



**MLP**  
GROUP



**MLP Group S.A.**  
Separate  
**Annual Report**

FOR THE YEAR ENDED 31 DECEMBER 2014

*This document is a translation.  
Polish version prevails.*

[www.mlp.pl](http://www.mlp.pl)

*Published pursuant to § 82 sec. 1 point 1 of the Decree of the Ministry of Finance date February 19, 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 No 33 item 259, with amendments).*

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## I. Letter of the President of Management Board to Shareholders

Dear Shareholders,

On behalf of the Management Board we have the pleasure to present the Annual Report of the MLP Group S.A. for 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 separate financial statements of MLP Group S.A. 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 was prepared in compliance with the applicable accounting principles, which are disclosed in note 3, and reflect true and fair view of financial position and financial results of the Company. Management Board's Report on the activities of MLP Group S.A. presents a true overview of the development and achievements of the Company and business situation, including basic risks and exposures.

We declare that the audit firm performing audit of the separate financial statements of MLP Group S.A. for the period of 12 months ended 31 December 2014 - KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa was appointed in compliance with the respective provisions of law. The audit firm and the certified auditors performing the audit met the conditions to issue an independent opinion in compliance with relevant regulations and professional standards.

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

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

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

Pruszków, 12 March 2015



# MLP Group S.A.

**Separate financial statements**  
for the year ended 31 December 2014  
*prepared in accordance with IFRS EU*



## Approval of the separate financial statements

On 12 March 2015, the Management Board of MLP Group S.A. approved the separate financial statements of MLP Group S.A. ("Financial Statements") for the period from 1 January 2014 to 31 December 2014.

The separate 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 adopted by the European Union ("IFRS EU"). Information is presented in this report in the following sequence:

1. Separate statement of profit or loss and other comprehensive income for the period from 1 January 2014 to 31 December 2014, with a net loss of PLN 3 691 thousand.
2. Separate statement of financial position as at 31 December 2014, with total assets and total liabilities and equity of PLN 230 704 thousand.
3. Separate statement of cash flows for the period from 1 January 2014 to 31 December 2014, with a net cash decrease of PLN 38 350 thousand.
4. Separate statement of changes in equity for the period from 1 January 2014 to 31 December 2014, with an equity increase of PLN 3 691 thousand.
5. Explanatory information to the separate financial statements.

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

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

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

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

Pruszków, 12 March 2015

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

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

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

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

Main positions of the separate 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		125 227	29 380	129 018	31 110
Current assets		105 477	24 746	97 824	23 588
<b>Total assets</b>		<b>230 704</b>	<b>54 126</b>	<b>226 842</b>	<b>54 698</b>
Short-term liabilities		48 586	11 399	41 033	9 894
Equity, including:		182 118	42 727	185 809	44 804
Share capital		4 529	1 063	4 529	1 092
<b>Total equity and liabilities</b>		<b>230 704</b>	<b>54 126</b>	<b>226 842</b>	<b>54 698</b>
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 (in PLN)		10.05	2.36	10.26	2.47

To translate the separate 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 separate 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		8 230	1 965	7 605	1 806
Selling and administrative expenses		(6 864)	(1 638)	(8 574)	(2 036)
Operating loss		(1 212)	(289)	(1 712)	(407)
Profit/(loss) before taxation		1 059	253	(17 173)	(4 078)
Loss from continuing operations		(3 691)	(881)	(10 050)	(2 387)
<b>Total comprehensive income</b>		<b>(3 691)</b>	<b>(881)</b>	<b>(10 050)</b>	<b>(2 387)</b>

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

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

<i>for the year ended</i>	<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>PLN thousand</b>	<b>EUR thousand</b>	<b>PLN thousand (restated data)</b>	<b>EUR thousand</b>
Net cash flow from operating activities	2 559	611	2 018	479
Cash flow from investing activities	(43 007)	(10 266)	(17 064)	(4 052)
Cash flow from financing activities	2 099	501	73 421	17 436
<b>Total cash flow</b>	<b>(38 349)</b>	<b>(9 154)</b>	<b>58 375</b>	<b>13 863</b>

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

<i>as at</i>	<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>PLN thousand</b>	<b>EUR thousand</b>	<b>PLN thousand</b>	<b>EUR thousand</b>
Cash at the beginning of the period	58 561	14 121	189	46
Cash at the end of the period	20 211	4 742	58 561	14 121

To translate the above data of the separate 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 proceeding 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.

## Separate statement of profit or loss and other comprehensive income

	<i>for the year ended 31 December</i>	<b>Note</b>	<b>2014</b>	<b>2013</b>
Revenues	6		8 230	7 605
Other operating income	7		299	148
Other operating costs	8		(2 877)	(891)
Selling and administrative expenses	9		(6 864)	(8 574)
<b>Operating loss</b>			<b>(1 212)</b>	<b>(1 712)</b>
Financial income	10		3 456	24 990
Financial costs	10		(1 185)	(40 451)
<b>Net financial income/(loss)</b>			<b>2 271</b>	<b>(15 461)</b>
<b>Profit/(loss) before taxation</b>			<b>1 059</b>	<b>(17 173)</b>
Corporate income tax	11		(4 750)	7 123
<b>Net loss from continuing operations</b>			<b>(3 691)</b>	<b>(10 050)</b>
<b>Total comprehensive income</b>			<b>(3 691)</b>	<b>(10 050)</b>
<b>Loss per share</b>				
- Basic and diluted loss for the year attributable to the ordinary shareholders of the Parent Company	20		(0,20)	(0,64)

## Separate statement of financial position

	as at 31 December	Note	2014	2013
<b>Non-current assets</b>				
Intangible assets			10	23
Tangible fixed assets			16	26
Long-term financial assets in related parties		12	121 142	121 142
Long-term investments		13	1 406	1 217
Deferred tax assets		15	2 651	6 593
Other long-term investments			2	17
<b>Total non-current assets</b>			<b>125 227</b>	<b>129 018</b>
<b>Current assets</b>				
Short-term investments		14	83 629	38 049
Corporate income tax receivables		16	-	67
Trade and other receivables		16	1 637	1 147
Cash and cash equivalents		17	20 211	58 561
<b>Total current assets</b>			<b>105 477</b>	<b>97 824</b>
<b>TOTAL ASSETS</b>			<b>230 704</b>	<b>226 842</b>
<b>Equity</b>				
		19		
Share capital			4 529	4 529
Other capital reserve			4 194	4 194
Share premium			71 121	71 121
Reserve capital			64 485	64 485
Retained earnings			37 789	41 480
<b>Total equity</b>			<b>182 118</b>	<b>185 809</b>
<b>Long-term liabilities</b>				
Loans and other debt instruments		21	43 545	39 677
Payroll liabilities		22	1 432	157
Corporate income tax liabilities		23	336	-
Trade and other liabilities		23	3 273	1 199
<b>Total short-term liabilities</b>			<b>48 586</b>	<b>41 033</b>
<b>Total liabilities</b>			<b>48 586</b>	<b>41 033</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>230 704</b>	<b>226 842</b>

