sqm.

In 2014 the MLP Group recognized consolidated revenue of PLN 102.8 million, which is 12% higher than in the analogical period of the prior year. During the last year the Group recognized PLN 106.2 million profit from operating activities and PLN 54.8 million net profit, which is comparable to the results of 2013. The Group's share capital increased at the end of 2014 to PLN 557.9 million, compared to PLN 508.9 million in the prior year. According to valuations performed at the end of 2014, the total value of the Group's property portfolio increased by c.a. 10% and exceeded EUR 244.2 million (PLN 1.04 billion).

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.

Kind regards,

Michael Shapiro
President of Management Board

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

II. Statement of the Management Board

The consolidated financial statements of MLP Group S.A. Capital Group for the period from 1 January 2014 to 31 December 2014 and the comparative data for the period from 1 January 2013 to 31 December 2013 were prepared in compliance with the applicable accounting principles, which are disclosed in note 3, and reflect true and fair view of the 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 the audit of the consolidated financial statements of the MLP Group S.A. Capital Group for the year ended 31 December 2014 - 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

Radosław T. Krochta
Vice-President of the Management Board

Tomasz Zabost
Member of the Management Board

Pruszków, 12 March 2015

MLP Group S.A.
Capital Group

Consolidated financial statements

for the year ended 31 December 2014
prepared in accordance with IFRS EU

Approval of the consolidated financial statements

On 12 March 2014 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 2014 to 31 December 2014 for publication.

Consolidated financial statements for the period from 1 January 2014 to 31 December 2014 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 2014 to 31 December 2014, with net profit of PLN 54 769 thousand.
2. Consolidated statement of financial position as at 31 December 2014, with total assets and total liabilities and equity in the amount of PLN 1 234 436 thousand.
3. Consolidated statement of cash flows for period from 1 January 2014 to 31 December 2014, with a net cash decrease of PLN 31 986 thousand.
4. Statement of changes in consolidated equity for the period from 1 January 2014 to 31 December 2014, with an equity increase of PLN 49 015 thousand.
5. Explanatory information 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

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

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

	31 December 2014	31 December 2013
Average exchange rate during the period *	4.1893	4.2110
Exchange rate at the last day of the period	4.2623	4.1472

** Aritmetic average of the average exchange rate published on the last day of each mont in the reporting period.*

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

as at	31 December 2014		31 December 2013	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets	1 053 501	247 167	943 817	227 579
Current assets	180 935	42 450	151 578	36 549
Total assets	**1 234 436**	**289 617**	**1 095 395**	**264 128**
Long term liabilities	552 559	129 639	475 678	114 698
Short term liabilities	123 995	29 090	110 850	26 729
Equity, including:	557 882	130 888	508 867	122 701
Share capital	4 529	1 063	4 529	1 092
Total equity and liabilities	**1 234 436**	**289 617**	**1 095 395**	**264 128**
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 owner of the Parent Company (in PLN)	30.80	7.23	28.09	6.77

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 2014		31 December 2013	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Revenues	102 786	24 535	92 082	21 867
Other operating income	679	162	51 124	12 141
Gain on revaluation of investment property	47 386	11 311	16 526	3 924
Selling and administrative expenses	(40 444)	(9 654)	(39 892)	(9 473)
Operating profit	106 242	25 360	118 278	28 088
Profit before taxation	75 509	18 024	57 973	13 767
Net profit from continuing operations	**54 769**	**13 074**	**56 608**	**13 443**
Total comprehensive income	49 015	11 700	62 755	14 903
Net profit attributable to the owners of the Parent Company	54 769	13 074	56 608	13 443
Net profit and diluted net profit per share attributable to the owner of the Parent Company (in PLN)	3.02	0.72	3.63	0.86

To translate the consolidated profit or loss and other comprehensive income an average Euro exchange rate calculated as 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:

for the year ended	**31 December 2014**		**31 December 2013**	
	PLN thousand	**EUR thousand**	**PLN thousand**	**EUR thousand**
Net cash flow from operating activities	43 851	10 467	51 022	12 116
Cash flow from investing activities	(43 573)	(10 401)	(36 357)	(8 634)
Cash flow from financing activities	(32 914)	(7 857)	56 921	13 517
Total net cash flows	**(32 636)**	**(7 791)**	**71 586**	**17 000**

To translate the consolidated statement of cash flows an average Euro exchange rate calculated as 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.

as at	**31 December 2014**		**31 December 2013**	
	PLN thousand	**EUR thousand**	**PLN thousand**	**EUR thousand**
Cash at the beginning of the period	83 787	20 203	12 257	2 998
Cash at the end of the period	51 801	12 153	83 787	20 203

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 2012 was 4.0882 EUR/PLN.

(data in thousand of PLN, unless otherwise stated)

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December	Note	2014	2013
Revenues	6	102 786	92 082
Other operating income	7	679	51 124
Gain on revaluation of investment property		47 386	16 526
Selling and administrative expenses	9	(40 444)	(39 892)
Other operating costs	8	(4 165)	(1 562)
Operating profit		**106 242**	**118 278**
Financial income	10	4 404	2 256
Financial costs	10	(35 137)	(62 561)
Net financial loss		**(30 733)**	**(60 305)**
Profit before taxation		**75 509**	**57 973**
Corporate income tax	11	(20 740)	(1 365)
Net Profit from continuing operations		**54 769**	**56 608**
Other comprehensive income			
Exchange rate differences arising from the activities of entities operating abroad		-	(3 422)
The effective portion of changes in the fair value relating to cash flow hedges	23.2	(4 525)	7 065
Valuation of financial instruments		(2 579)	4 749
Corporate income tax on other comprehensive income		1 350	(2 245)
Other net comprehensive income		**(5 754)**	**6 147**
Total comprehensive income		**49 015**	**62 755**
Net Profit attributable to:			
Owners of the Parent Company		54 769	56 608
Net profit		**54 769**	**56 608**
Comprehensive income attributable to:			
Owners of the Parent Company		49 015	62 755
Total comprehensive income		**49 015**	**62 755**
Profit per share	19		
- Basic and diluted (in PLN) profit for the year attributable to the ordinary shareholders of the Parent Company		3.02	3.63

(data in thousand of PLN, unless otherwise stated)

Consolidated statement of financial position

as at	Note	31 December 2014	31 December 2013
Non-current assets			
Tangible fixed assets		491	497
Intangible assets		10	23
Investment property	12	1 046 337	930 708
Other long-term investments	14	3 943	5 966
Other long-term assets		2	17
Deferred tax assets	13	2 718	6 606
Total non-current assets		**1 053 501**	**943 817**
Current assets			
Inventories		125	285
Short-term investments	14	97 829	52 870
Corporate income tax receivables	15	305	1 491
Trade and other receivables	15	30 875	13 145
Cash and cash equivalents	16	51 801	83 787
Total current assets		**180 935**	**151 578**
TOTAL ASSETS		**1 234 436**	**1 095 395**
Equity	18		
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		(22 847)	(17 093)
Retained earnings		269 732	214 963
Total equity		**557 882**	**508 867**
Long-term liabilities			
Credits, loans and other debt instruments	20.1	409 343	345 705
Deferred tax liability	13	95 345	83 033
Other long-term liabilities	20.1	47 871	46 940
Total-long term liabilities		**552 559**	**475 678**
Short-term liabilities			
Credits, loans and other debt instruments	20.2	95 790	81 740
Payroll liabilities	21	1 432	157
Corporate income tax liabilities	22	728	125
Trade and other liabilities	22	26 045	28 828
Total short-term liabilities		**123 995**	**110 850**
Total liabilities		**676 554**	**586 528**
TOTAL EQUITY AND LIABILITIES		**1 234 436**	**1 095 395**

(data in thousand of PLN, unless otherwise stated)

Consolidated statement of cash flows

for the year ended 31 December	**Note**	**2014**	**2013**
Cash flows from operating activities			
Profit before taxation		**75 509**	**57 973**
Adjustments for:			
Depreciation and amortization		178	131
Change in fair value of investment property		(47 386)	(16 526)
Net interest		20 436	21 265
Foreign exchange losses/(gains)		11 170	2 214
Cessation of consolidation of MLP Bucharest		-	(10 228)
Other		(169)	4 184
Changes in trade and other receivables		(17 406)	(3 718)
Changes in provisions		-	(285)
Changes in short-term and other liabilities		2 920	(2 141)
Cash generated from operating activities		**45 252**	**52 869**
Income tax paid		(1 401)	(1 847)
Net cash from operating activities		**43 851**	**51 022**
Cash flows from investing activities			
Interest received		841	10
Loans granted	17	-	(2 600)
Repayments of loans granted		30 016	3 913
Purchase of investment property, tangible fixed assets and intangible assets		(74 453)	(43 888)
Disposal of intangible assets and tangible fixed assets		23	10
Other proceeds from investing activities		-	6 198
Cash from investing activities		**(43 573)**	**(36 357)**
Cash flows from financing activities			
Proceeds from credits and loans	17	47 636	62 867
Repayment of credits and loans		(56 499)	(49 440)
Net proceeds from issue of shares and other capital instruments and capital contributions		-	70 120
Interest paid		(24 051)	(26 626)
Cash from financing activities		**(32 914)**	**56 921**
Total cash flow		**(32 636)**	**71 586**
Cash and cash equivalents at the beginning of the period	16	**83 787**	**12 257**
Foreign exchange losses/gains on cash and cash equivalents		650	(56)
Cash and cash equivalents at the end of the period	16	**51 801**	**83 787**
- including restricted cash and cash equivalents	16	*(16 271)*	*(7 225)*

(data in thousand of PLN, unless otherwise stated)

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	Foreign exchange differences on subsidiaries	Retained earnings	Total equity
Equity as at 1 January 2013	**3 774**	**78 660**	**-**	**132 611**	**(26 662)**	**3 422**	**182 431**	**374 236**
Comprehensive income:								
Profit for the year	-	-	-	-	-	-	56 608	**56 608**
Total other comprehensive income	-	-	-	-	9 569	(3 422)	-	**6 147**
Total comprehensive income for the year ended 31 December 2013	**-**	**-**	**-**	**-**	**9 569**	**(3 422)**	**56 608**	**62 755**
Transactions with owners of the Parent Company presented directly in equity:								
Shares issue	755	-	71 698	-	-	-	-	**72 453**
Shares issue costs	-	-	(577)	-	-	-	-	**(577)**
Transactions with owners of the Parent Company for the year ended 31 December 2013	**755**	**-**	**71 121**	**-**	**-**	**-**	**-**	**71 876**
Net profit distribution	-	2 724	-	21 352	-	-	(24 076)	**-**
Equity as at 31 December 2013	**4 529**	**81 384**	**71 121**	**153 963**	**(17 093)**	**-**	**214 963**	**508 867**
Equity as at 1 January 2014	**4 529**	**81 384**	**71 121**	**153 963**	**(17 093)**	**-**	**214 963**	**508 867**
Comprehensive income:								
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**

Explanatory information 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 Pruszkow, 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 Pruszkow 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 statetment, 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 Zabost [1)] - Member of the Management Board

On 2 September 2014, Mrs. Dorota Jagodzińska-Sasson (responsible for sales and marketing of the Company and subsidiaries) resigned from the position of Member of the Management Board of the Company and subsidiaries of MLP Group S.A. Capital Group.

[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 Shapira [3)] - Member of the Supervisory Board
- Jacek Tucharz [2)] - Member of the Supervisory Board
- Maciej Matusiak [2)] - Member of the Supervisory Board

[2)] On 15 January 2014, according to the resolution of the Extraordinary Shareholders' Meeting, Mr. Jacek Tucharz and Mr. Maciej Matusiak were appointed as Supervisory Board Members.

[3)] 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 18 subsidiaries.

(data in thousand of PLN, unless otherwise stated)

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 2014, 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	
		31 December 2014	31 Decemeer 2013	31 December 2014	31 Decemeer 2013
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 Poznań I Sp. z o.o. 2)	Poland	100%	100%	100%	100%
MLP Poznań II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Sp. z o.o. SKA (formerly MLP Tychy Sp. z o.o.)	Poland	100%	100%	100%	100%
MLP Energy Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Bucharest Sud S.R.L. 1)	Romania	50%	50%	-	-
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. 3)	Poland	100%	-	100%	-
MLP Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Teresin Sp. z o.o. w organizacji 4)	Poland	100%	-	100%	-
MLP Poznań Zachód Sp. z o.o. w organizacji 4)	Poland	100%	-	100%	-
MLP FIN Sp. z o.o. w organizacji 5)	Poland	100%	-	100%	-

1) *The Group lost control over MLP Bucharest Sud S.R.L. in the second quarter of 2013.*
2) *From 2 February 2015 company changed name to MLP Lublin Sp. z o.o.*

1. 3 *Changes in the Group*

3) On 30 April 2014 a new company in the Capital Group was established - MLP Bieruń I Sp. z o.o.

Shares in the new company were taken up in the following manner: 49 shares of total nominal value of PLN 4.900 were taken up by MLP Property Sp. z o.o.; 1 share of total nominal value of PLN 100 was taken up by MLP Group S.A.

4) On 17 October 2014 two new companies were established in the Capital Group: MLP Poznań Zachód Sp. z o.o. and MLP Teresin Sp. z o.o. All shares were acquired by MLP Property Sp. z .o.o.

On 2 February 2015 MLP Teresin Sp. z o.o. was registered in the National Court Register.

(data in thousand of PLN, unless otherwise stated)

On 2 February 2015 MLP Teresin Sp. z o.o. was registered in the National Court Register.

On 23 January 2015 MLP Poznań Zachód Sp. z o.o. was registered in the National Court Register.

5) On 10 December 2014 two new companies were established:

- MLP Fin Sp. z o.o. w organizacji - all shares of the company were acquired by MLP Property Sp. z o.o. (50 equal and indivisible shares of the nominal value of PLN 100 each);
- MLP Fin Sp. z o.o. w organizacji Spółka komandytowa - the unlimited liability partner is the newly established Company MLP Fin Sp. z o.o. and the limited partner responsible for liabilities in amount not exceeding its investment in the partnership is the MLP Group S.A.

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.

During the financial year ended 31 December 2014 there were no other changes in structure of the MLP Group S.A. Capital Group.

The consolidated financial statements for the period ended 31 December 2014 includes the financial statements of the Parent Company and 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*

To the best knowledge of the Management Board of the Parent Company, the Shareholders who hold, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders at the end of the financial year are 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	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 100% of the shares of MIRO B.V., controlled 100% by himself, 5.55% of the share capital of MLP Group S.A. and through 25% of the share capital held by MIRO B.V. in Cajamarca Holland B.V., economically participating in 14.24% of MLP Group S.A. share capital, resulting in an effective economic share of 19.80% of MLP Group S.A. share capital.

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

(data in thousand of PLN, unless otherwise stated)

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

A number of new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2014 and have not been applied in preparing these consolidated financial statements. Impact of new standards on the consolidated financial statements was presented below.

2. 2. 1 Standards and Interpretations adopted by the European Union that are not yet effective as at the end of the reporting period.

The company 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 the consolidated statement of financial position, according the 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 financial statements.	Date of coming into force
IFRIC Interpretation 21 Levies	No impact	17 June 2014
Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions	No significant impact	1 February 2015
Improvements to IFRS (2010-2012) - 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	No significant impact	1 February 2015
Improvements to IFRS (2011-2013) - IFRS 1 First-time Adoption of IFRS - IFRS 3 Business combinations	No significant impact	1 January 2015

(data in thousand of PLN, unless otherwise stated)

2. 2. 2 Standards and interpretations not yet endorsed by the EU

Standards and interpretations pending for approved by EU	Possible impact on the financial statements.	Date of coming into force
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
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements)	no impact	1 January 2016
Explenations of accepted methods of dillution and depretiation (Ammendments to IAS 16 Property, Plant and Equipment and IAS 16 Intangible Assets)	no impact	1 January 2016
IFRS 15 Revenue from Contracts with Customers	The Group hasn't prepared an analysis of the impact of new standard on its financial situation and results.	1 january 2017
Agriculture: Bearer Plants (Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture)	no impact	1 January 2016
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
Improvements to IFRS (2012-2014), including - 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	no significant 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
Disclosure initiative (Ammendments to IAS 1 Presentation of Financial Statements)	no impact	1 January 2016

2. 3 Basis of valuation

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 payment which are measured at fair value.

For fair value measurement methods see note 3.

2. 4 Functional and presentation currency

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

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 these estimates.

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 12. „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 common 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 Group controls an investee when is exposed to, or has right 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 costs 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.

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. 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.

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 designated 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.

Preference 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.

Preference 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 consists 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, 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 the 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 the 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 a natural hedging effect.

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. In MLP Moszna I Sp. z o.o. and MLP Bieruń Sp. z o.o. reference rate EURIBOR 3M is hedged.

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 logistic real estate. The Group generates profit from renting its own real estate and from valuation of investment property.

The Group operates in Poland. Until the loss of control over the subsidiary MLP Bucharest Sud S.R.L. the Group also operated in Romania. Based on the location of investment property the Group identified two operating segments: Poland and abroad. The criteria of location of assets is the same as criteria of location of customers. The operating segments are the same as the geographical segments.

As at 31 December 2014, and in the reporting period ended on that day, the Group has one operating segment - Poland.