## Separate statement of cash flows

	<i>for the year ended 31 December</i>	<b>Note</b>	<b>2014</b>	<b>2013</b> <i>(restated data)</i>
<b>Cash flows from operating activities</b>				
Profit/ (Loss) before taxation			1 059	(17 173)
<i>Adjustments for:</i>				
Depreciation and amortization			53	28
Net interest			(1 432)	(739)
Foreign exchange losses/(gains)			410	(1 521)
Allowance for loans granted to MLP Bucharest			-	39 870
Share in profits (dividends)		18	-	(21 921)
Other			12	1 757
Changes in trade and other receivables			(487)	2 135
Changes in short-term trade and other liabilities			3 349	(418)
<b>Cash flow generated from operating activities</b>			<b>2 964</b>	<b>2 018</b>
Income tax paid			(405)	-
<b>Net cash flow from operating activities</b>			<b>2 559</b>	<b>2 018</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of intangibles and tangible fixed assets			-	10
Repayments of loans granted			28 093	6 760
Interest received			803	-
Dividends and share in profit		18	-	21 921
Purchase of investment property, tangible fixed assets and intangible assets			(30)	(55)
Loans granted			(71 873)	(45 700)
<b>Cash flow from investing activities</b>			<b>(43 007)</b>	<b>(17 064)</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans received			2 700	5 600
Repayment of loans			(600)	(2 299)
Net proceeds from issue of shares and other capital instruments and capital contributions			-	70 120
Interest paid			(1)	-
<b>Cash flow from financing activities</b>			<b>2 099</b>	<b>73 421</b>
<b>Total cash flow</b>			<b>(38 349)</b>	<b>58 375</b>
<b>Cash and cash equivalents at the beginning of the period</b>				
			<b>58 561</b>	<b>189</b>
Foreign exchange losses/gains on cash and cash equivalents			(1)	(3)
<b>Cash and cash equivalents at the end of the period</b>			<b>20 211</b>	<b>58 561</b>
<i>- including restricted cash and cash equivalents</i>		17	-	-
		17	-	-

## Separate statement of changes in equity

	Share capital	Other capital reserve	Share premium	Reserve capital	Retained earnings	Total equity
<b>Equity as at 1 January 2013</b>	<b>3 774</b>	<b>1 470</b>	-	<b>64 485</b>	<b>54 254</b>	<b>123 983</b>
<b><u>Comprehensive income</u></b>						
Financial result	-	-	-	-	(10 050)	(10 050)
<b>Total comprehensive income for the year ended 31 December 2013</b>	-	-	-	-	<b>(10 050)</b>	<b>(10 050)</b>
<b><u>Transactions with owners of the Parent Company presented directly in equity</u></b>						
Shares issue	755	-	71 698	-	-	<b>72 453</b>
Shares issue costs	-	-	(577)	-	-	<b>(577)</b>
<b>Transactions with owners of the Parent Company for the year ended 31 December 2013</b>	<b>755</b>	-	<b>71 121</b>	-	-	<b>71 876</b>
Transfer of 2012 profit to other capital reserve	-	2 724	-	-	(2 724)	-
<b>Equity as at 31 December 2013</b>	<b>4 529</b>	<b>4 194</b>	<b>71 121</b>	<b>64 485</b>	<b>41 480</b>	<b>185 809</b>
<b><u>Comprehensive income</u></b>						
Financial result	-	-	-	-	(3 691)	(3 691)
<b>Comprehensive income for the year ended 31 December 2014</b>	-	-	-	-	<b>(3 691)</b>	<b>(3 691)</b>
<b>Equity as at 31 December 2014</b>	<b>4 529</b>	<b>4 194</b>	<b>71 121</b>	<b>64 485</b>	<b>37 789</b>	<b>182 118</b>

## Explanatory information to the separate financial statements

### 1. General information

#### 1. 1 Information on the Company MLP Group S.A.

MLP Group S.A. ("Company", "Entity", "Issuer") is a joint-stock publicly-traded company registered in Poland. The Company headquarter's is seated in Pruszków, 3 Maja 8 Street.

The Company was established as a result of a transformation of the state company Zakłady Naprawcze Taboru Kolejowego im. Bohaterów Warszawy seated in Pruszków into the joint-stock company fully owned by the state. The notarial deed of transformation was drawn up on 18 February 1995. The company operates under the name of MLP Group S.A. by virtue of resolution of the Company'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.

The core business activities of the Company include: management, acquisition and sale of real estate, rental of real estate, management of residential and non-residential properties, construction works related to construction of buildings and other construction (see note 5). The prevailing type of the Company's business is characterized by the 7032Z symbol of the Statistical Classification of Products by Activity of the European Economic Community, which refers to property management services.

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

The duration of the Company is unlimited.

#### 1. 2 Information on the Capital Group

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

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

As at the end of the reporting period, MLP Group S.A. is the parent company of 17 subsidiaries: MLP Pruszków I Sp. z o.o., MLP Pruszków II Sp. z o.o., MLP Pruszków III Sp. z o.o., MLP Pruszków IV Sp. z o.o., MLP Moszna I Sp. z o.o., MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.), MLP Energy 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., MLP Sp. z o.o., MLP Property Sp. z o.o., MLP Teresin Sp. z o.o. w organizacji, MLP Poznań Zachód S. z o.o. w organizacji, MLP FIN Sp. z o.o. w organizacji.

Additional information on the subsidiaries are included in note 12.

#### 1. 3 Composition of the Management Board

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

- Michael Shapiro - President of the Management Board
- Radosław T. Krochta - Vice-President of the Management Board
- Tomasz Zabost<sup>1)</sup> - Member of the Management Board

<sup>1)</sup> On 14 January 2015, according to the resolution of the Supervisory Board Mr. Tomasz Zabost was appointed to the position of Member of the Management Board.



## **1. 4 Composition of the Supervisory Board**

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

- |                                 |   |
|---------------------------------|---|
| ● 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 <sup>3)</sup>     | - Member of the Supervisory Board         |
| ● Jacek Tucharz <sup>2)</sup>   | - Member of the Supervisory Board         |
| ● Maciej Matusiak <sup>2)</sup> | - Member of the Supervisory Board         |

<sup>2)</sup> 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.

<sup>3)</sup> 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.

## **2. Basis for the preparation of the separate financial statements**

### **2. 1 Statement of compliance**

MLP Group S.A. prepared separate financial statements in accordance with the accounting principles issued by the International Accounting Standards Board approved by the European Union, defined as the International Financial Reporting Standards ("IFRS EU"). The Company has applied all Standards and Interpretations adopted by the European Union except Standards and Interpretations listed below that are awaiting approval of the European Union and the Standards and Interpretations that 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 approved 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, but not yet legally binding as at the date of approval for publication of the financial statements, standards and changes to standards and interpretations of IFRS published by International Accounting Standards Board when they become effective.

Standards and interpretations approved by the European Union, which did not come into force for annual periods.	Possible impact on the financial statements.	Effective date
<b>IFRIC interpretation 21 Levies</b>	no impact	17 June 2014
<b>Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions</b>	no significant impact	1 February 2015
<b>Improvements to IFRS (2010-2012)</b>	no significant impact	1 February 2015
<ul style="list-style-type: none"> <li>- IFRS 2 Share-based payment</li> <li>- IFRS 8 Operating segments</li> <li>- IFRS 9 Financial instruments</li> <li>- IAS 39 Financial Instruments: Recognition and Measurement</li> <li>- IFRS 13 Fair Value Measurement</li> <li>- IAS 16 Property, Plant and Equipment</li> <li>- IAS 38 Intangible Assets</li> </ul>		
<b>Improvements to IFRS (2011-2013)</b>	no impact	1 January 2015
<ul style="list-style-type: none"> <li>- IFRS 1 First-time Adoption of IFRSs</li> <li>- IFRS 3 Business combinations</li> </ul>		

## 2. 2. 2 Standards and interpretations not yet endorsed by the European Union

Standards and interpretations approved by the European Union.	Possible impact on the financial statements.	Effective date
<b>IFRS 9 <i>Financial Instruments</i> (2014)</b>	no significant impact	1 January 2018
<b>IFRS 14 <i>Regulatory Deferral Accounts</i></b>	no impact	1 January 2016
<b>Accounting for Acquisition of Interest in Joint Operations (Amendments to IFRS 11 <i>Joint Arrangements</i>)</b>	no impact	1 January 2016
<b>Clarification of Acceptable Methods of depreciation and Amortisation (Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i>)</b>	no impact	1 January 2016
<b>IFRS 15 <i>Revenue from Contracts with Customers</i></b>	no significant impact	1 January 2017
<b>Agriculture - Crops for industrial purposes (Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i>)</b>	no impact	1 January 2016
<b>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i></b>	no impact	1 January 2016
<b>Amendments to International Financial Reporting Standards 2012-2014, including:</b>	no significant impact	1 January 2016
<ul style="list-style-type: none"> <li>- IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i></li> <li>- IFRS 7 <i>Financial Instruments: Disclosures</i></li> <li>- IAS 19 <i>Employee Benefits</i></li> <li>- IAS 34 <i>Interim Financial Reporting</i></li> </ul>		
<b>Investment Entities. Applying the Consolidation Exception (Amendments to IFRS 10 <i>Consolidated Financial Statements</i>, IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>)</b>	no impact	1 January 2016
<b>Disclosure Initiative (Amendments to IAS 1 <i>Presentation of Financial Statements</i>)</b>	no significant impact	1 January 2016

## 2. 3 Basis of valuation

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

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

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

For fair value measurement methods see note 3.

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

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

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

The preparation of financial statements in conformity with IFRS 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 and their results provide the basis for the carrying amount of assets and liabilities and which does not result directly from other sources. Actual results may differ from these estimates.

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

## **3. Significant accounting policies**

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

### **3. 1 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 at the reporting date are translated using the closing 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 is measured.

### **3. 2 Financial instruments**

#### **3. 2. 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 the exception of investments measured at fair value through profit or loss (with exceptions mentioned below).

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company 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 Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Cash and cash equivalents comprise of cash in hand and bank deposits with maturities of up to 3 months from the end of the reporting period. The balance of cash and cash equivalents presented in the separate statement of cash flows comprises the above-mentioned cash and cash equivalents less bank overdrafts that form an integral part of the Company's cash management system.

### **3. 2. 2 *Held-to-maturity financial instruments***

Held-to-maturity financial assets comprise other than derivatives financial instruments that have defined payments terms and maturity dates and the Company 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 end of the reporting period.

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

### **3. 2. 3 *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 includes the time and probability of the payment.

### **3. 2. 4 Financial instruments at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Company 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 on 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. 2. 5 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. 2. 6 Long-term financial assets in related entities**

They include shares in related entities and are specific contracts based on which an entity has a rights to the assets of other company.

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

## **3. 3. Equity**

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

### **3. 3. 1 Share capital**

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

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

Preference share capital is classified as liability if it is 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. 3. 2 Other capital reserves**

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

### **3. 3. 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 option decrease the premium.

### **3. 3. 4 Reserve capital**

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

### **3. 3. 5 Retained earnings**

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

## **3. 4. Tangible fixed assets**

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

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

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

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

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

### **3. 4. 2 Subsequent expenditures**

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

### **3. 4. 3 Depreciation**

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). Land is not depreciated. The basis for calculating depreciation is the purchase price or construction cost less residual value, on the basis of the useful life of an asset adopted by the Company and periodically verified. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, until the earlier of the following dates: the day a fixed asset is classified as held for sale, is removed from the separate statements 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:

Machinery	3 - 16 years
Vehicles	5 - 7 years
Furniture and equipment	1 - 5 years

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

### **3. 5. Intangible assets**

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

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

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



### **3. 6. Impairment of assets**

#### **3. 6. 1 Financial assets**

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 that loss event(s) had an impact on the estimated future cash flows of that asset.

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 calculated in relation to their current value.

The carrying amounts of individual financial assets of significant value are reviewed at each reporting date to determine whether there is any indication of impairment. Other financial assets are reviewed collectively, grouped by credit risk levels.

Impairment losses are recognized in profit or loss. 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 equity 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 in respect of investments in equity instruments classified as held for sale are recognized in profit or loss. If the fair value of debt instruments classified as held for sale increases and the increase can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the amount of the reversal recognized in profit or loss.

#### **3. 6. 2 Non-financial assets**

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the 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 the end of 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. 7. Employee benefits**

#### *Defined benefit plans*

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

### **3. 8. Cash settled share based payment**

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

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

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

### **3. 9. Provisions**

A provision is recognized if, as a result of a past event, the Company has a present 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 there is a significant influence, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### **3. 10. Bank credits and loans**

Initially, 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 includes costs associated with obtaining the loan and the premium or discount from settling obligations.

### **3. 11 Revenues**

#### **3. 11. 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 entity, 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. 12. Finance income and finance costs**

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

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses from foreign exchange 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 or loss. Interest cost is recognized as it is incurred in profit or loss, using the effective interest method.

### **3. 13. Income tax**

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

Tax charge 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 taxation 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 and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that 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. 14 Earnings per share**

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

## **4. Financial risk management**

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

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

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

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

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

### **4. 1 Credit risk**

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

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

The Company'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.

The Company's credit risk from loans granted pertains mostly 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 Company will encounter difficulty in meeting the obligations associated with its financial liabilities on maturity date.

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

The Company 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 Company's income or the value of its financial instruments.

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

##### **4. 3. 1 Currency risk**

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

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

#### **4. 4 Capital management**

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

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

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

The Company is not subject to externally imposed capital requirements.

### **5. Segment reporting**

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

The primary and sole business of MLP Group S.A. is the management of the logistic properties. The company operates in Poland. In accordance to property location criteria, the company distinguish one operating segment - Poland. The criteria of assets location correspond with the criteria of clients' location. Operating segments are the same as the geographical segments. Because the Company operates only in one segment, all information concerning operations in this segment have been included in statement of profit and loss and other comprehensive income and in statement of financial position.