(data in thousand of PLN, unless otherwise stated)

Segment operations

for the year ended 31 December	2014	2013		
	Poland	**Poland**	**Foreign countries**	**Total**
Revenues				
Revenues from third parties	102 786	91 361	721	92 082
Gain/(Loss) on revaluation of investment property	47 386	18 961	(2 435)	16 526
Total revenues of the segment	**150 172**	**110 322**	**(1 714)**	**108 608**
Operating results of the segment	109 728	71 031	(2 315)	68 716
Other operating results of the segment	(3 486)	49 345	217	49 562
Profit/(Loss) before tax and financial expenses	**106 242**	**120 376**	**(2 098)**	**118 278**
Net financial results of the segment	(30 733)	(61 176)	871	(60 305)
Profit/(Loss) before tax	**75 509**	**59 200**	**(1 227)**	**57 973**
Income tax	(20 740)	(1 365)	-	(1 365)
Net Profit/(Loss)	**54 769**	**57 835**	**(1 227)**	**56 608**
as at	**31 December 2014**	**31 December 2013**		
	Poland	**Poland**	**Foreign countries**	**Total**
Assets, equity and liabilities				
Assets of the segment	1 234 436	1 095 395	-	1 095 395
Total assets	**1 234 436**	**1 095 395**	**-**	**1 095 395**
Liabilities of the segment	676 554	586 528	-	586 528
Equity	557 882	508 867	-	508 867
Total equity and liabilities	**1 234 436**	**1 095 395**	**-**	**1 095 395**
Additions to investment property	**68 243**	**58 610**	**-**	**58 610**

(data in thousand of PLN, unless otherwise stated)

6. Revenues

for the year ended 31 December	**2014**	**2013**
Revenue from rental of properties	87 049	78 520
Other revenues	15 737	13 562
Total revenues	**102 786**	**92 082**
including revenues from related parties	*157*	-
Reinvoicing of utilities	13 203	12 120
Revenues from rental of apartments	33	35
Services provided to tenants	2 501	1 407
Other revenues	**15 737**	**13 562**

7. Other operating income

for the year ended 31 December	**2014**	**2013**
Cessation of consolidation of MLP Bucharest Sud S.R.L	-	50 123
Write-off of liabilities	500	44
Other	179	957
Other operating income	**679**	**51 124**

In the second quarter of 2013, the Group ceased consolidation of MLP Bucharest Sud because of the loss of control over this entity. As a consequence of cessation of consolidation, the Group recorded profit of PLN 50 123 thousand that was presented as other operating income. As a result of loss of control, the Group recognized in its financial statements the loan granted to the company (not included in the consolidated financial statements in prior periods) and impairment of this loan of PLN 39 870 thousand because of the bankruptcy proceeding concerning MLP Bucharest Sud. S.R.L.

8. Other operating costs

for the year ended 31 December	**2014**	**2013**
Allowances for receivables	(53)	(1 092)
Other	(1 555)	(470)
Provision for liabilities related to acquisition of shares in MLP Bucharest Sud S.R.L.	(2 557)	-
	(4 165)	**(1 562)**

For more information about provision for liabilities related to acquisition of shares in MLP Bucharest Sud S.R.L. - see note 28.1.

(data in thousand of PLN, unless otherwise stated)

9. Selling and administrative expenses

for the year ended 31 December	**2014**	**2013**
Depreciation and amortization	(178)	(811)
Materials and energy	(11 280)	(10 299)
External services	(13 809)	(15 696)
Taxes and charges	(11 136)	(10 450)
Payroll	(2 948)	(1 586)
Social security and other employee benefits	(293)	(291)
Other expenditures by kind	(800)	(759)
Total selling and administrative expenses	**(40 444)**	**(39 892)**

Selling and administrative expenses for the year ended 31 December 2014 of PLN 40 444 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.

10. Financial income and costs

for the year ended 31 December	**2014**	**2013**
Interest on loans granted	2 756	1 665
Interest income on bank deposits	1 476	511
Other interest	126	-
Interest on receivables	7	80
Other financial income	39	-
Total Financial income	**4 404**	**2 256**

for the year ended 31 December	**2014**	**2013**
Interest expenses on credits and loans	(12 199)	(10 554)
Other interest	(46)	(10)
Interest paid on SWAP	(12 125)	(12 526)
Interest results on cash flow hedge	2 233	2 456
Ineffective part of valuation of cash flow hedges	(1 101)	239
Foreign exchange differences net	(11 170)	(2 214)
Allowance for loans granted to MLP Bucharest	-	(39 870)
Other financial expenses	(729)	(82)
Total financial costs	**(35 137)**	**(62 561)**

(data in thousand of PLN, unless otherwise stated)

In January and June 2014 MLP Poznań II Sp. z o.o. entered into a new floating-to-fix interest rate agreement. In October 2014 MLP Bieruń Sp. z o.o. entered into an IRS transaction for the new credit arrangement. In the reporting period ended 31 December 2014 the Group recognized the cost of the 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.

11. Income tax

for the year ended 31 December	**2014**	**2013**
Current income tax for the period	3 190	1 977
Origination/ reversal of temporary differences	17 550	(612)
Income tax	**20 740**	**1 365**

Effective tax rate

for the year ended 31 December	**2014**	**2013**
Profit before taxation	**75 509**	**57 973**
Current income tax on the basis of the enacted tax rate (19%)	*(14 347)*	*(11 015)*
Loss of control over MLP Bucharest	-	9 500
IPO expenses	-	140
Adjustment of deferred tax assets recognized in respect of impairment allowance	(4 031)	-
Not recognized asset, from a reserve for liabilities from buying a share in MLP Bucharest Sud S.R.L.	(486)	-
The difference resulting from the lack of taxation in MLP Sp. z o.o. SKA	1 548	83
Unrecognized deferred income tax assets	(1 403)	-
Not tax deductible costs	(2 021)	(73)
Current income tax	**(20 740)**	**(1 365)**

(data in thousand of PLN, unless otherwise stated)

12. Investment property

as at 31 December	31 December 2014	31 December 2013
Gross value at the beginning of the period	**930 708**	**936 452**
Additions	68 243	58 610
Cessation of consolidation of MLP Bucharest	-	(83 210)
Foreign exchange differences	-	2 330
Change in the fair value	47 386	16 526
Gross value at the end of the period	**1 046 337**	**930 708**

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

Investment property divided into parks:

as at 31 December	2014	2013
MLP Pruszków I Park		
Fair value of property - MLP Pruszków I	347 079	337 914
Perpetual usufruct - MLP Pruszków I	2 641	2 642
	349 720	**340 556**
MLP Pruszków II Park		
Fair value of property - MLP Pruszków II	251 109	227 258
Perpetual usufruct - MLP Pruszków II	2 620	2 620
	253 729	**229 878**
MLP Poznań Park		
Fair value of property - MLP Poznań	72 395	69 739
	72 395	**69 739**
MLP Lublin Park		
Fair value of property - MLP Lublin	28 984	-
	28 984	**-**
MLP Tychy Park		
Fair value of property - MLP Tychy	262 200	251 577
Perpetual usufruct - MLP Tychy	16	16
	262 216	**251 593**
MLP Bieruń Park		
Fair value of property - MLP Bieruń	77 356	38 942
	77 356	**38 942**
MLP Teresin Park		
Fair value of property - MLP Teresin	1 901	-
	1 901	**-**
MLP Energy - apartments	**36**	**-**
Gross value at the end of the period	**1 046 337**	**930 708**

(data in thousand of PLN, unless otherwise stated)

Information regarding collateral on investment property is disclosed in note 26.

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

for the year ended 31 December	**2014**	**2013**
Capitalized interest expenses	791	267

Investment liabilities are presented in the following table.

as at 31 December	**2014**	**2013**
Investment liabilities	19 111	26 002

12. 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 Royal Institution of Chartered Surveyors (RICS) Professional Valuation Standards . 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 other undeveloped land.

Because of different localizations and characteristics of investment properties, assumptions used by experts concerning yield rates are in the range 7.75%-8.75%.

The Group performs valuations twice during the year: on 30 June and 31 December. Fair value in valuation reports is presented in EUR and recalculated to PLN based on the 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 2014, there were no reclassifications between the levels.

(data in thousand of PLN, unless otherwise stated)

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 (weighted average probabilities)	Relations between the unobservable inputs on the data and the fair value
MLP Pruszków I Logistic Park					
(i) warehouse and office buildings	81 430 thousand EUR	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 thousand EUR				
MLP Pruszków II Logistic Park					
(i) warehouse and office buildings	29 404 thousand EUR	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 thousand EUR	Income approach	Monthly rent	43.5 thousand EUR - 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 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	(8.75%)	The lower capitalization rate, the higher fair value
(iv) surplus land	20 264 thousand EUR	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 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
	58 914 thousand EUR				

(data in thousand of PLN, unless otherwise stated)

	Fair value as at 31 December 2014	Approach to the valuation	Unobservable data	Range of unobservable data (weighted average probabilities)	Relations between the unobservable inputs on the data and the fair value
MLP Poznań Logistic Park					
(i) warehouse and office buildings	11 608 thousand EUR	Income approach	Monthly rent per 1 sqm	3.24 - 4.60 EUR/sqm, (4.07 EUR/sqm)	The higher rent, the higher fair value
			Capitalization rate	(8.25%)	The lower capitalization rate, the higher fair value
(ii) surplus land	4 437 thousand EUR	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 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
	16 985 thousand EUR				
MLP Tychy Logistic Park					
(i) warehouse and office buildings	61 060 thousand EUR	Income approach	Monthly rent per 1 sqm	4.47 - 4.87 EUR/sqm, (4.67 EUR/sqm)	The higher rent, the higher fair value
			Capitalization rate	(8.00%)	The lower capitalization rate, the higher fair value
(ii) surplus land	456 thousand EUR	Comparable approach	Price for 1 sqm	31.44 EUR/sqm	The higher price for 1 sqm, the higher fair value
	61 516 thousand EUR				

(data in thousand of PLN, unless otherwise stated)

	Fair value as at 31 December 2014	Approach to the valuation	Unobservable data	Range of unobservable data (weighted average probabilities)	Relations between the unobservable inputs on the data and the fair value
MLP Bieruń Logistic Park					
(i) warehouse and office buildings under construction	17 059 thousand EUR	Income approach	Monthly rent per 1 sqm	3.03 - 4.45 EUR/sqm, (3.57 EUR/sqm)	The lower capitalized net income, the lower fair value
			Capitalization rate	(7.75%)	The higher construction costs, the lower fair value
(ii) land with building permit	1 090 thousand EUR	Income approach	Capitalized net income	(a)	The lower estimated capitalized net income, the lower fair value
			Construction costs	(b)	The higher estimated construction costs, the lower fair value
	18 149 thousand EUR				
MLP Lublin Logistic Park					
(i) warehouse and office buildings	5 110 thousand EUR	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 thousand EUR	Comparable approach	Price for 1 sqm	19.94 EUR/sqm	The higher price for 1 sqm, the higher fair value
	6 800 thousand EUR				
MLP Teresin Logistic Park					
(i) surplus land	446 thousand EUR	Comparable approach	Price for 1 sqm	7.27 EUR/sqm	The higher price for 1 sqm, the higher fair value
	446 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

(data in thousand of PLN, unless otherwise stated)

13. Deferred tax

as at 31 December	**Deferred tax assets**		**Deferred tax liabilities**		**Net value**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Investment property	-	-	105 047	91 097	105 047	91 097
Credits, loans granted and received	1 335	-	-	500	(1 335)	500
Derivatives	7 336	6 201	-	-	(7 336)	(6 201)
Other	3 503	8 043	-	-	(3 503)	(8 043)
Tax losses deductible in future periods	246	926	-	-	(246)	(926)
Deferred tax assets / liabilities	**12 420**	**15 170**	**105 047**	**91 597**	**92 627**	**76 427**

The unrecognized deferred tax assets as at 31 December 2014 amounted to PLN 1 403 thousand.

(data in thousand of PLN, unless otherwise stated)

	1 January 2013	changes recorded in profit or loss	changes recorded in other comprehensive income	cessation of consolidation of MLP Bucharest	31 December 2013
Investment property	84 891	4 209	-	1 997	**91 097**
Credits, loans granted and received	(2 284)	2 784	-	-	**500**
Derivatives	(9 061)	615	2 245	-	**(6 201)**
Other	(523)	(7 520)	-	-	**(8 043)**
Tax losses deductible in the future periods	(226)	(700)	-	-	**(926)**
	72 797	**(612)**	**2 245**	**1 997**	**76 427**

	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**

(data in thousand of PLN, unless otherwise stated)

14. Other investments

as at 31 December	2014	2013
Other long-term financial assets	2 170	4 749
Long-term loans	1 773	1 217
Other long-term investments	**3 943**	**5 966**
Short-term loans	97 829	52 870
Short-term investments	**97 829**	**52 870**

15. Trade and other receivables

as at 31 December	2014	2013
Trade receivables	5 596	4 152
Investment settlements	297	305
Prepayments	1 974	2 846
Advance payment for purchase of land	20 855	-
Accrued interest	788	-
Taxation and social security receivables	1 365	5 842
Trade and other receivables	**30 875**	**13 145**
Corporate income tax receivables	305	1 491
Short-term receivables	**31 180**	**14 636**

Receivables due from related parties are set out in note 27.

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

as at 31 December	2014		2013	
	Gross receivables	Write-downs	Gross receivables	Write-downs
Neither past due or impaired:	3 028	-	731	-
Past due:				
0 to 90 days	2 098	-	3 279	274
91 to 180 days	46	-	262	173
over 181 days	4 548	4 124	4 000	3 673
Total receivables	**9 720**	**4 124**	**8 272**	**4 120**

(data in thousand of PLN, unless otherwise stated)

16. Cash and cash equivalents

as at 31 December	**2014**	**2013**
Cash on hand	38	50
Cash in bank	9 282	1 540
Short-term deposits	42 481	82 197
Cash and cash equivalents in the consolidated statement of financial position	**51 801**	**83 787**
Cash and cash equivalents in the consolidated statement of cash flows	**51 801**	**83 787**
Restricted cash and cash equivalents	*(16 271)*	*(7 225)*

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.

In accordance with the bank loans agreement the Group has restricted cash of PLN 16 271 thousand as security for repayment of the loans.

17. Cash flow related to loans granted and received

In the year ended 31 December 2014 MLP Group S.A. and its subsidiary MLP Pruszków I Sp. z o.o. granted loans in the amount of PLN 73 034 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 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.

(data in thousand of PLN, unless otherwise stated)

for the year ended 31 December	**2014**	**2013**
Cash flows from bank credits received	47 636	62 873
Cash flows from loans received	73 034	38 364
Total cash flows from bank credits and loans received	**120 670**	**101 237**
Elimination of loans received from Fenix Polska Sp. z o.o.	(73 034)	(38 370)
Total cash flows from bank credit and loans received	**47 636**	**62 867**
Total cash flows from bank credit and loans received presented in the consolidated statement of cash flows	**47 636**	**62 867**

for the year ended 31 December	**2014**	**2013**
Cash flows from loans granted	(73 034)	(40 970)
Elimination of loans granted to Fenix Polska Sp. z o.o.	73 034	38 370
Total cash flows from loans granted	**-**	**(2 600)**
Total cash flows from loans granted presented in the consolidated statement of cash flows	**-**	**(2 600)**

18. Equity

18. 1 Share capital

as at 31 December	**2014**	**2013**
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 2014 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.

(data in thousand of PLN, unless otherwise stated)

Changes in share capital during the period covered by the consolidated financial statements:

as at 31 December	**2014**		**2013**	
	number of shares	**Value**	**number of shares**	**Value**
Number of shares at the beginning of the period	**18 113 255**	**4 529**	**15 094 379**	**3 774**
Shares issuance	-	-	3 018 876	755
Number of shares at the end of the period	**18 113 255**	**4 529**	**18 113 255**	**4 529**

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.

18. 2 Share premium

Changes in equity presented under the position "Share premium" are as follows:

	Value at the beginning of the period	**Issuance of shares of C series in connection with the IPO**	**Expenses incurred in connection with issuance of shares**	**Value at the end of the period**
Financial year ended 31 December 2013	**-**	71 698	(577)	**71 121**
Financial year ended 31 December 2014	**71 121**	-	-	**71 121**

19. 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.

for the year ended 31 December	**2014**	**2013**
Net profit for the year	**54 769**	**56 608**
Number of shares issued	18 113 255	18 113 255
Weighted average number of shares issued	18 113 255	15 597 525

(data in thousand of PLN, unless otherwise stated)

Earnings per share attributable to shareholders of the Parent Company for the period (in PLN per share):

- basic	3.02	3.63
- diluted	3.02	3.63

In presented periods there were no dilutive factors.

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

20. 1 Long-term liabilities

as at 31 December	**2014**	**2013**
Bank credits pledged on the Group's assets	373 124	344 495
Loans	36 219	1 210
Total long-term credits, loans, other debt instruments and other liabilities	**409 343**	**345 705**

as at 31 December	**2014**	**2013**
Finance lease liabilities	5 277	5 278
Liabilities concerning SWAP transactions	40 776	37 382
Investment deposits	359	2 909
Guarantees from tenants and others	1 459	1 371
Total other long-term liabilities	**47 871**	**46 940**

The Group classifies perpetual usufruct of land as a finance lease. The amount of liability has been recognized using the effective interest method.

as at 31 December	**31 December 2014**	**31 December 2013**
Finance lease liabilities	5 277	5 278

20. 2 Short-term liabilities

as at 31 December	**2014**	**2013**
Short-term credits and short-term part of long term credits pledged on the Group's assets	24 484	20 218
Loans	71 306	61 522
Total short-term credits, loans and other debt instruments	**95 790**	**81 740**

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

(data in thousand of PLN, unless otherwise stated)

20. 3 Credits, loans secured and unsecured on the Group's assets

	currency	effective rate (%)	as at maturity date	31 December 2014 in currency	31 December 2014 in PLN	as at maturity date	31 December 2013 in currency	31 December 2013 in PLN
Investment loan BRE 17/001/13/D/IN	EUR	Euribor 1M + margin	2018	2 407	10 260	2018	2 515	10 429
Investment loan 39165/13 - 05.03.2013	EUR	Euribor 1M + margin	2021	32 351	137 435	2021	34 270	141 596
Loan CRD/25846/07	EUR	Euribor 1M + margin	2017	34 477	146 858	2017	36 841	152 663
Loan KNK/1212752	EUR	Euribor 3M + margin	2027	5 901	25 068	2027	6 404	26 469
Loan 2010/KI/0092	EUR	Euribor 3M + margin	2020	2 949	12 494	2020	3 115	12 831
Loan PKO BP S.A.	EUR	Euribor 3M + margin	2029	8 924	37 695	-	-	-
Working capital loan (VAT) PKO BP S.A.	PLN	Euribor 1M + margin	2014	-	1 321	-	-	-
Loan ING 11/0002	EUR	Euribor 1M + margin	2020	4 559	19 374	2020	5 018	20 725
Investment loan ING	EUR	Euribor 3M + margin	2020	1 666	7 103	-	-	-
Unsecured loans	PLN	Euribor 3M + margin	2015	-	11 377	2014	-	11 008
Unsecured loans	PLN	Euribor 3M + margin	2020	-	6 018	2014	-	5 819
Unsecured loans	USD	Libor R USD + margin	2016	554	1 944	2013	1 182	3 560
Unsecured loans	USD	Libor R USD + margin	2015	1 679	5 890	2014	1 678	5 056
Unsecured loans	PLN	Wibor 3M + margin	2015	-	41 493	2014	-	15 233
Unsecured loans	PLN	Wibor 3M + margin	2017	-	15	-	-	-
Unsecured loans	PLN	Wibor 3M + margin	2029	-	5 032	2021	-	1 210
Unsecured loans	PLN	Wibor 3M + margin	2024	-	13 940	-	-	-
Unsecured loans	EUR	Euribor 3M + margin	2015	2 938	12 546	2014	2 891	11 988
Unsecured loans	EUR	Euribor 3M + margin	2029	2 175	9 270	2014	2 136	8 858
					505 133			**427 445**

The balances of loans received in foreign currency were translated by the following average exchange rates quoted by the NBP as at:

	31 December 2014	31 December 2013
exchange rate EUR/PLN	4.2623	4.1472
exchange rate USD/PLN	3.5072	3.0120

In the year ended 31 December 2014 the Group signed the following significant loan agreements:

	currency	interest rate (%)	maturity date	loan balance with accrued interest as at 31 December 2014 PLN thousand
Loans granted				
Fenix Polska Sp. z o.o.				
	PLN	WIBOR 3M + margin	2015	49 318
	PLN	WIBOR 3M + margin	2017	515
Loans received				
Fenix Polska Sp. z o.o.				
	PLN	WIBOR 3M + margin	2015	38 440
	PLN	WIBOR 3M + margin	2017	15
	PLN	WIBOR 3M + margin	2024	6 354
	PLN	WIBOR 3M + margin	2029	5 032

21. Payroll liabilities

as at 31 December	**2014**	**2013**
Special funds	157	157
Cash settled share based payment	1 275	-
Payroll liabilities	**1 432**	**157**

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

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

After approval of the financial statement 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 current stock price of MLP Group S.A.

22. Trade and other liabilities

as at 31 December	**2014**	**2013**
Trade liabilities	2 835	3 277
Deferred income	428	-
Taxation and social security liabilities	368	115
Uninvoiced costs	419	831
Investment liabilities, guarantees and others	19 438	24 605
Provision for purchase of MLP Bucharest Sud S.R.L. shares	2 557	-
Trade and other liabilities	**26 045**	**28 828**
Income tax liabilities	728	125
Trade and other liabilities	**26 773**	**28 953**

(data in thousand of PLN, unless otherwise stated)

Liabilities to related parties were disclosed in note 27.

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

as at 31 December	**2014**	**2013**
Current liabilities	19 429	25 329
Liabilities overdue from 0 to 90 days	7 375	1 981
Liabilities overdue from 91 to 180 days	196	328
Liabilities overdue over 181 days	67	4 695
Total trade and other liabilities	**27 067**	**32 333**

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.

23. Financial instruments

23. 1 Valuation of financial instruments

The fair value of financial assets and financial liabilities as at 31 December 2014 and 31 December 2013 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.

23. ***1. 1 Financial assets***

as at 31 December	**2014**	**2013**
Available for sale financial assets:		
Other financial instruments (level 3)	2 170	4 749
	2 170	**4 749**

(data in thousand of PLN, unless otherwise stated)

as at 31 December	2014	2013
Loans and receivables:		
Cash and cash equivalents (level 3)	51 801	83 787
Loans and receivables, including:		
• Trade and other receivables (level 3)	6 681	4 457
• Loans granted (level 3)	99 602	54 087
	158 084	**142 331**
Total financial assets	**160 254**	**147 080**

23. 1. 2 Financial liabilities

as at 31 December	2014	2013
Hedging financial instruments:		
Liabilities concerning SWAP transactions (level 2)	40 776	37 382
	40 776	**37 382**
Liabilities valued at amortized cost		
Bank loans (level 3)	397 608	364 713
Loans received (level 3)	107 525	62 732
Trade and other payables (level 3)	27 067	32 333
Finance lease liabilities (level 2)	5 277	5 278
	537 477	**465 056**
Total financial liabilities	**578 253**	**502 438**

The fair value of hedging financial instruments as at 31 December 2014 amounted to 40 776.0 thousand and is determined 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 2014 there were no reclassifications between the levels.

23. 2 Other disclosures relating to financial instruments

Established collaterals

Information concerning established collaterals is disclosed in note 26.

Hedge accounting

MLP Poznań II Sp. z o.o. on 2 January and 3 June 2014 entered into new agreements which change the interest rate from floating to fixed. All future floating interest rates value will be replaced with fixed interest rates according to the schedule.

Moreover on 7 October 2014 MLP Bieruń Sp. z o.o. was signed agreement with PKO BP S.A. which change the interest rate from floating to fixed. All future floating interest rates value will be replaced with fixed interest rates according to the schedule.

Monthly cash flows are forecasted until 31 January 2020.

Identification of the hedging instrument and the hedged position

Entity	Hedged position - debt in the amount of: in EUR thousand	Hedged position - debt in the amount of: in PLN thousand	Hedging instrument - amortized Interest Rate Swap of initial value of: in EUR thousand	Hedging instrument - amortized Interest Rate Swap of initial value of: in PLN thousand	The fair value of the hedging instrument (in EUR thousand) as at 31 December 2014	The fair value of the hedging instrument (in EUR thousand) as at 31 December 2013	The fair value of the hedging instrument (in PLN thousand) as at 31 December 2014	The fair value of the hedging instrument (in PLN thousand) as at 31 December 2013
MLP Pruszków I Sp. z o.o.	47 382	201 956	47 382	201 956	(4 243)	(4 750)	(18 084)	(19 700)
MLP Sp. z o.o. SKA (formerly MLP Tychy Sp. z o.o.)	36 339	154 888	34 561	147 309	(4 418)	(3 858)	(18 830)	(16 001)
MLP Moszna I Sp. z o.o.	3 600	15 344	3 600	15 344	(357)	(248)	(1 522)	(1 030)
MLP Poznań II Sp. z o.o.	7 211	30 735	7 211	30 735	(256)	(116)	(1 091)	(481)
MLP Pruszków IV Sp. z o.o.	2 565	10 933	2 565	10 933	(96)	(41)	(409)	(170)
MLP Bieruń Sp. z o.o.	6 813	29 039	6 813	29 039	(197)	-	(840)	-

The values of the hedged position and the hedging instrument were translated at the average EUR exchange rate published by the NBP on 31 December 2014.
The fair value of hedging instruments was translated by the following average exchange rates published by the NBP on the day:

	31 December 2014	31 December 2013
exchange rate EUR/PLN	4.2623	4.1472

(data in thousand of PLN, unless otherwise stated)

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 Sp. z o.o. SKA (formerly MLP Tychy Sp. z o.o.)	(373)	667	(3 122)
MLP Bieruń Sp. z o.o.	(775)	(21)	(45)
	(1 101)	**2 233**	**(4 525)**

The amounts recognized in the consolidated statement of profit or loss and other comprehensive income in 2013:

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.	263	1 687	3 627
MLP Pruszków IV Sp. z o.o.	(76)	-	(94)
MLP Moszna I Sp. z o.o.	-	-	356
MLP Poznań II Sp. z o.o.	-	-	190
MLP Sp. z o.o. SKA (formerly MLP Tychy Sp. z o.o.)	52	769	2 986
	239	**2 456**	**7 065**

23. 3 The nature and extent of risks related to financial instruments

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

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

23. 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
2014	33 842	244 053	177 600	**455 495**
2013	30 572	229 537	155 053	**415 162**

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

Derivatives - expected payments		up to 1 year	from 1 to 5 years	over 5 years	Total
2014	inflows	225	1 145	60	**1 430**
	outflows	(12 972)	(29 188)	(46)	**(42 206)**
		(12 747)	**(28 043)**	**14**	**(40 776)**
2013	inflows	1 016	8 974	1 177	**11 167**
	outflows	(12 202)	(34 374)	(1 973)	**(48 549)**
		(11 186)	**(25 400)**	**(796)**	**(37 382)**

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

Derivatives - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2014	75 170	2 148	43 756	**121 074**
2013	63 155	-	1 619	**64 774**

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

23. 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 2014 (PLN thousand):

	PLN	EUR	USD	Other	Total
Financial assets					
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**

	PLN	EUR	USD	Other	Total
Financial liabilities					
Hedging financial instruments:					
Liabilities concerning SWAP transaction	-	40 776	-	-	**40 776**
Financial liabilities measured at amortized cost:					
Bank loans	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**

The currency structure of financial instruments as at 31 December 2013 (PLN thousand):

	PLN	EUR	USD	Other	Total
Financial assets					
Available for sale financial assets:					
Other financial instruments	-	4 749	-	-	**4 749**
Loans and receivables					
Cash and cash equivalents	71 767	6 947	5 073	-	**83 787**
Loans and receivables, including:					
• Trade and other receivables	3 668	789	-	-	**4 457**
• Loans granted	33 239	20 842	-	6	**54 087**
	108 674	**33 327**	**5 073**	**6**	**147 080**

	PLN	EUR	USD	Other	Total
Financial liabilities					
Hedging financial instruments:					
Liabilities concerning SWAP transaction	-	37 382	-	-	**37 382**
Financial liabilities measured at amortized cost:					
Bank loans	-	364 713	-	-	**364 713**
Loans received	33 270	20 846	8 616	-	**62 732**
Trade and other liabilities	32 206	86	41	-	**32 333**
Lease liabilities	5 278	-	-	-	**5 278**
	70 754	**423 027**	**8 657**	**-**	**502 438**

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)

as at 31 December	**2014**	**2013**
Increase in the exchange rate EUR/PLN by 5%	(22 039)	(19 489)
Increase in the exchange rate USD/PLN by 5%	(115)	(179)

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 also have an unfavorable impact on the Group's financial results.

23. 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:

as at 31 December	**2014**	**2013**
EURIBOR + 50 b.p.	(270)	(237)
US LIBOR + 50 b.p.	(39)	(18)
WIBOR + 50 b.p.	(396)	(166)

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:

as at 31 December	**2014**	**2013**
EURIBOR + 50 b.p.	109	104
WIBOR + 50 b.p.	389	166

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.

(data in thousand of PLN, unless otherwise stated)

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:

as at 31 December	**2014**	**2013**
EURIBOR + 50 b.p.	56	35
WIBOR + 50 b.p.	175	359
US LIBOR + 50 b.p.	28	25

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.

23. 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 balances of the above-mentioned instruments.

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

as at 31 December	**2014**	**2013**
The value of the deposit from tenants at the end of the reporting period	1 855	1 682

24. 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 reinvoicing.

As at 31 December 2014 the aggregated 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 with 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.

On 31 December 2013 the aggregated value of rental income (assuming a fixed exchange rate of EUR/PLN and USD/PLN and a lack of indexation) amounts to PLN 326.4 mln, out of which PLN 65.0 mln is receivable within one year, PLN 191.7 mln in the period from 2 to 5 years, and PLN 69.7 mln after 5 years.

25. Contractual investment liabilities

as at 31 December	**2014**	**2013**
Contractual investment liabilities	12 235	30 647

26. Contingent liabilities and pledges

On 31 December 2014 the Group had established the following securities on its assets:

26. 1. Mortgages

Entity	Land register number	Details	Mortgage charge
MLP Pruszków I Sp. z o.o.	WA1P/00036973/9	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
		Mortgage to secure credit repayment for Raiffeisen Bank S.A. - security of credit granted Raiffeisen Bank Polska S.A. on the basis of agreement dated 4 December 2007 to MLP Tychy	80 000 EUR thousand
MLP Pruszków III Sp. z o.o.	WA1P/00079808/5	Mortgage to secure credit no KNK/1212752 dated 6 July 2012 granted to Deutsche Bank PBC S.A.	10 350 EUR thousand
		Mortgage to secure claims of Deutsche Bank PBC S.A.	1 934 EUR thousand
MLP Moszna I Sp. z o.o.	WA1P/00101970/5	Mortgage to secure credit 2010/KI/0092 dated 10 August 2010 for DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK	3 600 EUR thousand
		Mortgage for DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK to secure interest repayment, commissions, fees and other costs based on credit no 2010/KI/0092 dated 10 August 2010	1 800 EUR thousand
MLP Pruszków IV Sp. z o.o.[1)]	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.	1 920 PLN thousand
MLP Sp. z o.o. SKA (formerly MLP Tychy Sp. z o.o.),	KA1T/00045321/3 KA1T/00012641/2 KA1T/00012640/5 KA1T/00012664/9 KA1T/00050891/7	Joint mortgage to secure credit granted by Raiffeisen Bank S.A. under agreement no CRD/39165/13 dated 5 March 2013	74 720 EUR thousand
		Joint mortgage to secure claims under hedge agreement concluded with Raiffeisen Bank Polska S.A.	16 200 EUR thousand

In accordance with the agreement signed on 17 December 2014 between MLP Pruszków IV Sp. z o.o. and mBank S.A., current mortgage up to EUR 3 870 thousand was changed to a joint mortgage. Additionally mortgage securing debts related to hedging agreement up to PLN 1 920 thousand, was changed to a joint mortgage and increased to PLN 3 360 thousand. Those changes were registered in 2015.

Entity	Land register number	Details	Mortgage charge
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 Bieruń Sp. z o.o.	KA1T/00069276/6	Mortgage to secure claims for PKO B.P. S.A. due to: - investment credit agreement in the amount up to EUR 16 634 thousand but no more than 80% net investment value, - credit working capital agreement for current VAT liabilities in the amount of PLN 3 000 thousand	27 646 EUR thousand

26. 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 entity:		
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 Moszna I Sp. z o.o.	Dz Bank AG Deutsche Zentral-Genossenschaftbank Frankfurt am Main S.A. receivables resulting from the credit 2010/KI/0092 granted to MLP Moszna I Sp. z o.o.	7 200 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
MLP Bieruń Sp. z o.o.	PKO BP S.A. receivables resulting from investment credit	25 741 EUR thousand
Registered and financial pledge on shares:		
MLP Sp. z o.o. SKA (formerly MLP Tychy Sp. z o.o.),	Raiffeisen Bank Polska S.A. receivables resulting from credit CRD/39165/13	74 720 EUR thousand
MLP Sp. z o.o.	Raiffeisen Bank Polska S.A. receivables resulting from credit CRD/39165/13	74 720 EUR thousand

Pledge type	Security	Value of the established security
Securities established on the MLP Sp. z o.o.'s shares in the entity:		
Registered pledge on shares:		
MLP Sp. z o.o. SKA (formerly MLP Tychy Sp. z o.o.),	Raiffeisen Bank Polska S.A. receivables resulting from credit CRD/39165/13 granted to MLP Sp. z o.o. SKA	74 720 EUR thousand
Securities established on the MLP Property Sp. z o.o.'s shares in the entity:		
Registered pledge on shares:		
MLP Pruszków III Sp. z o.o.	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 Bieruń Sp. z o.o.	PKO BP S.A. receivables resulting from investment credit	25 741 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 [1]	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 entity:		
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
Securities established on the MLP Pruszków II Sp. z o.o.'s shares in the entity:		
Registered pledge on shares:		
MLP Pruszków III Sp. z o.o.	Deutsche Bank PBC S.A. receivables resulting form credit no KNK/1212752 granted for MLP Pruszków III Sp. z o.o.	13 800 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. [1]	10 579 EUR thousand
Financial pledge on shares:		
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) [2]	3 750 PLN thousand

[1] In relation to the credit agreement signed on 17 December 2014 between MLP Pruszków IV Sp. z o.o. and mBank S.A. the amount of security was increased from EUR 3 870 thousand to EUR 10 579 thousand (registered by court on 30 December 2014).

[2)] In relation to the credit agreement signed 17 December 2014 between MLP Pruszków IV Sp. z o.o. and mBank S.A. a registered pledge on shares of MLP Pruszków II Sp. z o. o. in MLP Pruszków IV Sp. z o.o. was registered by the court in January 2015. This pledge was established to secure bank receivables related to working capital credit (sum secured - PLN 3 750 thousand).

In relation with repayment of working capital credit granted by BRE Bank S.A. to MLP Pruszków IV Sp. z o.o. registered and financial pledge established up to the amount PLN 1 614 thousand on shares of MLP Pruszków IV Sp. z o.o. owned by MLP Pruszków II Sp. z o.o. and MLP Property Sp. z o.o. were withdrawn.

26. 3. Ordinary pledges on receivables

Ordinary pledge on cash receivables was established on 27 November 2013 by MLP Sp. z o.o. to secure repayment of refinancing credit no CRD/39165/13 granted by Raiffeisen Bank Polska S.A. to MLP Sp. z o.o. SKA up to the amount of EUR 74 720 thousand.

26. 4. Guarantees

As at 31 December 2013 the Group granted the following guarantees:

- On 5 March 2013 MLP Group S.A. signed a guarantee agreement with Raiffeisen Bank Polska S.A. and former MLP Tychy Sp. z o.o., subsequently referred to as the "Borrower" (currently MLP Sp. z o.o. SKA). The abovementioned agreement requires that MLP Group S.A. provide the Borrower with financial means for meeting its credit needs to the extent which will keep the Debt Coverage Ratio (calculated in accordance with the provisions of the credit agreement signed on 5 March 2013) above 1.20.
- MLP Pruszków I Sp. z o.o. granted guarantee in favor of Hapoalim Bank in the amount USD 200 000.
- MLP Pruszków I Sp. z o.o. granted guarantee in favor of Mercantile Bank in the amount USD 1 000 000.
- MLP Pruszków I Sp. z o.o. granted guarantee in favor of Mercantile Bank in the amount USD 300 000.

26. 5. 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, according to the agreement if MLP Pruszków IV will not cover excessive property construction costs (A2b building) with its own contributions, then Issuer will grant to the company abovementioned unsecured loan, which will be subordinated to repayment of company's liabilities, in the amount not exceeding EUR 68 thousand.
  - Support agreement granted to MLP Pruszków IV Sp. z o.o. by MLP Group S.A, according to the agreement if MLP Pruszków IV will not cover excessive cost of property construction (A3a building) with its own contributions, then Issuer will grant to the abovementioned company unsecured loan, which will be subordinated to repayment of company's liabilities, in amount not exceeding EUR 193 thousand.

(data in thousand of PLN, unless otherwise stated)

- **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 Deutsche Bank PBC S.A.:**
  - Assignment of the claims under the insurance policy,
  - Assignment of the lease agreements,
  - A blank bill of exchange,
  - Power of attorney to all the accounts of the borrower.