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

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

	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
MLP Pruszków I Sp. z o.o.		73%	79%
MLP Sp. z o.o. SKA (formerly MLP Tychy Sp. z o.o.)		8%	8%

<b>6. Revenues</b>	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
Real estate management		3 292	3 704
Consulting services		4 294	3 484
Reinvoiced services		580	367
Other revenues		64	50
<b>Total revenues</b>		<u>8 230</u>	<u>7 605</u>
<i>including revenues from related parties</i>		<u>8 168</u>	<u>7 556</u>

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

## 7. Other operating income

	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
Revenues from fixed assets sale		19	-
Compensation, penalties received		12	-
Reinvoiced insurance costs		87	117
Other		181	31
<b>Total other operating income</b>		<u>299</u>	<u>148</u>

## 8. Other operating costs

	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
IPO related costs		(26)	(105)
Property insurance		(87)	(117)
Planned investments		(17)	(10)
Written-off receivables		(1)	(63)
Allowance for receivables from MLP Bucharest		-	(573)
Other operating costs		(189)	(23)
Provision for liabilities related to the purchase of MLP Bucharest Sud S.R.L		(2 557)	-
<b>Other operating costs</b>		<u>(2 877)</u>	<u>(891)</u>

## 9. Selling and administrative expenses

	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
Depreciation and amortization		(53)	(22)
Materials and energy		(120)	(130)
External services		(3 695)	(6 919)
Taxes and charges		(51)	(41)
Payroll		(2 553)	(1 149)
Social security and other employee benefits		(210)	(210)
Other expenditures		(182)	(103)
<b>Total selling and administrative expenses</b>		<u>(6 864)</u>	<u>(8 574)</u>

Selling and administrative expenses for the financial year ended 31 December 2014 amounted to PLN 6.864 thousand. The above mentioned costs incurred by the Company relate to expenses related to the service and maintenance of revenue-generating investment property, owned by subsidiaries and consulting services. The company recovers the specified amounts by charging these companies for property management.

## 10. Financial income and costs

	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
Interest on loans granted to the related entities		2 207	1 320
Interest income on bank deposits		1 249	202
Income from dividends received		-	21 921
Foreign exchange differences net		-	1 547
<b>Total financial income</b>		<b>3 456</b>	<b>24 990</b>
Interest expenses on loans from related entities		(775)	(581)
Allowance for loans granted to MLP Bucharest		-	(39 870)
Foreign exchange differences net		(410)	-
<b>Total financial costs</b>		<b>(1 185)</b>	<b>(40 451)</b>

Exchange differences are mainly the result of the balance sheet date valuation of liabilities and receivables of loans, which are denominated in Euro.

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

## 11. Income tax

	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
Current income tax		808	14
Origination / reversal of temporary differences		3 942	(7 137)
<b>Income tax</b>		<b>4 750</b>	<b>(7 123)</b>
<b>Effective tax rate</b>			
	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
<b>Profit/(loss) before taxation</b>		<b>1 059</b>	<b>(17 173)</b>
Current income tax on the basis of the valid tax rate (19%)		(201)	3 263
Income from dividend received		-	4 165
Not created deferred tax asset related to provision for liabilities for purchase of shares in MLP Bucharest Sud S.R.L.		(486)	-
Adjustment of deferred tax assets recognized in respect of impairment allowance		(4 031)	-
IPO expenses		-	(139)
Non-taxable costs		(32)	(166)
<b>Current income tax</b>		<b>(4 750)</b>	<b>7 123</b>



## The calculation of corporate income tax

	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
<b>Profit/(loss) before taxation</b>		<b>1 059</b>	<b>(17 173)</b>
<b>Costs not classified as tax deductible expenses:</b>			
Interest accrued on loans received		775	581
Provision for audit of financial statements		135	145
Foreign exchange losses on valuation		6 893	6 215
Costs related to the prospectus - withdrawal of the project		-	104
Consulting services relating to MLP Bucharest		-	7
Provision for remuneration of Supervisory Board and Management Board		45	-
Provision for liabilities		125	-
Provision for liabilities for purchase of shares in MLP Bucharest Sud S.R.L.		2 557	-
Employee benefits provision		1 275	-
IPO expenses		-	734
Allowance for loans granted to MLP Bucharest		-	39 870
Allowance for trade receivables from MLP Bucharest		-	573
Allowance for other receivables overdue		1	63
Other		218	125
		<b>12 024</b>	<b>48 417</b>
<b>Costs increasing tax costs</b>			
Reversal of foreign exchange losses on valuation		6 114	5 848
Reversal of provision for audit of financial statements		145	130
		<b>6 259</b>	<b>5 978</b>
<b>Amounts that increase the tax base</b>			
Reversal of foreign exchange gains		126	5 096
Loan interest repayment		25	-
		<b>151</b>	<b>5 096</b>
<b>Non-taxable revenues</b>			
Foreign exchange gains on valuation		502	7 043
Dividend received		-	21 921
Accrued but not paid interest on loans		1 429	1 321
Bank deposit interest receivable		788	-
Other		-	2
		<b>2 719</b>	<b>30 287</b>
<b>Income</b>		<b>4 256</b>	<b>75</b>
<b>Deductions</b>			
Happy Kids Foundation donation		(5)	-
<b>Taxable income</b>		<b>4 251</b>	<b>75</b>
Tax base		4 251	75
<b>Income tax</b>		<b>808</b>	<b>14</b>

## 12. Long-term investments in related parties

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
<b>Gross value at the beginning of the period</b>		<b>121 142</b>	<b>121 142</b>
<b>Gross value at the end of the period</b>		<b>121 142</b>	<b>121 142</b>
<b>Net value at the end of the period</b>		<b>121 142</b>	<b>121 142</b>

As at 31 December 2014 the Company holds directly and indirectly shares in the following entities:

Entity	Country of registry	Direct and indirect share in the share capital		Direct and indirect share in voting rights	
		31 December 2014	31 December 2013	31 December 2014	31 December 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. z o.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. <sup>1)</sup>	Poland	100%	100%	100%	100%
MLP Poznań II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Sp. z o.o. SKA (previously 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.	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. <sup>2)</sup>	Poland	100%	-	100%	-
MLP Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Teresin Sp. z o.o. w organizacji <sup>3)</sup>	Poland	100%	-	100%	-
MLP Poznań Zachód Sp. z o.o. w organizacji <sup>3)</sup>	Poland	100%	-	100%	-
MLP FIN Sp. z o.o. w organizacji <sup>4)</sup>	Poland	100%	-	100%	-

<sup>1)</sup> On 2 February 2015 a change in company's name to MLP Lublin Sp. z o.o., was registered in the National Court Shares owned in subsidiaries presented in the separate financial statements, have been valued on the basis of the purchase price less allowance for impairment.

<sup>2)</sup> 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.

<sup>3)</sup> On 17 October 2014 two new companies were established in the Capital Group: MLP Poznań Zachód Sp. z o.o. w organizacji and MLP Teresin Sp. z o.o. w organizacji. 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.

<sup>4)</sup> 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 new established Company MLP Fin Sp. z o.o. and limited partner responsible for liabilities in amount not exceeding the sum of 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.