- **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 loan granted for MLP Poznań II Sp. z o.o. and interest, charges and cost under the agreement.
  - Appendix signed for registered and financial pledge agreement on shares MLP Poznań II Sp. z o.o.,

- **Security claims to PKO B.P. S.A.:**
  - Assignment of the lease agreements,
  - Assignment of guarantee deposits from lease agreement,
  - Assignment of cash transfer related to insurance policy,
  - Assignment of IRS transaction,
  - Power of attorney to all accounts of the Borrower,
  - A blank bill of exchange of MLP Bieruń Sp. z o.o. with blank promissory note agreement,
  - Registered and financial pledge on bank accounts of MLP Bieruń Sp. z o.o. in PKO BP S.A. up to the amount PLN of 3 750 thousand,
  - Statement of execution,
  - Support agreement granted by MLP Group S.A. to MLP Bieruń Sp. z o.o. of 10% of cost incurred in the second construction phase in case that they are exceeded - the Issuer will grant to the abovementioned company as above grant unsecured loans, which will be repaid according to the loan agreement.

27. Related party transactions

27. 1 Trade and other receivables and payables

Related party balances related to the trade and other receivables and payables as at 31 December 2014 are as follows:

	Trade and other receivables	Trade and other payables
Parent company		
The Israel Land Development Company Ltd., Tel-Aviv	35	-
	35	**-**

(data in thousand of PLN, unless otherwise stated)

Key management personnel		
ROMI CONSULTING, Michael Shapiro	-	40
Total	**35**	**40**

27. 2 Loans granted and received

Related party balances related to the loans granted and received as at 31 December 2014 are as follows:

	Loans granted	**Loans received**
Parent company		
CAJAMARCA HOLLAND B.V., Delft	-	1 944
Other related parties		
Fenix Polska Sp. z o.o.	99 595	105 581
Total	**99 595**	**107 525**

(data in thousand of PLN, unless otherwise stated)

27. 3 Revenues and expenses

Related party transactions related to revenues and expenses for the year ended 31 December 2014 are as follows:

	Sales-other	Purchase of services and salary cost	Interest income	Interest cost
Parent company				
CAJAMARCA HOLLAND B.V., Delft	-	-	-	(152)
The Israel Land Development Company Ltd., Tel-Aviv	156	-	-	-
	156	**-**	**-**	**(152)**
Other related parties				
Fenix Polska Sp. z o.o.	-	-	2 755	(2 353)
	-	**-**	**2 755**	**(2 353)**
Key management personnel				
ROMI CONSULTING, Michael Shapiro	-	(403)	-	-
MARDOR, Dorota Jagodzińska-Sasson	1	(253)	-	-
RTK CONSULTING, Radosław T. Krochta	-	(465)	-	-
PROFART, Tomasz Zabost	-	(84)	-	-
PEOB, Marcin Dobieszewski	-	(55)	-	-
Other key management personnel	-	(527)	-	-
	1	**(1 787)**	**-**	**-**
Total	**157**	**(1 787)**	**2 755**	**(2 505)**

Fenix Polska Sp. z o.o. is a related party through the Cajamarca Holland B.V. which as at 31 December 2014 owns 100% of shares in Fenix Polska Sp. z o.o. and 56.98% in the share capital of the Group.

28. Significant litigation and disputes

28. 1 Arbitration trial related to Accurcius Limited

The Issuer was a party to the arbitration case initiated by Accursius Limited, with its seat in Limassol, pending in the International Court of Commercial Arbitration in Bucharest. On 19 July 2011 Accursius Ltd used a call option for 50% of shares in MLP Bucharest Sud SRL and started a claim regarding the purchase of MLP Bucharest Sud SRL shares by MLP Group S.A. MLP Group S.A. disagreed with the valuation of the option in the amount of EUR 2.5 million. Accursius Ltd filed a complaint to the Arbitration Court related to Chamber of Commerce and Industry of Romania in Bucharest to pass a judgment replacing the shares sale agreement and to oblige MLP Group S.A. to pay EUR 2.5 million as the price for 50% of shares. On 15 January 2013 the verdict was pronounced saying that the Accursius shares sale agreement was concluded on the day of the call option realization (19 July 2011) and obliged MLP Group S.A. to pay Accurius Ltd EUR 667 thousand for buying MLP Bucharest Sud S.R.L shares. On 15 March 2013 Accursius Ltd asked the District Court in Warsaw for declaration of enforceability of the Arbitration Court judgment. The Company has applied for refusal of this declaration.

On 18 March 2013 MLP Group S.A. raised a complaint to the Court of Appeal in Bucharest to repeal the Arbitration Court judgment. The complaint was based on allegations regarding violation of public order and the Romanian procedural standards. It was rejected by the Court on 12 June 2013. Court of Appeal in Bucharest stated these breaches did not take place. On 16 August 2013 MLP Group S.A. appealed against the decision of Court of Appeal from 15 January 2013 which pronounced a verdict stating enforceability of the verdict of Arbitration Court.

On 3 February 2015 the District Court in Warsaw granted enforceability of the verdict and ordered to pay liabilities for Accurcius Limited of EUR 667 thousand for shares by MLP Group S.A.

On 5 march 2015 MLP Group S.A. agreed with Accursius Ltd the amount of payment for shares of MLP Bucharest S.R.L. and on 6 march 2015 MLP Group S.A. was paid EUR 600 thousand.

Management Board of MLP Group S.A.presented in the consolidated financial statements for 2014 a provision for the price of shares to Accursius Ltd (note 8).

28. 2 The proceeding concerning CreditForce Holding BV

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) judging the amount of 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 increase the technical standard of the leased asset.

On 22 November 2012, CreditForce Holding BV filed to the District Court in Warsaw a complaint to revoke 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 cases is proceedings in front of the Warsaw District Court: to revoke the proceedings ended with legally valid verdict and objection to default verdict in case mentioned above (proceedings were suspended because CreditForce Holding B.V. declared bankruptcy). The Group recognized an impairment allowance of the abovementioned receivables.

28. 3 The proceeding concerning 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 took 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 the lawyer does not agree with this claim. Therefore the Group has not created a provision. Currently the case is proceeding in front of the court of first instance, before the first trial.

29. Significant events during the financial year and subsequent events

29. 1 Significant events during the year ended 31 December 2014

- On 14 January 2014 MLP Group SA and its subsidiary MLP Poznań II Sp. z o.o. entered with ING Bank Śląski SA into the Project Support Agreement.

  Under the abovementioned agreement, the Parent Company is committed to provide its subsidiary MLP Poznań II Sp. z o.o. with financial means in the event of cost overruns that may occur during project implementation in the Building A3 in one of forms: as unsecured subordinated loans, as supplementary capital infusions of MLP Poznań II Sp. z o.o. or as an equity increase of the share capital of the subsidiary.

- During the meeting of the Supervisory Board dated 15 January 2014 the Audit Committee was constituted with the following members appointed:
  - Shimshon Marfogel,
  - Eytan Levy,
  - Maciej Matusiak.
- In January 2014 the next tranche of construction credit was granted for a subsidiary of the Issuer MLP Poznań II Sp. z o.o. of EUR 1 726 thousand (details in note 20.3).
- On 28 April 2014 subsidiary of the Issuer MLP Poznań I Sp. z o.o. bought from the Lublin Municipality a property of 10.5141 hectare located in Lublin. Gross sales price was PLN 9 648 180.

  MLP Poznań I Sp. z o.o. purchased abovementioned property in order to implement a new investment project - construction of the new warehouse, production and office complex along with common infrastructure, common areas and communication system intended for lease of total surface of 54 000 sqm located in the special economic zone in EURO-PARK MIELEC.

- On 7 July 2014 MLP Group S.A. entered into the Liquidity Support Program. Dom Maklerski mBank S.A. is the Market Administrator of the Company.
- On 11 August 2014 MLP Bieruń Sp. z o.o. and PKO BP S.A. signed a new credit agreement. In accordance with the agreement the bank granted:
  - investment loan in convertible currency in total amount which does not exceed the lower of:

    - EUR 16 633 548.00,
    - 80% of the company's investment

    working capital credit in PLN for financing current VAT liabilities of PLN 3 000 000.00.

  Information about the credits was presented in note 20.3.

- On 24 October 2014 MLP Poznań Zachód Sp. z o.o. w organizacji signed new lease agreements with the following companies from the Capital Group "Czerwona Torebka" S.A.:
  - "Dyskont Czerwona Torebka” S.A. seated in Poznań,
  - "Małpka” S.A. seated in Poznań,

related to rental of warehouse and office buildings and parking spaces, which will be located in a warehouse, production and office complex, which MLP Poznań Zachód Sp. z o.o. will construct on the property located in Więckowice, wherein:

- "Dyskont Czerwona Torebka" S.A. will lease a warehouse of approximately 52 116 sqm and social and office space of approximately 1 700 sqm,

- "Małpka" S.A. will rent warehouse on surface approximately 24 479 sqm and social and office space on surface approximately 985 sqm.

Each of the agreements was signed with the following restrictions:

- purchase by MLP Poznań Zachód Sp. z o.o. w organizacji or its related entity from "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. seated in Poznań part of property located in Więckowice, consisting of plot no. 319/2.

- entry into force local development plan or obtaining by "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. seated in Poznań and transfer to MLP Poznań Zachód Sp. z o.o. w organizacji or its related party, zoning permit allowing the construction of the investment project by Poznań Zachód Sp. z o.o. w organizacji.

Each agreement was signed for a specified period - 15 years from date of handing over of lease space to tenant, on the following dates:

- 31 December 2016 in relation to agreement signed with "Dyskont Czerwona Torebka" S.A.,

- 31 December 2015 with relation to agreement signed with "Małpka" S.A.

Issuer estimated that total benefits resulting from the lease agreement with:

- "Dyskont Czerwona Torebka" S.A. is EUR 33 782 448.60 for the entire period, which is PLN 143 990 930.67.
- "Małpka" S.A. is EUR 16 342 138.80 for entire period, which is PLN 69 655 098.21.

- On 24 October 2014 issuer subsidiary - MLP Pruszków II and Merlin.pl S.A. signed lease agreement for warehouse, office building and parking space, which will be located in warehouse, production and office complex that will be realized by MLP Pruszków II Sp. z o.o. in the logistic park MLP Pruszków II located in Moszna Parcela, district Pruszków. Tenant will lease warehouse space of approximately 40 000 sqm, and social and office space of approximately 1 500 sqm.

  Agreements were signed with the following restrictions:

  - purchase by MPL Pruszków II Sp. z o.o. or related entity from "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. seated in Poznań part of property located in Więckowice, consisting of plot no. 319/2,

  - entered into force local development plan or obtaining by "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. seated in Poznań and transfer to issuer subsidiary MLP Poznań Zachód Sp. z o.o. w organizacji or its related party, zoning permit allowing the construction of the investment project by MLP Pruszków II Sp. z o.o. or its related party.

  - purchase by MPL Pruszków II Sp. z o.o. or its related entity from "Trzecia – Czerwona Torebka spółka akcyjna" sp.k. seated in Poznań part of property located in Więckowice, consisting of plot no. 319/2, and payment of the whole price for this plot by the purchaser,

  - obtaining by Merlin.pl. S.A. consent of the Supervisory Board to conclude lease agreement till 15 December 2014.

  Agreement was signed for a specified period of 15 years from date of handing over of lease space to tenant, wherein according to agreement handover date cannot be later than 30 September 2018.

  Issuer estimated that total net value of revenues resulting from the lease agreement is EUR 24 801 300 which is PLN 105 710 580.99.

- On 24 October 2014 subsidiary of MLP Poznań Zachód Sp. z o.o. and "Czerwona Torebka" S.A. signed conditional agreement for the purchase land. According to the agreement MLP Poznań Zachód Sp. z o.o. paid an advance to "Czerwona Torebka" S.A. for the purchase of the land located in Więckowice of PLN 20 729 455. The condition that has to be met is obtaining a zoning permit. If the terms of the agreement are met, amount of advanced payment and accrued interest will be treated as a payment of the purchase price and "Czerwona Torebka" S.A. will transfer to MLP Poznań Zachód Sp. z o.o. ownership of the property.

  If conditions are not met, advanced payment will be returned to MLP Poznań Zachód Sp. z o.o.

29. 2 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. 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 the Company Statute.

Following the balance sheet date, 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.

(data in thousand of PLN, unless otherwise stated)

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

for the year ended 31 December	**2014**	**2013**
Remuneration of Management Board		
• **Remuneration and other benefits**		
Michael Shapiro	403	404
Radosław T. Krochta	465	472
Dorota Jagodzińska-Sasson	253	366
Tomasz Zabost	84	-
Marcin Dobieszewski	55	-
	1 260	**1 242**
• **Cash settled share based payment**	536	-
	1 796	**1 242**
Remuneration of Supervisory Board		
• **Remuneration and other benefits**		
Maciej Matusiak	29	-
Jacek Tucharz	29	-
Eytan Levy	29	-
Shimshon Marfogel	29	-
Yosef Zvi Meir	29	-
Baruch Yehezkelov	29	-
	174	**-**
Total remuneration for Management Board and Supervisory Board members	**1 970**	**1 242**
Other Key Management Personnel		
• Remuneration and other benefits	527	-
• Cash settled share based payment	242	-
	769	**-**
Total remuneration for Management Board, Supervisory Board and Key Management Personnel	**2 739**	**1 242**

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

On 2 September 2014, Mrs. Dorota Jagodzińska-Sasson (responsible for sales and marketing of the Company and subsidiaries) resigned from the position of Member of the Management Board of the Company and subsidiaries of MLP Group S.A. Capital Group.

On 2 September 2014 Mr. Radosław T. Krochta resigned from his position of Vice-President of the Management Board of MLP Poznań I Sp. z o.o. and MLP Pruszków IV Sp. z o.o.

(data in thousand of PLN, unless otherwise stated)

According to the resolution of the Extraordinary Shareholders Meeting dated 22 September 2014 Mr. Tomasz Zabost was appointed as a Member of the Management Board for MLP Pruszków I Sp. z o.o., MLP Pruszków II Sp. z .o.o, MLP Pruszków III Sp. z o.o., MLP Pruszków IV Sp. z o.o., MLP Moszna I Sp. z o.o., MLP Poznań Sp. z o.o., MLP Poznań I Sp. z o.o., MLP Poznań II Sp. z o.o., MLP Bieruń Sp. z o.o., MLP Bieruń I Sp. z o.o. and MLP Sp. z o.o.

According to the resolution of the Supervisory Board dated 14 January 2015 Mr. Tomasz Zabost was appointed as a Member of the Management Board.

According to the resolution of the Extraordinary of Shareholders Meeting dated 22 September 2014 Mr. Marcin Dobieszewski was appointed as a Member of the Management Board of MLP Pruszków IV Sp. z o.o. and MLP Poznań I Sp. z o.o.

Members of the Supervisory Board did not receive any remuneration for their function in 2013.

Beyond the transactions presented in note 27 and above, Members of Management Board, Supervisory Board and other Key Management Personel did not receive any other benefits from any of the entities of the Capital Group.

31. Employment structure

as at 31 December	**2014**	**2013**
Average employment in the period	23	23

32. 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 Warsaw, 51 Chłodna 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.

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

In the period ended 31 December 2014 there were no events related to the issuance, redemption or repayment of debt and equity securities.

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

The Management Board of MLP Group S.A. has not published any financial forecasts for 2014.

35. A brief description of achievements and failures in the period ended 31 December 2014

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

36. Seasonality and cyclicity

Group activities are not subject to seasonality or cyclicity.

Michael Shapiro
President of the Management Board

Radoslaw T. Kroch
Vice-President of the Management Board

Tomasz Zabost
Member of the Management Board

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

For the year 2014

Management Board's report on the activities of MLP Group S.A. Capital Group for 2014 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).

Pruszków, 12 March 2015

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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 2014

The Management Report on the MLP Group S.A. Capital Group activities for 2014 was prepared and approved by the Management Board on 12 March 2015.

Michael Shapiro
President of the Management Board

Radosław T. Krochta
Vice-President of the Management Board

Tomasz Zabost
Member of the Management Board

Pruszków, 12 March 2015

Introduction

Parent Company of the MLP Group S.A. Capital Group ("Group") is MLP Group S.A. ("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), the Company is established for an indefinite period.

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, 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.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014** (data in thousand PLN, unless otherwise stated)

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

1. 1 Group structure

As at 31 December 2014, 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 Poznań I Sp. z o.o.[2)]	Poland	100%	100%
MLP Poznań II Sp. z o.o.	Poland	100%	100%
MLP Sp. z o.o. SKA (formerly MLP Tychy Sp. z o.o.)	Poland	100%	100%
MLP Energy Sp. z o.o.	Poland	100%	100%
MLP Bucharest Sud S.R.L.[1)]	Romania	50%	-
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. [3)]	Poland	100%	100%
MLP Sp. z o.o.	Poland	100%	100%
MLP Teresin Sp. z o.o. w organizacji [4)]	Poland	100%	100%
MLP Poznań Zachód Sp. z o.o. w organizacji [4)]	Poland	100%	100%
MLP FIN Sp. z o.o. w organizacji [5)]	Poland	100%	100%

[1)] Group has lost control over company MLP Bucharest Sud S.R.L. in second quarter 2013.
[2)] On 2 February 2015 the company changed its name to MLP Lublin Sp. z o.o.

Changes in the Group:

[3)] On 30 April 2014 a new company in the Capital Group was established - MLP Bieruń I Sp. z o.o.

Shares in the new company were taken up in the following manner: 49 shares of total nominal value of PLN 4.900 were taken up by MLP Property Sp. z o.o.; 1 share of total nominal value of PLN 100 was taken up by MLP Group S.A.

[4)] On 17 October 2014 two new companies were established in the Capital Group: MLP Poznań Zachód Sp. z o.o. and MLP Teresin Sp. z o.o. All shares were acquired by MLP Property Sp. z .o.o.

On 2 February 2015 MLP Teresin Sp. z o.o. was registered in the National Court Register.

On 23 January 2015 MLP Poznań Zachód Sp. z o.o. was registered in the National Court Register.

[5)] On 10 December 2014 two new companies were established:

- MLP Fin Sp. z o.o. w organizacji - all shares of the company were acquired by MLP Property Sp. z o.o. (50 equal and indivisible shares of the nominal value of PLN 100 each);

- MLP Fin Sp. z o.o. w organizacji Spółka komandytowa - the unlimited liability partner of the company is MLP Fin Sp. z o.o. and the limited partner responsible for liabilities in amount not exceeding the sum of partnership is MLP Group S.A.

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. 2 Scope of activities of the Company and the Group

Since 1998, the 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 product 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. The 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 park near large metropolitan areas,
- location of logistics park near road communication nodes,
- easy access to public transportation to and from the logistics parks.

MLP Group is currently operating six logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Tychy, MLP Poznań, MLP Bieruń, MLP Lublin and acquired land to develop a new logistics park - MLP Teresin. The total size of surplus land in Poland is 85,7 hectares.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

1. 3 Information about the real estate portfolio

The investment portfolio of the Group is comprised of six operating industrial parks located in Poland (parks: MLP Pruszków I, MLP Pruszków II, MLP Tychy, MLP Poznań, MLP Bieruń and MLP Lublin) and an industrial park under development – MLP Teresin.

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 2014:

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	165 034	-	-
MLP Pruszków II	Brwinów	302 000	58 940	8 033	531 973
MLP Poznań	Poznań	103 000	19 685	7 382	143 954
MLP Tychy	Tychy	92 588	90 807	-	- [1]
MLP Bieruń	Bieruń	55 000	32 635	-	43 098
MLP Lublin	Lublin	54 000	-	9 725	76 334
MLP Teresin	Teresin	[2]	[2]	[2]	61 291
Total		**773 621**	**367 101**	**25 140**	**856 650**

[1] In MLP Tychy there is surplus land with an area of approximately 14,5 thousand sq.m. The Management Board does not include this area in development sites for further lease expansion.

[2] In December 2014 the Group acquired land located in Gnatowice Stare of 6,1 hectares. It was the first stage of investment related to construction of new logistics park - MLP Teresin.

Summary of leasable area owned by the Group in Poland as at 31 December 2014 (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)
773 621	367 101	25 140	357 182	23 250	9 068

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 2014 is:

Breakdown of the Group's developed space by types as at 31 December 2014

The fair value of the Group's property portfolio at 31 December 2014:

Logistics Park	Fair Value in EUR thousand	Fair Value in PLN thousand
MLP Pruszków I	81 430	347 079
MLP Pruszków II	58 914	251 109
MLP Poznań	16 985	72 395
MLP Tychy	61 516	262 200
MLP Bieruń	18 149	77 356
MLP Lublin	6 800	28 984
MLP Teresin	446	1 901
Total	**244 240**	**1 041 024**

Value of the investment property portfolio presented in the consolidated financial statements at 31 December 2014 is comprised of: (i) fair value of investment property of PLN 1 041 024 thousand, (ii) perpetual usufruct of land of PLN 5 277 thousand.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

1. 4 Information about the market, customers and suppliers

In 2014, the Group operated in Poland. The Group is currently operating six logistics park located in Poland (parks: MLP Pruszków I, MLP Pruszków II, MLP Tychy, MLP Poznań, MLP Bieruń and MLP Lublin) and acquired land for development of a new logistics park - MLP Teresin.

The Group also has stake in MLP Bucharest Sud S.R.L. which operates logistics parks in Romania, however in the period ended 31 December 2013, the Group ceased to consolidate MLP Bucharest Sud S.R.L, due to the loss of control over the entity. On 9 April 2013, following the application of one of the company's creditors - Alpha Bank AE - under the order of the bankruptcy court in Bucharest, bankruptcy proceedings against MLP Bucharest Sud S.R.L. were initiated. On 28 May 2013 the court issued an order to disqualify the existing Management Board of MLP Bucharest Sud S.R.L. from managing the affairs of the company and to establish a judicial administrator, whose task is to run the company and represent it in relations with third parties. As a consequence of the bankruptcy proceedings initiated against MLP Bucharest Sud S.R.L., and the establishment of the judicial administrator, the existing Management Board appointed by the Shareholders has lost control over the management of the company.

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 revenues:

Revenue from sales *in the year ended 31 December*	**2014**	**2013**	*change (%)*
External customer sales			
Investment property rental	69 081	62 911	*9,8%*
Re-invoicing of operating costs	17 968	15 609	*15,1%*
Re-invoicing of utilities	13 203	12 120	*8,9%*
Other	2 534	1 442	*75,7%*
Total	**102 786**	**92 082**	***11,6%***

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 2014, the average space rented to one tenant was 4.7 thousand sq.m. (as at 31 December 2013 average space rented to one tenant was 4.3 thousand sq.m).

As at 31 December 2014 about 40 % of the total leased space was occupied by the 10 largest tenants in logistics parks belonging to the Group (as at 31 December 2013 it was 42%).

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 2014 the Group cooperated with two construction companies, with purchase turnover exceeding 10% of the Group's revenue, that were acting as general contractors:

- BIN - Biuro Inżynierskie Sp. z o.o.,
- JOKA Sp. 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 2014 there were no purchases from a single supplier exceeding 10% of the Groups revenues.

2. MLP Group S.A. Capital Group activities

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

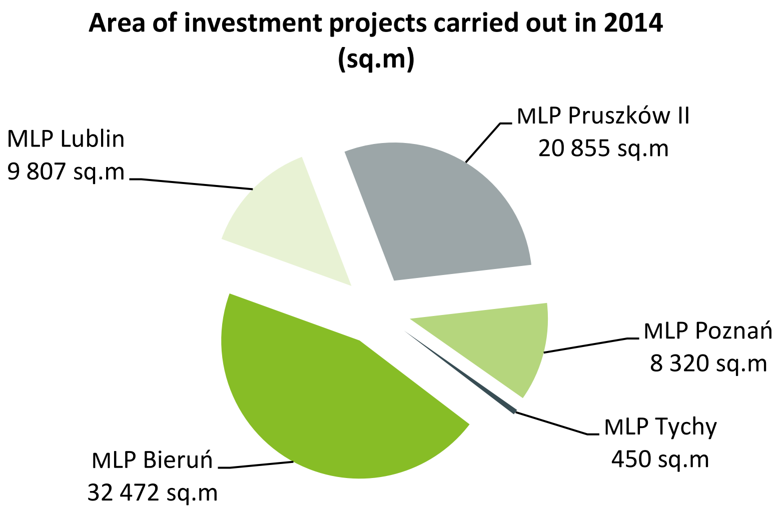
In 2014, the Group continued its activities of construction and property management in relation to logistics. These activities are conducted through subsidiaries in which the Company holds its shares.

In the analyzed period, the Group simultaneously operated several development projects and rented more than 357 thousand sq.m of existing warehouse and office space. The Company's Management Board reviewed and evaluated:

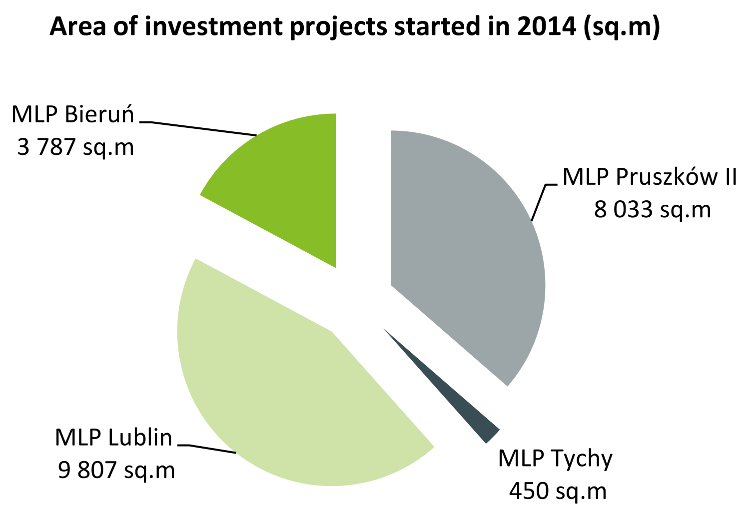
- current projects in development for the progress of the construction work,
- earned and expected revenue from sales,
- the best possible use of existing land resources of the Group and adjustment of sale offers to expectations and anticipations of the market demand,
- possibilities to purchase land 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

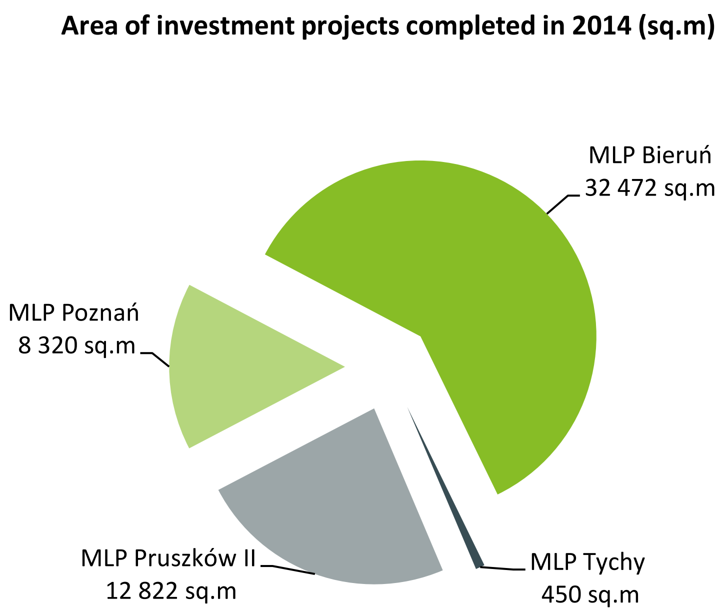
In 2014 the Group carried out investment projects with a total area of 71 904 sq.m through its subsidiaries.



49 827 sq.m of investment projects, out of the total area of projects that were implemented in 2014, were started before 2014. Additionally, the Group commenced the construction of warehouse and office buildings with a total area of 22 077 sq.m. The chart presents the surface area of initiated investment projects in various parks of the Group:



Among projects under construction in 2014 of 71 904 sq.m, the Group finalized projects of 54 064 sq.m.



Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

2. 1.2 Development projects currently underway and in preparation

In 2015 the Group, through its subsidiaries, finished all projects under construction at 31 December 2014. Additionally, 174 166 sq.m of space in logistic parks: MLP Pruszków II, MLP Poznań, MLP Poznań Zachód and MLP Teresin is to be built.

The Group paid an advance for a land purchase connected with the investment of logistic park MLP Poznań Zachód.

During the last quarter of 2014, conditional rent agreements have been signed for the total area of 158 368 sq.m.

Logistic Park		Location	New (conditional) lease agreements signed in 2014 (sq.m)
MLP Poznań Zachód	(a)	Więckowice	79 280
MLP Teresin	(b)	Gnatowice Stare	37 588
MLP Pruszków II	(c)	Pruszków	41 500
Total			**158 368**

(a) On 24 October 2014 MLP Zachód sp. z o.o. w organizacji signed lease agreements with the following companies from the "Czerwona Torebka" S.A. Capital Group: "Dyskont Czerwona Torebka" S.A seated in Poznań and "Małpka" S.A. seated in Poznań. Those agreements concerned the rent of a warehouse, office space and a parking space, which will be located in the warehouse, production and office buildings complex, which MLP Poznań Zachód Sp. z o.o. w organizacji will develop on a property located in Więckowice.

Each of the lease agreements was signed with restriction of common fulfilment of several suspending conditions.

(b) On 27 November 2014 Issuer's subsidiary MLP Teresin Sp. z o.o. w organizacji signed a lease agreement with "Piotr i Paweł" S.A. concerning lease of warehouse and office facility of a total area of approximately 37 600 sq.m. along with constructions and supporting devices, which MLP Teresin Sp. z o.o. will develop in Gnatowice Stare, Kampinos Municipality.

(c) On 24 October 2014 Issuer's subsidiary MLP Pruszków II Sp. z o.o. and Merlin.pl S.A. seated in Poznań signed a lease agreement, concerning lease of the warehouse, office space and a parking space, which will be located in a complex of warehouse and production buildings, which MLP Pruszków II Sp. z o.o. will develop on the area of MLP Pruszków II logistics park. The tenant will lease 40 000 sq.m, along with office and social space equal to 1 500 sq.m.

The agreement was signed with restriction of common fulfilment of several suspending conditions.

Details concerning agreements mentioned above were described in note 29.1 to the consolidated financial statements for the year ended 31 December 2014.

In 2014 the Group finalized development of other investment projects which were under construction in 2013, i.e. MLP Poznań logistic park: investment project of 8 320 sq.m., MLP Pruszków II logistic park: investment projects of 12 822 sq.m. and MLP Bieruń logistic park: investment project of 28 685 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 the realization of new investment projects. Future investments will be financed among other from proceeds from the issuance of shares.

2. 1.3 Significant agreements for the Group's activities

Significant suppliers with whom the Group entered into agreements in 2014 with a total value exceeding 10% of Group's equity.

In the financial year 2014, the Group has not entered into a trade agreement with a single supplier total value of which exceeded 10% of the Group equity.

In 2014 Group signed a credit agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A., which value exceeded 10% of Group's equity. Credit agreement details were describe in chapter 3.4.2.

2. 1.4 Agreements between the shareholders

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

Additionally, MLP Group S.A. 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 2014 MLP Group S.A. did not sign any significant agreement related to the cooperation 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.

All transactions with related parties are presented in Note 27 to the Consolidated Financial Statements for the year ended 31 December 2014.

2. 1.7 Litigation

Ongoing proceedings in court, arbitration proceedings.

As at 31 December 2014 there was no 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 2014 there were not any proceedings in a court, arbitration proceedings or public administration related to liabilities or receivables, that together would exceed 10% of the Group's equity.

As at 31 December 2014, the Group was a party to proceedings related to liabilities and receivables of approximately PLN 11 185 thousand, including the total value of proceedings relating to liabilities of approximately PLN 8 275 thousand (out of which EUR 667 thousand relates to a court case connected with the sentence of the arbitration court in relation to the claim of Accursius Limited seated in Limassol described below and PLN 5 406 thousand relates to court case with OLPIZ Sp. z o.o.). The total value of proceedings concerning receivables amounted to approximately PLN 2 910 thousand.

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

The Group was a part of the arbitration proceedings initiated by Accursius Limited, with its seat in Limassol, pending in the International Court of Commercial Arbitration in Bucharest. On 19 July 2011 Accursius Ltd used call option to sell 50% of shares in MLP Bucharest Sud SRL and started a claim regarding the purchase of MLP Bucharest Sud SRL shares by MLP Group S.A. MLP Group S.A. disagreed with the valuation of the option in the amount of EUR 2.5 million. Accursius Ltd filed a complaint to Arbitration Court related to Chamber of Commerce and Industry of Romania in Bucharest for judgment replacing the shares sale agreement and MLP Group S.A. liability to pay EUR 2.5 million as a price for 50% of shares. On 15 January 2013 a verdict was given saying that the Accursius shares sale agreement was concluded on the day of call option realization (19 July 2011) and obliged MLP Group S.A. to pay Accursius Ltd EUR 667 thousand for purchase of MLP Bucharest Sud SRL shares. On 15 March 2013 Accursius Ltd asked the District Court in Warsaw for declaration of enforceability of the Arbitration Court judgment. The Company has applied for refusal of this declaration.

On 18 March 2013 MLP Group S.A. complained to Court of Appeal in Bucharest to repeal the Arbitration Court judgment. The complain was based on allegations regarding violation of public order and the Romanian procedural standards. It was rejected by the Court on 12 June 2013. The Court of Appeal in Bucharest stated these breaches did not take place. On 16 August MLP Group S.A. appealed from the decision of the Appeal Court in Bucharest which approved the sentence of the Court of Commercial Arbitration.

On 3 February 2015 District Court in Warsaw pronounced enforceability of the sentence of the Court of Commercial Arbitration from 15 January 2013, whereby MLP Group S.A. is obliged to pay Accursius Limited the amount of 667 thousand EUR for the shares value.

The Management Board of MLP Group S.A. recognized in the consolidated financial statements, for the year ended 31 December 2014, a provision for liabilities related to the payment to Accursius Ltd. for the shares (note 8 in the Consolidated Financial Statements).

On 5 March 2015 MLP Group S.A. concluded an agreement with Accursius Ltd. concerning the final amount for the MLP Bucharest Sud S.R.L shares and paid on 6 March 2015 to Accursius Ltd amount of 600 thousand.

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 hold 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 the 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 the currency risk (i.e. Currency hedging), the Group's companies mainly use the natural hedging by obtaining debt financing in EUR. To reduce the volatility of return of investment caused by exchange rate fluctuations, the Group companies may also conclude hedging contracts against such risks, including use of derivative transactions, 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 and USD 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 in respect of 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 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 indirectly depends 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 amount of 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 its business, financial condition and results.

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, independent from 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 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 the necessary tenants.

The following factors, over which the Group has limited or no control, which 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 the project to be unprofitable;
- actions taken by public authorities and local governments resulting in unexpected changes in 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 exercise 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 the 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 company to abandon the project.

Risk associated to 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 the 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 which are 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 design 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 any of such permits, consents or other decisions in relation to the existing property or new investments will be obtained in time or that it will be obtained at all, or that currently held or acquired in the future permits, consent or other decisions will not be withdrawn or that their term of validity will not be extended. In addition, public administrations may issue a decision based on the fulfilment of certain additional terms and conditions (including, for example ensuring adequate infrastructure) or impose on the Group 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 reassignment 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 registered 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 its 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 Prospects of business

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 in the current surplus land and realization 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.

In 2014 developers delivered over 1.02 million sq.m of warehouse space (comparing to only 305 thousand sq.m in 2013). The overall demand in the last year amounted to 2.06 million sq.m whereof 1,4 million sq.m applied to new agreements and enlargements of rented space. As at the end of 2014 the overall supply of modern warehouse space amounted to 8,54 million sq.m. Vacancy rate amounted to 9,8% and was 1,6 p.p. lower as compared to the prior year.