### 13. Long-term investments

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Long-term loans granted to related parties		1 406	1 210
Long-term loans granted to other entities		-	7
		<u>1 406</u>	<u>1 217</u>

### 14. Short-term investments

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Short-term loans granted to related parties		83 621	38 049
Short-term loans granted to other entities		8	-
<b>Short term investments</b>		<u>83 629</u>	<u>38 049</u>

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

## 15. Deferred tax

	Deferred tax assets		Deferred tax liabilities		Net value	
	2014	2013	2014	2013	2014	2013
<i>as at 31 December</i>						
Credits, loans granted and received	(2 491)	(6 566)	-	-	(2 491)	(6 566)
Other	(160)	(27)	-	-	(160)	(27)
<b>Deferred tax assets / liabilities</b>	<b>(2 651)</b>	<b>(6 593)</b>	<b>-</b>	<b>-</b>	<b>(2 651)</b>	<b>(6 593)</b>
		<b>changes recorded in the statement of profit or loss</b>				
	<b>1 January 2013</b>		<b>31 December 2013</b>			
Loans granted and received	564	(7 130)	(6 566)			
Other	(20)	(7)	(27)			
	<b>544</b>	<b>(7 137)</b>	<b>(6 593)</b>			
		<b>changes recorded in the statement of profit or loss</b>				
	<b>1 January 2014</b>		<b>31 December 2014</b>			
Credits, loans granted and received	(6 566)	4 075	(2 491)			
Other	(27)	(133)	(160)			
	<b>(6 593)</b>	<b>3 942</b>	<b>(2 651)</b>			

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

## 16. Trade and other receivables

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Trade receivables from related parties		757	1 032
Trade receivables from third parties		16	7
Tax and social security receivables		-	1
Prepayments		71	105
Accrued interest		788	-
Other		5	2
<b>Trade and other receivables</b>		<b>1 637</b>	<b>1 147</b>
Income tax receivables		-	67
<b>Short-term receivables</b>		<b>1 637</b>	<b>1 214</b>

Receivables from related parties were disclosed in note 26.

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

	<i>as at 31 December</i>		<b>2014</b>		<b>2013</b>	
	<u>Receivables Gross</u>	<u>Write-offs</u>	<u>Receivables Gross</u>	<u>Write-offs</u>	<u>Receivables Gross</u>	<u>Write-offs</u>
Current receivables	602	-	466	-	466	-
Overdue from 1 to 90 days	131	-	346	-	346	-
Overdue from 91 to 180 days	35	-	136	-	136	-
Overdue over 181 days	583	(573)	666	(573)	666	(573)
<b>Total receivables</b>	<b>1 351</b>	<b>(573)</b>	<b>1 614</b>	<b>(573)</b>	<b>1 614</b>	<b>(573)</b>

## 17. Cash and cash equivalents

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Cash on hand		4	4
Cash in bank		10	1
Short-term deposits		20 197	58 556
<b>Cash and cash equivalents in the separate statement of financial position</b>		<b>20 211</b>	<b>58 561</b>
<b>Cash and cash equivalents in the separate statement of cash flows</b>		<b>20 211</b>	<b>58 561</b>

The Company does not have any restricted cash.

## 18. Cash flows related to dividend received in 2013

The Company restated data of the separate statement of cash flows for the year ended 31 December 2014 in order to properly disclose cash flows related to dividend of PLN 21 921 thousand received in 2013 by the Company from MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.).

	amount according to the approved 2013 financial statements	restatement - dividend received in 2013	restated 2013 data
Cash flow from operating activities	23 939	(21 921)	<b>2 018</b>
Cash flows from investing activities	(38 985)	21 921	<b>(17 064)</b>
Cash flows from financing activities	73 421	-	<b>73 421</b>
<b>Total cash flow</b>	<b>58 375</b>	<b>-</b>	<b>58 375</b>

Due to restatement of data of 2013 separate statement of cash flows, the amounts of net cash flows from operating and investing activities has been changed. Restatement did not have any impact on the total cash flows for 2013.

## 19. Equity

### 19. 1 Share capital

	as at 31 December	2014	2013
<b>Share capital</b>			
Ordinary series A shares		11 440 000	11 440 000
Ordinary series B shares		3 654 379	3 654 379
Ordinary series C shares		3 018 876	3 018 876
		<b>18 113 255</b>	<b>18 113 255</b>
Par value of 1 share		0,25	0,25

As at 31 December 2014 the share capital of MLP Group S.A. amounted to PLN 4 528 313.75 and was divided into 18 113 255 shares entitling to 18 113 225 votes on the general meeting. All shares have the par value of PLN 0.25 and have been fully paid.

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

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

	as at 31 December	2014		2013	
	number of shares (in units)	Value of shares	number of shares (in units)	Value of shares	
<b>Number of shares at the beginning of the period</b>	<b>18 113 255</b>	<b>4 529</b>	<b>15 094 379</b>	<b>3 774</b>	
Share issuance	-	-	3 018 876	755	
<b>Number of shares at the end of the period</b>	<b>18 113 255</b>	<b>4 529</b>	<b>18 113 255</b>	<b>4 529</b>	

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

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

The share capital and reserve capital were created by the division of the funds of the state company ZNTK at the time when it was transformed into a joint-stock company in 1995. In accordance with the binding regulations, 15% of the total amount of funds were assigned to share capital and the remainder, after settling losses from previous years, to reserve capital. On 9 December 2009 the General Shareholders Meeting adopted a resolution to convert the registered shares of series A and B to bearer shares of series A and B. Moreover, during 2013 the share capital was increased by PLN 755 000 by share issuance.

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

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

### 19. 2 Other capital reserve

The other capital reserve was created from profit generated in 2010 (PLN 1 470 thousand) and from profit generated in 2012 (PLN 2 724 thousand).

### 19. 3 Share premium

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

	Value at the beginning of the period	Series C shares issue related to the IPO	Expenses related to the share issue	Value at the end of the period
As at 31 December 2013	-	71 698	(577)	71 121
As at 31 December 2014	71 121	-	-	71 121

## 20. Loss per share

Loss per share for each period is calculated by dividing the net loss for the period by the weighted average number of shares during the reporting period. Diluted loss per share for each period is calculated by dividing the net loss for the period by the sum of the weighted average number of ordinary shares during the reporting period and all dilutive potential shares.

	<i>for the year ended</i>	<b>2014</b>	<b>2013</b>
Loss for the period		(3 691)	(10 050)
Weighted average number of issued shares (in units)		18 113 255	15 597 525
Loss per share for the period (in PLN per share):			
- basic		(0,20)	(0,64)
- diluted		(0,20)	(0,64)

There were no dilutive factors in the presented periods.