Currently in Poland approximately 687 thousand sq.m of modern warehouse space is under construction, out of which 26.8%, which is 184 thousand sq.m is being built for speculation purposes, what confirms developers' anticipations for further growth in warehouse demand. We expect a gradual decrease in vacancy rates in selected regions. In 2015 BTS contracts will still be popular, especially among the manufacturing industry. A continuation of speculative investments is expected in regions characterized by low levels of available storage space. A growth in Warsaw area is expected (In 2014 higher interest referred to suburban zone of Wrocław, Poznań and several locations in Upper Silesia). A growth of interest in suburban zone of Lublin is observed, among Poland eastern wall, where developers are more likely to find land for investment. A stabilization in rent rates at current levels will be observed with a possible pressure for growth in regions characterized by limited supply of vacant warehouse space.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

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 2014

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):

as at	31 December 2014	Share %	31 December 2013	Share %	Change %
Assets	**1 234 436**	**100%**	**1 095 395**	**100%**	**13%**
Non-current assets	**1 053 501**	**85%**	**943 817**	**86%**	**12%**
Investment property	1 046 337	85%	930 708	85%	12%
Other long-term investments	3 943	0%	5 966	1%	-34%
Current Assets	**180 935**	**15%**	**151 578**	**14%**	19%
Short-term investments	97 829	8%	52 870	5%	85%
Trade receivables and other	30 875	3%	13 145	1%	135%
Cash and cash equivalents	51 801	4%	83 787	8%	-38%

as at	31 December 2014	Share %	31 December 2013	Share %	Change %
Equity and liabilities	**1 234 436**	**100%**	**1 095 395**	**100%**	**13%**
Equity	**557 882**	**45%**	**508 867**	**47%**	**10%**
Long-term liabilities	**552 559**	**45%**	**475 678**	**43%**	**16%**
Credits, loans, other debt instruments and other long-term liabilities	457 214	37%	392 645	36%	16%
Short-term liabilities	**123 995**	**10%**	**110 850**	**10%**	**12%**
Credits, loans and other debt instruments	95 790	8%	81 740	7%	17%

As at 31 December 2014 investment properties, including logistics parks belong to the Group, constituted a main part of the Group's assets, i.e. 85 % total assets, as in 2013. The main items of equity and liabilities were: credits, loans, perpetual usufruct, other debt instruments and equity, which as at the end of 2014 respectively accounted for: long term credits, loans, other debt instruments and other long term liabilities 37% and short term credits, loans and other debt instruments 8%. Increased credit, loans, other debt instruments and other long term liabilities result from a constant development of the Group, and therefore new credit agreement for financing current investments (credit obtained by MLP Bieruń Sp. z o.o. and a new tranche of credit obtained by MLP Poznań II sp. z o.o.).

In 2013 the MLP Group lost control over the activities of MLP Bucharest Sud SRL in connection with the company being placed into bankruptcy and the appointment of a judicial administrator. As a result, the MLP Group ceased to consolidate the results of the company, which in the case of the consolidated balance sheet of the Group had an impact on both the assets (lowering the value of investment property) and liabilities (decrease the value of short-term credits, loans and other debt instrument).

Investment property

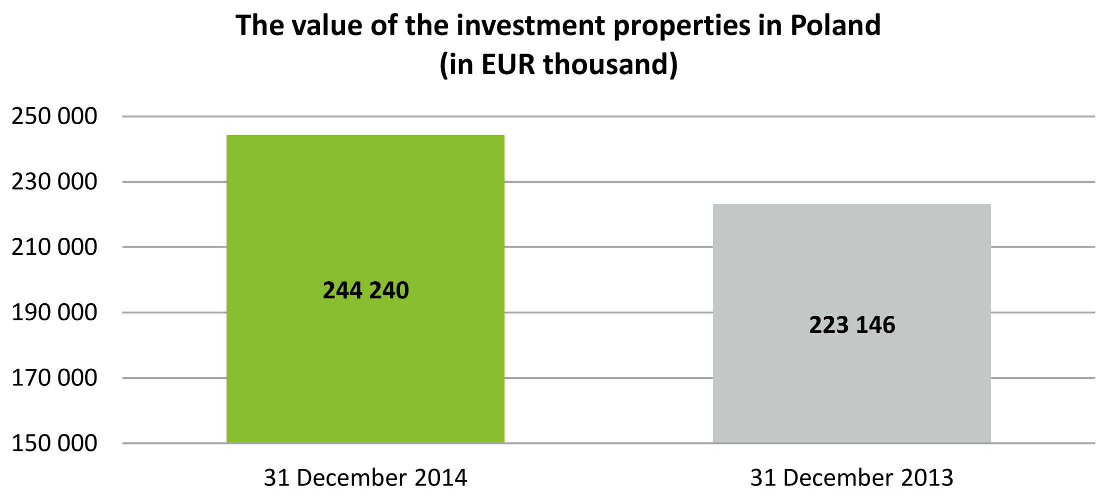
as at 31 December	2014	2014	2013	2013	Change
	in thousand EUR	in thousand PLN	in thousand EUR	in thousand PLN	in thousand PLN
MLP Pruszków I	81 430	347 079	81 480	337 914	9 165
MLP Pruszków II	58 914	251 109	54 798	227 258	23 851
MLP Poznań	16 985	72 395	16 816	69 739	2 656
MLP Tychy	61 516	262 200	60 662	251 577	10 623
MLP Bieruń	18 149	77 356	9 390	38 942	38 414
MLP Lublin	6 800	28 984	-	-	28 984
MLP Teresin	446	1 901	-	-	1 901
Value of investment property according to valuations	**244 240**	**1 041 024**	**223 146**	**925 430**	**115 594**

According to the valuations as at 31 December 2014, the total value of the investment property portfolio of the Group amounted to EUR 244 240 thousand (PLN 1 041 024 thousand) and increased by EUR 21 094 thousand in comparison to the value of the property according to the valuations as at 31 December 2013. The change in the value of property resulted from construction and commission of the total area of over than 54 sq.m thousand of warehouse space in 2014 (as compared to 15 sq.m thousand in the previous year). The total area under lease agreement increased by more than 35 sq.m. as compared to 2013.

The largest investment which Group started in 2014 and finalized at the beginning of 2015 was construction of Logistics Park MLP Lublin.

Moreover in December 2014, the Group purchased land for a construction of a new logistics park - MLP Teresin.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)



Other Investments

as at 31 December	2014	2013
Other long-term financial assets	2 170	4 749
Long-term loans	1 773	1 217
Short-term loans	97 829	52 870
Total other investments	**101 772**	**58 836**

As at 31 December 2014, the amount of outstanding loans granted increased by PLN 45 515 thousand in comparison to the end of 2013. This increase results from new loans granted of PLN 49 833 thousand as at the balance sheet date (the beneficiary of these loans was a related company, Fenix Polska Sp. z o.o.), partially offset by a repayment of loans granted in the previous year.

Cash

as at 31 December	2014	2013
Cash in hand	38	50
Cash in bank	9 282	1 540
Short-term deposits	42 481	82 197
Cash and cash equivalents presented in the consolidated statement of financial position	**51 801**	**83 787**
Cash and cash equivalents, presented in the consolidated statement of cash flows	**51 801**	**83 787**
Restricted cash	*(16 271)*	*(7 225)*

Cash and cash equivalents in the annual consolidated statement of financial position include cash in hand and bank deposits with a maturity of up to 12 months from the end of the reporting period.

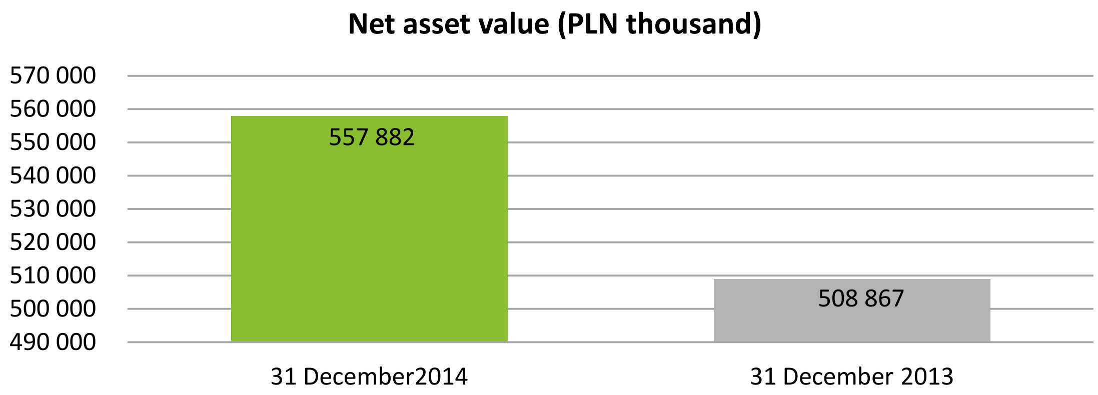
Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

The balance of cash as at 31 December 2014 amounted to PLN 51 801 thousand and decreased by 38% as compared to PLN 83 787 thousand in the previous year. The decrease results mainly from partial use of founds obtained in 2013 from issue of shares of series C by MLP Group S.A. for expansion of existing and construction of a new logistics parks, enhanced by cash outflows related to repayment of the bank credits and loans received.

Unused funds from the issuance of shares have been deposited for less than 3 months.

Equity

Net assets value (NAV)



Net assets value as at 31 December 2014 amounted to PLN 557 882 thousand, and increased by PLN 49 015 thousand (9.6%). The increase is related to the net profit for 2014 and compensated by valuation of the hedging instruments and financial assets recognized in equity.

Share capital

as at 31 December	2014	2013
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 2014, share capital of the Parent Company amounted to PLN 4 528 313.75 was divided into 18 113 255 and 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.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

Credits, loans, other debt instruments and other liabilities

as at 31 December	2014	2013
Credits secured on the Group's assets	373 124	344 495
Loan liabilities	36 219	1 210
Total long-term credits, loans and other debt instrument	**409 343**	**345 705**
Finance lease liabilities	5 277	5 278
Liabilities concerning SWAP transactions	40 776	37 382
Guarantees from tenants and other	1 818	4 280
Total other long-term liabilities	**47 871**	**46 940**
Short-term credits and short term part of credits secured on the Group's assets	24 484	20 218
Loan liabilities	71 306	61 522
Total short-term liabilities	**95 790**	**81 740**
Credits, loans, other debt instruments and other liabilities	**553 004**	**474 385**

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 long and short term loans increased as compared to the end of 2013. It is related with new loans received which value as at the balance sheet date amounted to (with interest accrued) PLN 49 833 thousand. The lender of the loans is a related party Fenix Polska Sp. z o.o.

The value of credits received raised as well. In 2014 new investment and revolving credit facilities agreement were entered into by a subsidiary - MLP Bieruń Sp. z o.o. as well as a new investment credit tranche was taken up by a subsidiary - MLP Poznań II Sp. z o.o.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

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 2014 compared to prior year:

for the year ended 31 December	2014	*% sales*	2013	*% sales*	*Change %*
Revenues	102 786	*100%*	92 082	*100%*	*12%*
Other operating income, including:	679	*1%*	51 124	*56%*	*-99%*
- Deconsolidation of MLP Bucharest Sud SRL (one-off revenue)	-	-	*50 123*	*54%*	-
Selling and administrative expenses	(40 444)	*39%*	(36 945)	*40%*	*9%*
Other operating costs	(1 608)	*2%*	(1 562)	*2%*	*3%*
Operating profit before gain on revaluation of investment property and recognition of the IPO costs	**61 413**	***60%***	**104 699**	***114%***	***-41%***
Gain on revaluation of investment property	47 386	*46%*	16 526	*18%*	*187%*
IPO costs (one-off cost)	-	-	(2 947)	*-3%*	-
Provision for purchase of shares of MLP Bucharest Sud S.R.L. (one-off cost)	(2 557)	-2%	-	-	-
Operating profit	**106 242**	***103%***	**118 278**	***128%***	***-10%***
Net financial loss	(30 733)	*30%*	(60 305)	*65%*	*-49%*
Profit before taxation	**75 509**	*73%*	**57 973**	*63%*	*30%*
Corporate income tax	(20 740)	*20%*	(1 365)	*1%*	*1419%*
Profit from continuing operations	**54 769**	***53%***	**56 608**	***61%***	***-3%***

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

for year ended 31 December	**2014**	**2013**
Earnings per share:		
- Basic (in PLN) earnings for the year attributable to the ordinary shareholders of the Parent Company	3,0	3,6
- Diluted (in PLN) earnings for the year attributable to the ordinary shareholders of the Parent Company	3,0	3,6

The main source of revenue of the Group's core activities includes rental revenues. In 2014, rental revenues of the Group increased steadily and amounted to PLN 102 786 thousand, and increased by PLN 10 704 thousand compared to the previous year (PLN 92 082 thousand). The increase in rental revenue resulted primarily from the expansion of the existing warehouse and production parks operated by the Group. In 2014 the average leased space amounted to 353 458 sq.m i.e. a 22% increase compared to 2013.

In 2013, the Group recognized significant amount of other income, i.e. PLN 51 124 thousand. A significant increase in other operating income in 2013 was associated with accounting for the cessation of consolidation of MLP Bucharest Sud SRL - the amount of the income amounted to PLN 50 123 thousand.

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 2014 amounted to PLN 11 280 thousand, PLN 13 809 thousand, and PLN 11 136 thousand - these costs were closely correlated to the volume of space in warehouses and manufacturing parks owned by the Group and their development and maintenance costs. The Group re-invoices all utilities and maintenance costs to its tenants related to the leased area.

In 2014, the Group recorded a gain on revaluation of investment properties, which resulted from an increase in the valuation of investment properties as at the balance sheet date.

In 2014, Group's financial expenses decreased significantly (amounting to PLN 30 733 thousand) as compared to the previous year (PLN 60 305 thousand). The decrease was due to write - offs of loans granted for MLP Bucharest Sud S.R.L. (PLN 39 870 thousand) which was related to the application of bankruptcy of MLP Bucharest Sud S.R.L. and a cessation of consolidation.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

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

for the year ended 31 December	2014	2013
Net Cash flows from operating activities	43 851	51 022
Net Cash flows from investing activities	-43 573	-36 357
Net Cash flows from financing activities	-32 914	56 921
Total net cash flow	**-32 636**	**71 586**
Cash at the beginning of the period	**83 787**	**12 257**
Foreign exchange differences on cash	650	-56
Cash and cash equivalents at the end of the period	**51 801**	**83 787**
- Including restricted cash	*-16 271*	*-7 225*

In 2014, the Group recorded positive cash flows from operating activities of PLN 43 851 thousand. Compared to 2013, there was a decrease of PLN 7 171 thousand.

In 2014 the Group recorded a negative cash flows from investing activities of PLN 43 573 thousand. In the previous year negative cash flows from investing activities amounted to PLN 36 357 thousand. Negative cash flows from investing activities are associated with the Group's investment program. The most significant outflows are related to investments connected with the development of logistics parks.

Negative cash flow from financing activities of PLN 32 914 thousand are a result of lower as compared to the previous year inflows from credits and loans received. Moreover in the reporting period the Group recognized a higher amount of cash outflows related to repayment of loans and credits as compared to the previous year. Positive cash flows in 2013 resulted from issuance of shares of series C in the amount of PLN 70 120 thousand.

Cash inflows from credits and loans received were the largest source of financing of investment activities of the Group in 2014. During this period, the Group received credits in total value of EUR 38 967 thousand (credit received by MLP Bieruń Sp. z o.o) and next tranche of credit was withdraw in amount PLN 8 669 thousand (received by MLP Poznań II Sp. z o.o.). Cash from credit received was intended for refinancing expenditures for construction warehouse and office space in Group parks.

3. 2 Forecasts

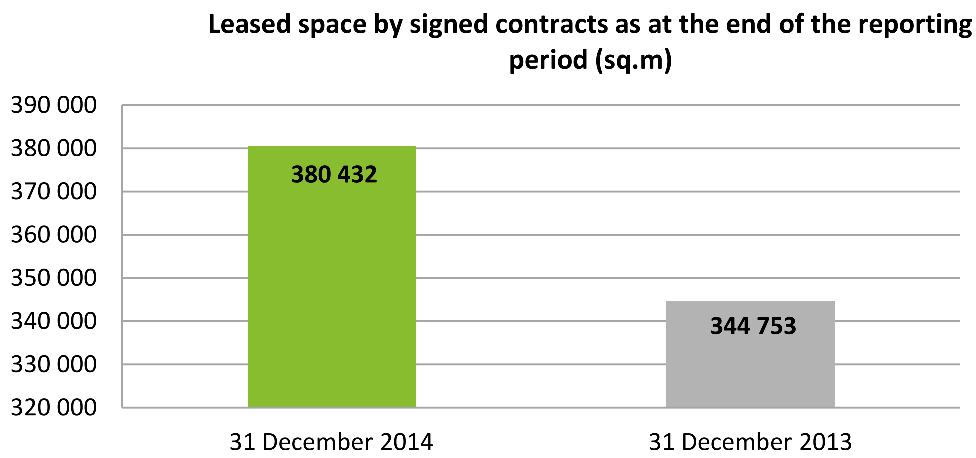
MLP Group S.A. Capital Group as well as MLP Group S.A. has not published consolidated or individual forecasts of financial results for year 2014.

3. 3 Group's financial management

Management of financial resources of the MLP Group S.A. Capital Group in 2014, 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 2014 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 2014 are to be considered positive. As at 31 December 2014, the Group leased a total area of 380 432 sq.m, in comparison to 344 753 sq.m as at 31 December 2013.



Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

3. 3.1 Profitability ratios

	Operating profit margin (%)	Gross profit margin (%)	Net profit margin (%)	Return on Equity (ROE)	Return on Assets (ROA)
2014	103,4%	73,5%	53,3%	9,8%	4,4%
2013	128,4%	63,0%	61,5%	11,1%	5,2%

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) / income from revenue;
- **return on equity (ROE)**: net profit (loss) / equity;
- **return on assets (ROA):** net profits (loss) / total assets.

In 2014, the operating profit margin decreased in comparison to 2013. The level of operating profit margin in 2014 was affected by the following factors: (i) the decrease in the amount of other operating income (in the previous year the line included PLN 50 123 thousand - as a result of the cessation of consolidation of MLP Bucharest Sud SRL), (ii) recognition of gain on revaluation of investment property of PLN 47 386 thousand which was nearly doubled comparing to 2013.

Gross profit margin ratio increased in 2014 by 10.5% p.p. and amounted to 73.5% as a result of a significant increase of gross profit (30% as compared to 2013).

Net profit margin decreased as compared to the previous year by 8.2% and amounted to 53.3% in 2014. This change was affected by increase of revenue from sales and slightly lower net result in comparison to the prior year.