## 21. Loans and other debt instruments

### 21. 1 Short term liabilities

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Loans received from related parties		43 545	39 677
<b>Total short-term loans and other debt instruments</b>		<b>43 545</b>	<b>39 677</b>

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



## 21. 2 Loans unsecured on the Company's assets

Loan received from	currency	effective rate (%)	maturity date	as at 31 December 2014		maturity date	2013	
				EUR	PLN		EUR	PLN
MLP Pruszków I Sp. z o.o.	EUR	Euribor 3M + margin	2015	926	3 949	2014	911	3 778
MLP Pruszków I Sp. z o.o.	PLN	Wibor 3M + margin	2015	-	811	2014	-	783
MLP Pruszków I Sp. z o.o.	EUR	Euribor 1M + margin	2015	7 401	31 543	2014	7 297	30 261
MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.)	EUR	Euribor 3M + margin	2015	377	1 609	2014	371	1 538
MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.)	PLN	Wibor 3M + margin	-	-	-	2014	-	1
MLP Pruszków I Sp. z o.o.	PLN	Wibor 3M + margin	2015	-	2 827	2014	-	3 315
MLP Energy Sp. z o.o.	PLN	Wibor 3M + margin	-	-	-	2014	-	1
MLP Pruszków I Sp. z o.o.	PLN	Wibor 3M + margin	2015	-	2 806	-	-	-
<b>Total</b>				<b>8 704</b>	<b>43 545</b>		<b>8 579</b>	<b>39 677</b>

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

	31 December 2014	31 December 2013
exchange rate EUR/PLN	4,2623	4,1472

## 22. Payroll liabilities

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Special funds		157	157
Cash settled share based payment		1 275	-
<b>Payroll liabilities</b>		<b>1 432</b>	<b>157</b>

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 fixed number of phantom shares, that is dependent on achieving the established financial goals by the Group.

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

## 23. Trade and other liabilities

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Trade liabilities to related parties		40	31
Trade liabilities to third parties		224	879
Taxation and social security liabilities		147	142
Accruals		261	145
Investment liabilities related to guarantee deposits and other.		44	-
Other liabilities		-	2
Provision for purchase of MLP Bucharest Sud S.R.L. shares		2 557	-
<b>Trade and other liabilities</b>		<b>3 273</b>	<b>1 199</b>
Income tax liabilities		336	-
<b>Short-term liabilities</b>		<b>3 609</b>	<b>1 199</b>

Liabilities to related parties were disclosed in note 26.

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

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Current liabilities		3 009	430
Liabilities overdue from 0 to 90 days		50	415
Liabilities overdue over 181 days		67	67
<b>Total trade and other liabilities</b>		<b>3 126</b>	<b>912</b>

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

## 24. Financial instruments

### 24. 1 Valuation of financial instruments

The fair value of financial assets and financial liabilities as at 31 December 2014 and 31 December 2013 is equal to the value presented in the separate statement of financial position.

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

- **cash and cash equivalents:** the carrying amount of these financial instruments corresponds to fair value because of the short maturity,
- **trade receivables, other receivables, trade liabilities and accruals:** the book value is comparable 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.

#### 24. 1. 1 Financial assets

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
<b>Loans and receivables:</b>			
Cash and cash equivalents (level 3)		20 211	58 561
Loans and receivables, including:			
• Trade and other receivables (level 3)		1 566	1 041
• Loans granted (level 3)		85 035	39 266
		<b>106 812</b>	<b>98 868</b>
<b>Total financial assets</b>		<b>106 812</b>	<b>98 868</b>

#### 24. 1. 2 Financial liabilities

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
<b>Financial liabilities valued at amortized cost:</b>			
Loans received (level 3)		43 545	39 677
Trade and other liabilities (level 3)		3 126	912
		<b>46 671</b>	<b>40 589</b>
<b>Total financial liabilities</b>		<b>46 671</b>	<b>40 589</b>

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

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

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

### 24. 2.1 Liquidity risk

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

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

Loans - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2014	44 281	-	-	44 281
2013	39 972	-	-	39 972

### 24. 2.2 Currency risk

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

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

The currency structure of financial instruments as at 31 December 2014 (PLN thousand)				
Financial assets	PLN	EUR	other	Total
<b>Loans and receivables:</b>				
Cash and cash equivalents	20 201	8	2	20 211
Loans and receivables, including:				
• Trade and other receivables	1 558	8	-	1 566
• Loans granted	63 233	21 802	-	85 035
	<b>84 992</b>	<b>21 818</b>	<b>2</b>	<b>106 812</b>
<b>Financial liabilities</b>				
	<b>PLN</b>	<b>EUR</b>	<b>other</b>	<b>Total</b>
<b>Financial liabilities measured at amortized cost</b>				
Loans received	6 444	37 101	-	43 545
Trade and other liabilities	567	2 557	2	3 126
	<b>7 011</b>	<b>39 658</b>	<b>2</b>	<b>46 671</b>

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

Financial assets	PLN	EUR	other	Total
<b>Loans and receivables:</b>				
Cash and cash equivalents	58 561	-	-	<b>58 561</b>
Loans and receivables, including:				
• Trade and other receivables	1 010	31	-	<b>1 041</b>
• Loans granted	18 424	20 842	-	<b>39 266</b>
	<b>77 995</b>	<b>20 873</b>	-	<b>98 868</b>
Financial liabilities	PLN	EUR	other	Total
<b>Financial liabilities measured at amortized costs:</b>				
Loans received	4 100	35 577	-	<b>39 677</b>
Trade liabilities and other	833	77	2	<b>912</b>
	<b>4 933</b>	<b>35 654</b>	<b>2</b>	<b>40 589</b>

Because of the short foreign exchange position in 2014 and 2013, the Company is particularly exposed to fluctuations in the EUR/PLN exchange rate. The table below presents the potential effects a 5% depreciation of the Polish zloty against the euro would have on the financial results and the equity of the Company.

**The impact of the depreciation of the Polish zloty against euro on the results of the Company and its equity (PLN thousand)**

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Increase in the exchange rate EUR/PLN by 5%		(892)	(739)

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

**24. 2. 3 Interest rate risk**

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

**The impact of interest rate changes on outflows in respect to loans**

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
EURIBOR + 50 b.p.		(186)	(178)
WIBOR + 50 b.p.		(32)	(21)

The above sensitivity analysis presents how much debt service interest cost would increase on each balance sheet date assuming a 50-base-point increase in interest rates.

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

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
EURIBOR + 50 b.p.		109	104
WIBOR + 50 b.p.		316	92

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

<b>The impact of interest rate changes on inflows for cash and cash equivalents</b>	<b>2014</b>	<b>2013</b>
<i>as at 31 December</i>		
WIBOR + 50 b.p.	101	293

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

#### **24. 2. 4 Credit risk**

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

The ageing of trade and other receivables is presented in note 16.

### **25. Contingent liabilities and pledges**

As at 31 December 2014 the Company had established the following securities on its assets:

#### **25. 1 Financial and registered pledges on shares**

<b>Securities established on MLP Group's shares in the companies:</b>	<b>Security</b>	<b>Value of the established security</b>
<b>Registered pledge on shares:</b>		
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.	EUR 80 000 thousand
MLP Moszna I Sp. z o.o.	Dz Bank AG Deutsche Zentral-Genossenschaftsbank Frankfurt am Main S.A. receivables resulting from the credit 2010/KI/0092 granted to MLP Moszna I Sp. z o.o.	EUR 7 200 thousand
MLP Poznań II Sp. z o.o.	ING Bank Śląski S.A. receivables from the credit ING 11/0002 granted to MLP Poznań II Sp. z o.o.	EUR 14 047 thousand
MLP Bieruń Sp. z o.o.	PKO BP S.A receivables from the credit granted to MLP Bieruń Sp. z o.o.	EUR 25 741 thousand

Securities established on MLP Group's shares in the companies:	Security	Value of the established security:
<b>Registered and financial pledges on shares:</b>		
MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.)	Raiffeisen Bank Polska S.A. receivables resulting from the credit CRD/39165/13 granted to MLP Tychy Sp. z o.o. (currently MLP Sp. z o.o. SKA)	EUR 74 720 thousand
MLP Sp. z o.o.	Raiffeisen Bank Polska S.A. receivables resulting from the credit CRD/39165/13 granted to MLP Tychy Sp. z o.o. (currently MLP Sp. z o.o. SKA)	EUR 74 720 thousand

## 25. 2 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.

## 25. 3 Securities

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

Pursuant to the agreement stated above, the Company pledges to provide its subsidiary MLP Poznań II Sp. z o.o. with funding, in case of exceeded costs occur by the completion of A3 Building investment, in one of forms: as unsecured subordinated loans, as additions to MLP Poznań II Sp. z o.o. reserve capital or as the rise of subsidiary equity capital.

- On 3 April 2014 MLP Group S.A. and its subsidiary MLP Poznań I Sp. z o.o. entered into Support Agreement.

Under the abovementioned agreement, the Parent Company is committed to provide its subsidiary MLP Poznań I Sp. z o.o. with financial means to cover costs of purchase of the land and costs of construction of a property in Lublin (MLP Lublin logistic park) until the bank loan agreement for financing/refinancing of the costs, will be concluded.

## 26. Related parties transactions

### 26. 1 Trade and other receivables and payables

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

	Trade receivables and other	Trade liabilities and other
<b>Parent company</b>		
The Israel Land Development Company Ltd., Tel-Aviv	35	-
	<b>35</b>	<b>-</b>
<b>Other related parties</b>		
MLP Pruszków I Sp. z o.o.	305	-
MLP Pruszków II Sp. z o.o.	1	-
MLP Pruszków III Sp. z o.o.	46	-
MLP Pruszków IV Sp. z o.o.	73	-
MLP Moszna I Sp. z o.o.	12	-
MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.)	61	-
MLP Poznań Sp. z o.o.	20	-
MLP Poznań I Sp. z o.o.	52	1
MLP Poznań II Sp. z o.o.	35	-
MLP Bieruń Sp. z o.o.	73	-
MLP Energy Sp. z o.o.	1	-
MLP Poznań Zachód Sp. z o.o.	16	-
MLP Teresin Sp. z o.o.	27	-
	<b>722</b>	<b>1</b>
<b>Key management personnel</b>		
ROMI CONSULTING Michael Shapiro	-	39
	<b>-</b>	<b>39</b>
<b>Total</b>	<b>757</b>	<b>40</b>

### 26. 2 Loans granted and received

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

	Loans granted	Loans received
<b>Other related parties</b>		
Fenix Polska Sp. z o.o.	81 603	-
MLP Pruszków I Sp. z o.o.	-	41 936
MLP Pruszków III Sp. z o.o.	1 258	-
MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.)	-	1 609
MLP Property Sp. z o.o.	174	-
MLP Poznań II Sp. z o.o.	148	-
MLP Teresin Sp. z o.o.	1 844	-
	<b>85 027</b>	<b>43 545</b>
<b>Total</b>	<b>85 027</b>	<b>43 545</b>



## 26. 3 Revenues and expenses

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

	Revenues from sale of services	Sales - other	Interest income
<b>Parent company</b>			
The Israel Land Development Company Ltd., Tel-Aviv	156	-	-
	<b>156</b>	<b>-</b>	<b>-</b>
<b>Other related parties</b>			
Fenix Polska Sp. z o.o.	-	-	2 123
MLP Pruszków I Sp. z o.o.	5 973	1	-
MLP Pruszków II Sp. z o.o.	322	-	-
MLP Pruszków III Sp. z o.o.	221	-	49
MLP Pruszków IV Sp. z o.o.	83	-	-
MLP Moszna I Sp. z o.o.	122	-	-
MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.)	627	-	-
MLP Property Sp. z o.o.	-	-	6
MLP Poznań Sp. z o.o.	66	-	-
MLP Poznań I Sp. z o.o.	96	-	-
MLP Poznań II Sp. z o.o.	217	-	5
MLP Bieruń Sp. z o.o.	249	-	19
MLP Energy Sp. z o.o.	1	-	-
MLP Poznań Zachód Sp. z o.o.	13	-	-
MLP Teresin Sp. z o.o.	22	-	5
	<b>8 012</b>	<b>1</b>	<b>2 207</b>
<b>Total revenues</b>	<b>8 168</b>	<b>1</b>	<b>2 207</b>

	Purchase of services and remuneration	Other purchases	Interest expenses
<b>Other related parties</b>			
MLP Pruszków I Sp. z o.o.	(36)	(37)	(748)
MLP Pruszków II Sp. z o.o.	-	(4)	-
MLP Pruszków III Sp. z o.o.	-	(4)	-
MLP Pruszków IV Sp. z o.o.	-	(2)	-
MLP Moszna I Sp. z o.o.	-	(3)	-
MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.)	-	(22)	(27)
MLP Poznań I Sp. z o.o.	(4)	-	-
MLP Poznań II Sp. z o.o.	-	(5)	-
MLP Bieruń Sp. z o.o.	-	(2)	-
MLP Energy Sp. z o.o.	-	(7)	-
	<b>(40)</b>	<b>(86)</b>	<b>(775)</b>
<b>Key management personnel</b>			
ROMI CONSULTING Michael Shapiro	(378)	-	-
RTK CONSULTING	(92)	-	-
MARDOR Dorota Jagodzińska-Sasson	(24)	-	-
Other key management personnel	(576)	-	-
	<b>(1 070)</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>(1 110)</b>	<b>(86)</b>	<b>(775)</b>

## 27. Significant litigation and disputes

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 Accursius 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 Accursius 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 financial statements for 2014 a provision for the price of shares to Accursius Ltd (note 8).

## **28. Significant events during the financial year and subsequent events**

### **28. 1 Significant events during the financial year 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 Project Support Agreement.

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.

On 3 April 2014 MLP Group S.A. and its subsidiary MLP Poznań I Sp. z o.o. entered into Support Agreement. For the details please see note 25.3.

On 7 July 2014 the Company entered into the Liquidity Support Program. Dom Maklerski mBank S.A. is the Market Administrator of the Company

### **28. 2 Subsequent events**

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

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.

Following the balance sheet date, until the date of approval for the 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 Company.