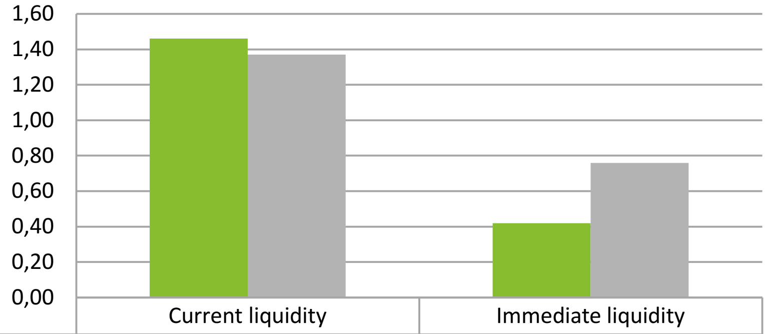
Also return on equity decreased as compared to the previous year (revenue change of 1.3%). Lower net profit and higher equity which increased by 9.6% as compared to 2013 had the most significant impact on ROE.

Also return on assets decreased as compared to 2013 by 0.8%.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014** (data in thousand PLN, unless otherwise stated)

3. 3.2 Liquidity ratios

Liquidity ratios



	Current liquidity	Immediate liquidity
31 December 2014	1,46	0,42
31 Decemeber 2013	1,37	0,76

Liquidity analysis was based on the below defined indicators:

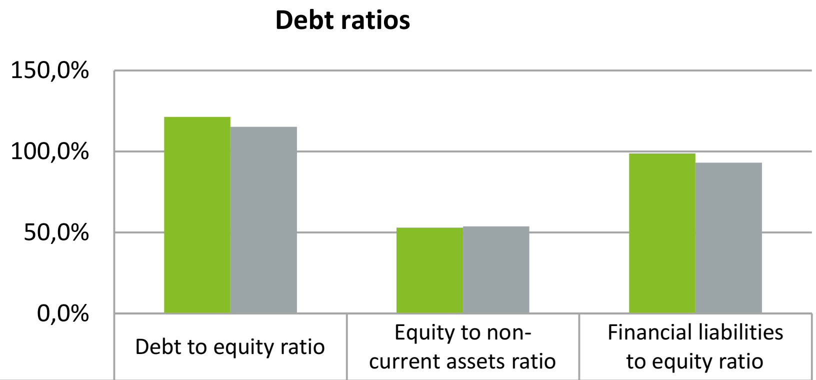
- **current ratio:** current assets / current liabilities;
- **immediate liquidity ratio:** cash and cash equivalents / current liabilities.

Current liquidity ratio in 2014 remained on a similar level as compared to 2013.

Immediate liquidity ratio in 2014 decreased as compared to 2013 (change by 0.34%). Decrease results continuous development of the Group and expansion of existing and construction of new logistic parks.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

3. 3.3 Debt ratios



	Debt to equity ratio	Equity to non-current assets ratio	Financial liabilities to equity ratio
31 December 2014	121,3%	53,0%	98,8%
31 December 2013	115,3%	53,9%	93,2%

Debt analysis was performed based on the following ratios presented:

- **debt to equity ratio:** total liabilities / total equity;
- **assets to equity ratio:** total equity / fixed 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, financial lease liabilities and liabilities related to SWAP valuation.

Debt to equity ration increased in 2014 as a result of increased liabilities mainly due to credits and loans received in connection with expansion of existing and development of the new logistic parks.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

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

3. 4.1 Concluded and terminated loan agreements

As at 31 December 2014 the Group recognized liabilities due to loans received in 2014:

Borrower	Lender	Date of loan agreement granted	Amount of loan	The amount of loan outstanding
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-11-21	1 695 000,00 PLN	0,00 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-03-31	500 000,00 PLN	500 000,00 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-05-05	4 000 000,00 PLN	4 000 000,00 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-11-21	1 695 000,00 PLN	1 695 000,00 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-12-22	150 000,00 PLN	150 000,00 PLN
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-09-26	500 000,00 PLN	500 000,00 PLN
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-11-26	500 000,00 PLN	500 000,00 PLN
MLP Poznań I Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-04-07	9 648 180,00 PLN	9 648 180,00 PLN
MLP Poznań I Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-05-08	60 000,00 PLN	60 000,00 PLN
MLP Poznań I Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-07-07	200 000,00 PLN	200 000,00 PLN
MLP Poznań I Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-10-06	900 000,00 PLN	900 000,00 PLN
MLP Poznań I Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-11-05	5 000 000,00 PLN	5 000 000,00 PLN
MLP Poznań Zachód Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-10-30	20 729 455,00 PLN	20 729 455,00 PLN
MLP Poznań Zachód Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-12-16	100 000,00 PLN	100 000,00 PLN
MLP Teresin Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-05-15	150 000,00 PLN	150 000,00 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-05-05	6 000 000,00 PLN	2 814 112,50 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-07-03	4 000 000,00 PLN	2 197 404,22 PLN
MLP Bieruń I Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-08-04	100 000,00 PLN	100 000,00 PLN

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

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	618 442,13 USD	57 425,34 USD
MLP Pruszków I Sp. z o.o.	Fenix Polska Sp. z o.o.	1998-05-25	0,00 USD	99 244,74 USD
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2009-01-13	0,00 PLN	8 000,00 PLN
MLP Poznań II Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-08	72 084,27 PLN	369,96 PLN
MLP Poznań II Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-21	251 000,00 PLN	1 288,22 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-01-23	2 600 000,00 PLN	76 661,55 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-02-06	150 000,00 PLN	4 171,94 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-02-25	4 500 000,00 PLN	114 944,79 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-03-24	5 100 000,00 PLN	113 213,01 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-04-16	400 000,00 PLN	2 208,07 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-05-05	3 185 887,50 PLN	125 155,76 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-07-03	1 802 595,78 PLN	60 932,60 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-19	1 150 000,00 PLN	42 814,36 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-12-09	4 730 000,00 PLN	164 890,38 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-01-13	2 702 355,85 PLN	82 584,73 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-01-20	2 000 000,00 PLN	59 687,12 PLN
MLP Bieruń I Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-05-15	1 349 000,00 PLN	1 776,61 PLN

In 2014 no loan agreements were terminated.

3. 4.2 Concluded and terminated bank credit agreements

- **New credit agreement in 2014**

According to the amendment no 2 to the credit agreement dated 8 August 2011 signed on 29 November 2012 ING Bank Śląski granted to MLP Poznań II Sp. z o.o. a construction credit up to the amount of EUR 1 923 457 to finance/refinance net value of a project related to construction of B3 building. The funds were transferred in 2014.

On 11 August 2014 MLP Bieruń Sp. z o.o. and PKO BP S.A. Bank signed a credit agreement. According to the agreement the bank granted to the company:

- investment credit in a changeable currency in total amount not exceeding the lower of the following amounts: EUR 16 633 548.00, or 80% of total value of investment held by the Company,

- working capital credit in PLN to finance current liabilities related to VAT in the amount of PLN 3 000 000.00.

MLP Bieruń will allocate amounts received under the investment credit for financing and refinancing cost of construction of new warehouse and logistic centre located in Bieruń. Amounts obtained under the working capital credit will cover VAT liabilities related to the above mentioned investment.

Part of the funds were transferred in 2014.

On 17 December 2014 MLP Pruszków IV Sp. z o.o. and mBank S.A. signed a credit agreement. According to agreement the bank granted to the company:

- investment credit up to the lower of the following amounts: EUR 4 472 434 or 70% of fair value of the building A2a, 65% of total construction costs of A2a, building 65% of total construction costs of A3 building,
- investment credit up to the lower of the following amounts: EUR 3 048 631, 70% of fair value of A2c building, 65% of total construction costs of A1b building, 65% of total construction costs of A3b building,
- working capital credit in PLN to finance current liabilities related to VAT in the amount of PLN 2 500 000.00.

Until the end of the reporting period, no funds related to the above credit were transferred.

In 2014, there were no new amendments to credit agreements or new credit agreements, no funds were transferred.

- **Credits repaid in 2014**

  On 15 May 2014, the Group repaid credit granted by ING Bank Śląski S.A. to MLP Poznań II Sp. z o.o. on the basis of the amendment no 2 signed on 29 November 2013 to the agreement dated 8 August 2011 to finance VAT related to costs of investment project A3 and A4 in the amount of PLN 1 589 516.82.

  Moreover the MLP Group in 2014 paid all credit instalments according to the agreed schedules.

  In 2014 no credit agreements were terminated.

3. 4.3 Bonds

The group does neither hold or issue bonds.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

3. 4.4 Loans granted

As at 31 December 2014, the Group recognized receivables from loans granted in 2014:

Lender	Borrower	Date of loan agreement	Amount of loan	The amount of loan outstanding
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-04-07	9 648 180,00 PLN	500 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-05-05	6 000 000,00 PLN	2 814 112,50 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-05-05	4 000 000,00 PLN	4 000 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-05-08	60 000,00 PLN	60 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-07-03	4 000 000,00 PLN	2 197 404,22 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-07-07	200 000,00 PLN	200 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-08-04	100 000,00 PLN	100 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-09-26	500 000,00 PLN	500 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-10-06	900 000,00 PLN	900 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-10-30	20 729 455,00 PLN	20 729 455,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-11-05	5 000 000,00 PLN	5 000 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-11-21	1 695 000,00 PLN	1 695 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-11-26	500 000,00 PLN	500 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-12-03	150 000,00 PLN	150 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	2014-12-16	100 000,00 PLN	100 000,00 PLN
MLP Pruszków I Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-12-22	150 000,00 PLN	150 000,00 PLN
MLP Pruszków I Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-03-31	500 000,00 PLN	500 000,00 PLN

3. 4.5 Granted and received sureties

As at 31 December 2014 the Group has not received any sureties nor securities.

3. 4.6 Granted and received guarantees

As at 31 December 2014 the Group granted the following guarantees:

- On 5 March 2013 MLP Group S.A. signed a guarantee agreement with Raiffeisen Bank Polska S.A. and MLP Tychy Sp. z o.o., subsequently referred as the "Borrower" (currently MLP Sp. z o.o. SKA). The above mentioned agreement requires that MLP Group S.A. provide the Borrower with financial means for meeting its credit needs to the extent which will keep the Debt Coverage Ratio (calculated in accordance with the provisions of the credit agreement signed on 5 March 2013) above 1.20.
- MLP Pruszków I Sp. z o.o. granted a guarantee in favour of Hapoalim Bank in the amount of USD 200 000,
- MLP Pruszków I Sp. z o.o. granted a guarantee in favour of Mercantile Bank in the amount of USD 1 000 000,
- MLP Pruszków I Sp. z o.o. granted a guarantee in favour of Mercantile Bank in the amount of USD 300 000,

3. 5 Use of proceeds from issuance of shares

Until 31 December 2014 the Group used PLN 49.9 million of funds received from issue of shares, that took place in 2013.

Funds from issuance of shares have been used in 2014 for implementation of investment plans, related to:

- expansion of the existing logistics parks (MLP Bieruń, MLP Pruszków II),
- construction of new parks (purchase of land for a construction of a new logistic park in MLP Lublin and MLP Teresin),
- advance payment for purchase of land for a construction of logistic park MLP Poznań Zachód.

As at 31 December 2014 PLN 20.2 million of funds from issuance of shares of series C was left.

The remaining proceeds from the issuance of shares are deposited on arms

3. 6 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.

3. 7 Evaluation of factors and unusual events affecting consolidated financial result for the year

In 2014, there was a significant decrease of other operating income from PLN 51 124 thousand in 2013 to PLN 679 thousand in the reporting period. It was due to accounting profit recognized in 2013 related to cessation of consolidation of MLP Bucharest Sud S.R.L. – other operating income related to cessation of consolidation amounted to PLN 50 123 thousand.

Because both, the Appeal Court in Bucharest and the Appeal Court in Warsaw confirmed enforceability of the verdict of Arbitration Court dated 15 January 2013, pursuant to which MLP Group S.A. is obliged to pay to Accursius Ltd. the amount of EUR 667 thousand for shares in MLP Bucharest Sud S.R.L. including court costs, Management Board of MLP Group S.A. recognized in the consolidated financial statements for the year ended 31 December 2014 a provision for liabilities listed above. Detailed description is presented in the note 2.1.7 of the Management Board' s Report on the activity of MLP Group S.A. Capital Group.

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 2014, 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 2014, 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 in 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 event 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 venue of meeting, no means of electronic communication were used at the General Shareholders Meeting, which took place on 26 June 2014.

II. Best Practices applied by the Management Board.

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.

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 not decided 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 not decided 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 not decided 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 at the General Shareholders Meeting, which took place on 26 June 2014.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

4. 1 Share capital and the shareholders

4. 1.1 Shareholders

As at 31 December 2014, 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 2014:

Shareholders	Number of shares	Share in capital	Share in total of vote
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 restriction 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 ML 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,
  - change 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 share in property or perpetual usufruct, as well as the burden of investment or of perpetual usufruct with limited property right.

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 sets 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, 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.

Persons that are the company's shareholders sixteen days before the General Meeting of 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 shareholder or limiting the rights granted to individual shareholders in accordance with art. 354 of the Commercial Companies Code, requires 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 28 June 2012. 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 Mrs. Dorota Jagodzińska-Sasson as Member of the Management Board. In accordance with the provisions of the Commercial Companies Code and the Articles of Association, the three year term of office shall expire no earlier than 28 June 2015. 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 2014 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 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.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

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 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 2014, the Management Board consisted of two 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.

	Surname	Position	Date of last appointment	Expiry of the current term
Michael	Shapiro	President of the Management Board	28 June 2012	28 June 2015
Radosław Tomasz	Krochta	Vice-President of the Management Board	28 June 2012	28 June 2015

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 is 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 15 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 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 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. Tomasz Zabost for the last 8 years 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 a warehouse and production space in Poland and oversees. He worked for Liebrecht&Wood, E&L Project and Ghelamco Poland.

On 2 September 2014, Mrs. Dorota Jagodzińska-Sasson (responsible for sales and marketing in the Company and subsidiaries) resigned from the position of Member of Management Board of the Company and subsidiaries of MLP Group S.A. Capital Group.

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 expires on 28 June 2015. 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 2014, the Supervisory Board consisted of 6 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 deprecation 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 a 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.

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 makes the final vote.

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.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

4. 5.3 Composition of the Supervisory Board

As at 31 December 2014 the composition of the supervisory bodies of the parent company was as fallows:

Name	Surname	Position	Date of appointment	Expiry of the current term
Shimshon	Marfogel	Chairman of Supervisory Board	28 June 2012	28 June 2015
Eytan	Levy	Vice-Chairman of Supervisory Board	28 June 2012	28 June 2015
Yosef Zvi	Meir	Member of Supervisory Board	28 June 2012	28 June 2015
Baruch	Yehezkelov [2)]	Member of Supervisory Board	28 June 2012	28 June 2015
Jacek	Tucharz [1)]	Member of Supervisory Board	15 January 2014	28 June 2015
Maciej	Matusiak [1)]	Member of Supervisory Board	15 January 2014	28 June 2015

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 a 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.

Baruch Yehezkelov - Member of the Supervisory Board

Mr. Baruch Yehezkelov has graduated from Bar-Ilan University in Ramat Gan. He also holds a CPA (certified public accountant).

Since 1985, Mr. Baruch Yehezkelov was a partner, and since 1997 a manager at JYA & Co. CPA based in Tel Aviv. Since July 2010, he has been a member of the board of directors of the company Oxygen and Argon Works Ltd. - one of the largest manufacturers and suppliers of industrial gases in Israel, also serving as a member of the supervisory board of its subsidiaries.

In the past five years Mr. Baruch Yehezkelov served as CEO of Ro Holdings Management Ltd., which in 2009 was successfully liquidated. The company was formed as a company through which investments have been made in other real estate companies. During the existence of the company, no investments have been made. The Company did not have any assets or liabilities and, there were no prospects for its further use in the future. Therefore, Mr. Baruch Yehezkelov decided to liquidate the company. On 2 September 2009, was issued by the competent authority in Israel, a decision confirming the completion of the liquidation procedure of the company.

[1)] On 15 January 2014, pursuant to a resolution of the Extraordinary General Meeting of Shareholders, Jacek Tucharz and Maciej Matusiak were appointed to the Supervisory Board.

Maciej Matusiak - Member of the Supervisory Board

Mr. Maciej Matusiak studied at the Technical University of Lódź (1986 - 1992). In 1994, he obtained a broker's license (No. 1203) issued by the then Securities Commission (currently FSA). In 2002, he received his Chartered Financial Analyst (assigned by the CFA Institute, Charlottesville, VA, USA). He also completed a number of courses in financial analysis and investment advisory services.

Mr. Maciej Matusiak has the following experience:
Since 06.2012 till this day - Interbud-Lublin S.A. - member of the Supervisory Board, since 07.2007 till this day - Drop S.A. - member of the Supervisory Board, since 10.2009 till this day – Qumak S.A. (before Qumak-Sekom S.A.) - member of the Supervisory Board, member of the Audit Committee, since 06.2007 Vice-Chairman of the Supervisory Board and member of the Audit committee. Since 03.2006 till this day - Artemis Investment Sp. z o.o. - President of the Management Board. Since 06.2004 till this day - LPP S.A. - member of the Supervisory Board. Since 06.2002 till this day - Grupa KĘTY S.A. - Chairman of the Supervisory Board, Chairman of the Audit Committee. Since 06.2012 till this day – Interbud-Lublin S.A. – member of the Supervisory Board. Since 06.2007 till this day – Drop S.A. – member of the Supervisory Board. Since 05.2010 till 01.2012 - Elstar Olis S.A. - member of the Supervisory Board. Since 02.2011 till 06.2012 - K2Internet S.A. - member of the Supervisory Board. Since 02.2006 till 07.2006 - Technologies Buczek S.A. - Vice-Chairman of the Supervisory Board. Since 04.2005 till 12.2007 - Eurofaktor S.A. - member of the Supervisory Board. Since 08.2004 till 06.2008 - Wandalex S.A. - member of the Supervisory Board, Member of the Audit committee. Since 04.1999 till 04.2002 - Commercial Union Investment Management (Polska) S.A. Department of Assets Management - senior equity analyst. Since 05.1998 till 04.1999 - Commercial Union Polska - Towarzystwo Ubezpieczeń na Życie S.A. Investment Department - equity analyst. Since 05.1996 till 04.1998 - Bankowy Dom Maklerski PKO-BP Assets Management Department - Financial analyst. Since 07.1995 till 05.1996 - Daewoo Towarzystwo Ubezpieczeniowe SA (Management Office) Division of Capital Investment -securities dealer, financial analyst.

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.

Mr. Jacek Tucharz has the following experience:
Since 05.2013 till this day - Energosynergia Technologies Sp. z o.o. - Vice-President of the Management Board, since 06.2010 - till this day- Rovese S.A. (before Cersanit S.A.) -member of the Supervisory Board, since 06.2009 till this day - Pelion S.A. - member of the Supervisory Board, since 02.2007 - 12.2012 - Auto-Centrum Puławska Sp. z o.o. - President of the Management Board, 01.2007-03.2009 – Trinity Management Sp. z o.o. - Investment Director, 05.2006 - 12.2006 – HYGIENIKA SA – Finance Director, 01.2005 - 10.2005 – Zakłady Elektromechaniki Motoryzacyjnej ZELMOT SA -Vice-President of the Management Board, 04.2002 - 12.2004 – PZU NFI Management Sp. z o.o. - Department Director of leading entities, 06.1999 - 03.2002 – Trinity Management Sp. z o.o.- Investment Director, 01.1998 - 05.1999 0 XI NFI SA in Warsaw, Investor director (basic responsibilities similar to the responsibilities of the Director of the Investment inTrinity Management Sp. z o.o.), 06.1996 - 12.1997 – XI NFI SA in Warsaw - Investment Analyst, 10.1993 - 06.1996 –Brokerage Universal Credit Bank SA Team Trading Stock Exchange, Supervisor, Specialist, Exchange Broker.

2) 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, nor he participates 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 determined by the terms and conditions annexed to the Rules of the Supervisory Board. The role and responsibilities of the Audit Committee are to supervise, monitor and advise the Management Board and the Supervisory Board on all matters related to risk management, audit, financial control and compliance with relevant laws and regulations. The Audit Committee evaluates the performance of the independent auditor and the associated costs.

Composition of the Audit Committee, which was appointed to the Supervisory Board meeting dated 15 January 2014:

- Shimshon Marfogel,
- Eytan Levy,
- Maciej Matusiak.

As at 31 December 2014 a 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 2014, there is no remuneration committee in the Supervisory Board of the Issuer.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014 (data in thousand PLN, unless otherwise stated)

4. 6 Remuneration and employment contracts of the 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 2014	In the company	In other Group entities
Remuneration and other benefits		
• Michael Shapiro	378	25
• Radosław T. Krochta	92	373
• Dorota Jagodzińska-Sasson	24	229
• Tomasz Zabost	84	-
• Marcin Dobieszewski	55	-
Cash settled share based payment	536	-
	1 169	**627**

In 2014, the total remuneration received by the Company's Management Board and other Group entities amounted to PLN 1 769 thousand.

Members of the Management Board received remuneration from the Company and its Subsidiaries remuneration: (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 payment.

Remuneration of the Supervisory Board in 2014	
Maciej Matusiak	29
Jacek Tucharz	29
Eytan Levy	29
Shimshon Marfogel	29
Yosef Zvi Meir	29
Baruch Yehezkelov	29
	174

In 2014, the total value of remuneration received by the Company's Supervisory Board was PLN 174 thousand.

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

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 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 is 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 cash settled share based payment program. Details of the program are disclosed in note 21 to the Consolidated Financial Statements.

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

In 2014, 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).

Efficiency and orderly functioning of the system of internal control and risk management provide the following features:

- established organizational structure,
- competence, knowledge and experience of the person 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 reports by an expert.

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

In accordance with applicable law, 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 Company is the source of data for the entire reporting system of the Company, that is:

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

After the closure of the accounts, reports are created on the implementation of budgets and forecasts. In respect of completed periods analysed in detail, the Group's financial results are compared to the budget assumptions.

A key element of this process is to monitor the implementation of the deviations from the plan and explain the reasons for 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 during the year, the Management Board analyses the current financial result by comparing them with the agreed budgets.

Effective internal control (within the system of reporting) 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.

Management Board's report on the activities of MLP Group S.A. Capital Group in 2014** (data in thousand PLN, unless otherwise stated)

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 in Warsaw, 51 Chlodna Street. KPMG Spółka z ograniczoną odpowiedzialnością spółka komandytowa has been registered on the list of entities entitled to audit financial statements under number 3546.

The agreement with the entity entitled to audit 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:

- the remuneration for the audit of unconsolidated financial statements of MLP Group S.A. for the year 2014, consolidated financial statements of MLP Group S.A. for 2014 and the annual group report of MLP Group S.A. Capital Group for the year ended 31 December 2014: PLN 145 thousand.

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

as at	**31 December 2014**	**31 December 2013**
Audit of the annual financial statements	96	96
Audit of individual financial statements of subsidiaries	99	90
Review of the consolidated and unconsolidated financial statements	60	70
Other services, including the review of group reporting package	158	204
Total remuneration	**413**	**460**

Michael Shapiro
President of the Management Board

Tomasz Zabost
Member of the Management Board

Radosław T. Krochta
Vice-President of the Management Board

Pruszków, 12 March 2015

V. The Supervisory Board's report

We are pleased to present the consolidated financial statements of MLP Group S.A. Capital Group for the financial year 2014, along with Management Board's report on the MLP Group S.A. Capital Group's activities. KPMG Audyt spółka z ograniczoną odpowiedzialnością Sp. k. audited the financial statements and issued an unqualified opinion. We encourage the Shareholders to approve the financial statements.

The Supervisory Board endorses the proposal of the Management Board to allocate the 2014 net profit of PLN 54 769 thousand to retained earnings.

Corporate Governance

- In 2014, the quarterly meetings of the Supervisory Board and the Management Board were held, during which the following issues were discussed:
- The Group's strategy, considering market developments,
- The results of the Management Board's performance,
- The rules of Corporate Governance,
- The financial results of MLP Group S.A. Capital Group,
- The Group's marketing strategy,
- The Group's operating budgets.

Audit Committee

At the Supervisory Board meeting held on 15 January 2014, the following members of the Audit Committee were appointed:

- Shimshon Marfogel,
- Eytan Levy,
- Maciej Matusiak.

The roles 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 controls and compliance with relevant laws and regulations. The Audit committee also evaluates the performance and costs associated with the independent auditor.

Changes in the composition of the Supervisory Board

On 15 January 2014, the General Meeting of the Shareholders of MLP Group S.A. appointed two new independent members of the Supervisory Board: Maciej Matusiak and Jacek Tucharz. Following their appointment, the Supervisory Board consists of six members.

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 shareholders - Miro B.V. - according to rights arising from Company's Articles of Association.

In accordance with the Articles of Association of MLP Group S.A., the Supervisory Board of MLP Group S.A. currently consists of 6 members. In addition to the newly appointed members, the following representatives of the leading Shareholders are members of the Supervisory Board: Shimshon Marfogel, Eytan Levy and Yosef Zvi Meir.

TRANSLATION

MLP Group S.A. Group

Opinion and Report of the Independent Auditor

Financial Year ended
31 December 2014

The opinion contains 2 pages
The supplementary report contains 11 pages
Opinion of the independent auditor
and supplementary report on the audit
of the consolidated financial statements
for the finacial year ended
31 December 2014

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of MLP Group S.A.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent company is MLP Group S.A. with its registered office in Pruszków, 3 Maja 8 Street ("the Group"), which comprise the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the consolidated statement of financial position as at 31 December 2014, the consolidated statement of cash flows and the statement of changes in consolidated equity for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Consolidated Financial Statements

Management of the parent company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group's activities. Management of the parent company is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), Management of the parent company and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the parent entity, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of MLP Group S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

As required under the Accounting Act, we report that the accompanying report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by 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 the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
Chłodna 51 Street
00-867 Warsaw

Signed on the Polish original
....
Monika Bartoszewicz
Key Certified Auditor
Registration No. 10268
Limited Liability Partner with power of attorney

12 March 2015

TRANSLATION

MLP Group S.A. Group

Supplementary report on the audit of the consolidated financial statements Financial Year ended 31 December 2014

The supplementary report contains 11 pages
The supplementary report on the audit of the consolidated financial statements for the financial year ended 31 December 2014

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation

Contents

1. General

1.1 Identification of the Group

1.1.1 Name of the Group

MLP Group S.A. Group

1.1.2 Registered office of the parent company of the Group

3 Maja 8 Street
05-800 Pruszków

1.1.3 Registration of the parent company in the register of entrepreneurs of the National Court Register

Registration court:	District Court for the Capital City of Warsaw in Warsaw, XIV Commercial Department of the National Court
Date:	15 October 2001
Registration number:	KRS 0000053299
Share capital as at the end of reporting period:	PLN 4,528,313.75

1.1.4 Management of the parent company

The Management Board is responsible for management of the parent company.

As at 31 December 2014, the Management Board of the parent company was comprised of the following members:

- Michael Shapiro – President of the Management Board,
- Radosław Tomasz Krochta – Vice - President of the Management Board.

On 2 September 2014 Mrs. Dorota Jagodzińska Sasson resigned from the position of Member of the Management Board.

According to the resolution of the Supervisory Board dated 14 January 2015 Mr. Tomasz Zabost was appointed to the position of Member of the Management Board.

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2014, the following companies were consolidated by the Group:

Parent company:

- MLP Group S.A.

Subsidiaries consolidated on the full consolidation basis:

- MLP Pruszków I Sp. z o.o.,
- MLP Spółka z ograniczoną odpowiedzialnością S.K.A. (formerly MLP Tychy Sp. z o.o.),
- MLP Pruszków II Sp. z o.o.,

- MLP Poznań Sp. z o.o.,
- MLP Energy Sp. z o.o.,
- MLP Poznań II Sp. z o.o.,
- MLP Moszna I Sp. z o.o.,
- MLP Property Sp. z o.o.,
- MLP Bieruń Sp. z o.o.,
- MLP Pruszków III Sp. z o.o.,
- MLP Pruszków IV Sp. z o.o.,
- MLP Sp. z o.o.,
- MLP Poznań I Sp. z o.o.,
- MLP Bieruń I Sp. z o.o.,
- MLP Teresin Sp. z o.o. w organizacji,
- MLP Poznań Zachód Sp. z o.o. w organizacji,
- MLP Fin Sp. z o.o. w organizacji.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2014, as a result of the parent company acquiring a controlling interest:

- MLP Bieruń I Sp. z o.o. – subject to consolidation for the period from 30 April 2014 to 31 December 2014,
- MLP Teresin Sp. z o.o. w organizacji – subject to consolidation for the period from 17 October 2014 to 31 December 2014,
- MLP Poznań Zachód Sp. z o.o. w organizacji – subject to consolidation for the period from 17 October 2014 to 31 December 2014,
- MLP Fin Sp. z o.o. w organizacji – subject to consolidation for the period from 10 December 2014 to 31 December 2014,

1.3 Key Certified Auditor and Audit Firm Information

1.3.1 Key Certified Auditor information

Name and surname:	Monika Bartoszewicz
Registration number:	10268

1.3.2 Audit Firm information

Name:	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office:	Chłodna 51 Street, 00-867 Warsaw
Registration number:	KRS 0000339379

Registration court:	District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register
NIP number:	527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2013 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The consolidated financial statements were approved at the General Meeting of the parent company on 26 June 2014.

The consolidated financial statements were submitted to the Registry Court on 20 August 2014.

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting of MLP Group S.A. with its registered office in Pruszków, 3 Maja 8 Street and relates to the consolidated financial statements comprising: the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the consolidated statement of financial position as at 31 December 2014, the consolidated statement of cash flows and the statement of changes in consolidated equity for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements were audited in accordance with the contract dated 9 January 2014, concluded on the basis of the resolution of the Supervisory Board dated 12 December 2013 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors, and International Standards on Auditing.

We audited the consolidated financial statements at the Group entities during the period from 9 February 2015 to 27 February 2015.

Management of the parent company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the consolidated financial statements.

The Management Board of the parent company submitted a statement, dated as at the same date as this report, as to the true and fair presentation of the accompanying consolidated financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the parent company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

1.6 Information on audits of the financial statements of the consolidated companies

1.6.1 Parent company

The separate financial statements of the Parent company for the year ended 31 December 2014 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unmodified opinion.

1.6.2 Other consolidated entities

Financial statements of other consolidated entities are currently audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. apart from MLP Sp. z o.o., MLP Property Sp. z o.o., MLP Spółka z ograniczoną odpowiedzialnością S.K.A., MLP Bieruń I Sp. z o.o., MLP Teresin Sp. z o.o. w organizacji, MLP Poznań Zachód Sp. z o.o. w organizacji, MLP Fin Sp. z o.o. w organizacji.

2 Financial analysis of the Group

2.1 Summary analysis of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2014 PLN '000	% of total	31.12.2013 PLN '000	% of total
Non-current assets				
Tangible fixed assets	491	-	497	-
Intangible assets	10	-	23	-
Investment property	1 046 337	84.8	930 708	85.0
Other long-term investments	3 943	0.3	5 966	0.6
Other long-term assets	2	-	17	-
Deferred tax assets	2 718	0.3	6 606	0.6
Total non-current assets	1 053 501	85.3	943 817	86.2
Current assets				
Inventories	125	-	285	-
Short - term investments	97 829	7.9	52 870	4.8
Corporate income tax receivables	305	-	1 491	0.1
Trade and other receivables	30 875	2.6	13 145	1.2
Cash and cash equivalents	51 801	4.2	83 787	7.7
Total current assets	180 935	14.7	151 578	13.8
TOTAL ASSETS	1 234 436	100.0	1 095 395	100.0

EQUITY AND LIABILITIES	31.12.2014 PLN '000	% of total	31.12.2013 PLN '000	% of total
Equity				
Share capital	4 529	0.4	4 529	0.4
Other capital reserve	81 384	6.6	81 384	7.5
Share premium	71 121	5.7	71 121	6.5
Reserve capital	153 963	12.5	153 963	14.1
Capital reserve from valuation of hedging instruments	(22 847)	1.9	(17 093)	1.6
Retained earnings	269 732	21.9	214 963	19.6
Total equity	557 882	45.2	508 867	46.5
Long - term liabilities				
Credits, loans and other debt instruments	409 343	33.1	345 705	31.5
Deferred tax liability	95 345	7.7	83 033	7.6
Other long-term liabilities	47 871	3.9	46 940	4.3
Total long term liabilities	552 559	44.8	475 678	43.4
Short - term liabilities				
Credits, loans and other debt instruments	95 790	7.8	81 740	7.5
Payroll liabilities	1 432	0.1	157	-
Corporate income tax libabilities	728	-	125	-
Trade and other liabilities	26 045	2.1	28 828	2.6
Total short - term liabilities	123 995	10.0	110 850	10.1
Total liabilities	676 554	54.8	586 528	53.5
TOTAL EQUITY AND LIABILITIES	1 234 436	100.0	1 095 395	100.0

2.1.2 Consolidated statement of profit or loss and other comprehensive income

	1.01.2014 - 31.12.2014 PLN '000	% of total sales	1.01.2013 - 31.12.2013 PLN '000	% of total sales
Revenue	102 786	100.0	92 082	100.0
Other operating income	679	0.7	51 124	55.5
Gain on revaluation of investment property	47 386	46.1	16 526	17.9
Selling and administrative expenses	(40 444)	39.3	(39 892)	43.3
Other operating costs	(4 165)	4.0	(1 562)	1.7
Operating profit	**106 242**	**103.4**	**118 278**	**128.4**
Financial income	4 404	4.3	2 256	2.4
Financial costs	(35 137)	34.2	(62 561)	67.9
Net financial loss	**(30 733)**	**29.9**	**(60 305)**	**65.5**
Profit before taxation	**75 509**	**73.4**	**57 973**	**62.9**
Corporate income tax	(20 740)	20.1	(1 365)	1.4
Net profit from continuing operations	**54 769**	**53.3**	**56 608**	**61.5**
OTHER COMPREHENSIVE INCOME				
Exchange rate differences arising from the activities of entities operating abroad	-	-	(3 422)	3.7
The effective portion of changes in the fair value relating to cash flow hedges	(4 525)	4.4	7 065	7.7
Valuation of financial instruments	(2 579)	4.4	4 749	7.7
Corporate income tax on other comprehensive income	1 350	2.5	(2 245)	5.1
Other net comprehensive income	**(5 754)**	**5.5**	**6 147**	**6.7**
Total comprehensive income	**49 015**	**47.7**	**62 755**	**68.2**
Net profit attributable to:				
Owners of the Parent Company	54 769	-	56 608	-
Net Profit	54 769	-	56 608	-
Comprehensive income attributable to:				
Owners of the Parent Company	49 015	-	62 755	-
Total comprehensive income	49 015	-	62 755	-
Profit per share				
Basic and diluted (in PLN) profit for the year attributable to the ordinary shareholders of the Parent Company	3.02	-	3.63	-

2.2 Selected financial ratios

	2014	2013	2012
1. Return on sales			
net profit x 100% / net revenues	53.3%	61.5%	66.2%
2. Return on equity			
net profit x 100% / equity - net profit	10.9%	12.5%	18.0%
3. Debtors turnover			
average trade receivables (gross) x 365 days / net revenues	32 days	33 days	34 days
4. Debt ratio			
liabilities x 100% / equity and liabilities	54.8%	53.5%	62.2%
5. Current ratio			
current assets / current liabilities	1.5	1.4	0.2

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3 Detailed report

3.1 Accounting principles

The parent company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the parent company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

In view of the fact that not all entities being part of the Group apply common 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 financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the parent company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the MLP Group S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 No. 169, item 1327).

3.3 Method of consolidation

The method of consolidation is described in note 3.1 of the notes to the consolidated financial statements.

3.4 Consolidation of equity

The share capital of the Group is equal to the share capital of the parent company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the parent company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the parent company.

Only equity of subsidiaries arising after the parent company obtained control of the subsidiary is included in the equity of the Group.

3.5 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of MLP Group S.A. and agreed with information received from the subsidiaries.

3.6 Notes to the consolidated financial statements

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the consolidated financial statements.

3.7 Report of the Management Board of the parent company on the Group's activities

The report of the Management Board of the parent company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by 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 the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
Chłodna 51 Street
00-867 Warsaw

Signed on the Polish original
....
Monika Bartoszewicz
Key Certified Auditor
Registration No. 10268
Limited Liability Partner with power of attorney

12 March 2015