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

	<i>for the year ended 31 December</i>	<b>2014</b>	<b>2013</b>
<b>Remuneration of Management Board</b>			
• <b>Remuneration and other benefits</b>			
Michael Shapiro		378	379
Radosław T. Krochta		92	31
Dorota Jagodzińska-Sasson		24	32
		<b>494</b>	<b>442</b>
• <b>Cash settled share based payment</b>			
		536	-
		<b>1 030</b>	<b>442</b>
<b>Remuneration of Supervisory Board</b>			
• <b>Remuneration and other benefits</b>			
Matusiak Maciej		29	-
Tucharz Jacek		29	-
Levy Eytan		29	-
Marfogel Shimshon		29	-
Meir Yosef Zvi		29	-
Yehezkelov Baruch		29	-
		<b>174</b>	<b>-</b>
<b>Total remuneration (paid or due) of Management Board and Supervisory Board</b>			
		<b>1 204</b>	<b>442</b>
<b>Other Key Management Personnel</b>			
• Remuneration and other benefits.			
		576	-
• Cash settled share based payment			
		242	-
		<b>818</b>	<b>-</b>
<b>Total remuneration (paid or due) of Management Board, Supervisory Board and Key Management Personnel</b>			
		<b>2 022</b>	<b>442</b>

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

## 30. Employment structure

	<i>as at 31 December</i>	<b>2014</b>	<b>2013</b>
Average employment in the period.		16	17

### 31. 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 seated in Warsaw, as the entity entitled to audit separate and consolidated financial statements for the years: 2013, 2014, 2015, and to perform 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 has been registered on the list of entities entitled to audit financial statements under the number 3546.


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

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

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

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

Pruszków, 12 March 2015

An abstract graphic on the left side of the page, consisting of overlapping geometric shapes in shades of green and blue. The top part is a bright green shape, and below it is a darker green shape, both with curved edges. The background is a dark blue-grey color.

**Management Board  
report on the activities of**

**MLP GROUP S.A.**  
**For the year 2014**

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## MANAGEMENT BOARD APPROVAL OF MLP GROUP S.A. REPORT ON MLP GROUP S.A. ACTIVITIES FOR THE YEAR 2014

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

-----  
**Michael Shapiro**

*President of the Management Board*

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**Radosław T. Krochta**

*Vice-President of the Management Board*

-----  
**Tomasz Zabost**

*Member of the Management Board*

*Pruszków, 12 March 2015*

## INTRODUCTION

MLP Group S.A. is a parent company of MLP Group S.A. Capital Group ("The Company", "The Issuer", "Parent Company", "Parent Entity"). 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 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 is: management, buying and selling of real estate, rental of real estate, the management of residential and non-residential properties, construction works related to the construction of buildings and other construction. The predominant type of activity is PKD symbol: 7032Z - property management services.

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

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

## 1. Basic information on MLP Group S.A.

### 1.1 MLP Group S.A. shareholdings structure

As at 31 December 2014, MLP Group S.A. consisted of the following entities:

Entity	Country of registry	Direct and indirect share of the Parent Company in the equity	Direct and indirect share of the Parent Company in the voting rights
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. z o.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. <sup>2)</sup>	Poland	100%	100%
MLP Poznań II Sp. z o.o.	Poland	100%	100%
MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.)	Poland	100%	100%
MLP Energy Sp. z o.o.	Poland	100%	100%
MLP Bucharest Sud S.R.L. <sup>1)</sup>	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. <sup>3)</sup>	Poland	100%	100%
MLP Sp. z o.o.	Poland	100%	100%
MLP Teresin Sp. z o.o. w organizacji <sup>4)</sup>	Poland	100%	100%
MLP Poznań Zachód Sp. z o.o. w organizacji <sup>4)</sup>	Poland	100%	100%
MLP FIN Sp. z o.o. w organizacji <sup>5)</sup>	Poland	100%	100%

<sup>1)</sup> The Group lost control over MLP Bucharest Sud S.R.L in the second quarter of 2013.

<sup>2)</sup> On 2 February 2015 the company changed its name to MLP Lublin Sp. z o.o.

### Changes in the Group.

<sup>3)</sup> 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.

<sup>4)</sup> 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.

<sup>5)</sup> 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, MLP Group operates in the market of commercial real estate. Its core activity is the construction and property management related to logistics. Activity in this area includes:

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

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

MLP Group is currently operating six logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Tychy, MLP Poznań, MLP Bieruń and 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.

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

The following table shows the structure of the real estate portfolio at fair value by categories in different parks of MLP as at 31 December 2014:

Logistic park	Fair value EUR thousand	Fair value 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
<b>Total</b>	<b>244 240</b>	<b>1 041 024</b>

### 1. 3 Information on the core activities

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

The Company conducts its activities in Poland.

Revenue	for the year ended 31 December	2014	2013
<b>Domestic sales</b>			
Sales to non-related clients		62	49
Sales to related clients		8 012	7 451
<b>Total domestic sales</b>		<b>8 074</b>	<b>7 500</b>
<b>Foreign sales</b>			
Sales to related clients		156	105
<b>Total foreign sales</b>		<b>156</b>	<b>105</b>
<b>Total revenue from sales</b>		<b>8 230</b>	<b>7 605</b>

### 1. 4 Information about the market, customers and suppliers

In 2014, the Company's activities were mainly conducted in Poland. The Company lost control over a subsidiary MLP Bucharest Sud SRL, which activities were conducted in Romania - 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.

#### 1. 4.1 The structure of the Company's sales

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

Revenue structure:	for the year ended 31 December	2014	2013	change (%)
Property management		3 292	3 704	-11%
Advisory services		4 294	3 484	23%
Re-invoiced services		580	367	58%
Other revenues		64	50	28%
<b>Total revenues</b>		<b>8 230</b>	<b>7 605</b>	<b>8,2%</b>
- including from related parties		8 168	7 556	8%

In 2014, the total sales of services to related parties amounted to PLN 8 168 thousand. The main beneficiary of these services was MLP Pruszków I Sp. z o.o. which share in the Company's sales revenue during the period was 73%. The following table illustrates the structure of sales in 2014 and 2013:

Structure of sales	<i>for the year ended 31 December</i>	
	2014	2013
<b>Parent entity</b>		
The Israel Land Development Ltd	156	105
<b>Subsidiaries</b>		
MLP Pruszków I Sp. z o.o.	5 973	6 031
MLP Pruszków II Sp. z o.o.	322	167
MLP Pruszków III Sp. z o.o.	221	189
MLP Pruszków IV Sp. z o.o.	83	52
MLP Moszna I Sp. z o.o.	122	119
MLP Spółka z ograniczoną odpowiedzialnością SKA (previously: MLP Tychy Sp. z o.o.)	627	622
MLP Poznań Sp. z o.o.	66	36
MLP Poznań I Sp. z o.o.	96	52
MLP Poznań II Sp. z o.o.	217	157
MLP Bieruń Sp. z o.o.	249	26
MLP Energy Sp. z o.o.	1	-
MLP Poznań Zachód Sp. z o.o.	13	-
MLP Teresin Sp. z o.o.	22	-
<b>Total</b>	<b>8 168</b>	<b>7 556</b>

#### 1. 4.2 *The largest counterparties*

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

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

In 2014 turnover with any single supplier did not exceed 10% revenue of the Company.

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



## 2. MLP GROUP S.A. ACTIVITIES

### 2.1 MLP Group S.A. activities in 2014

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

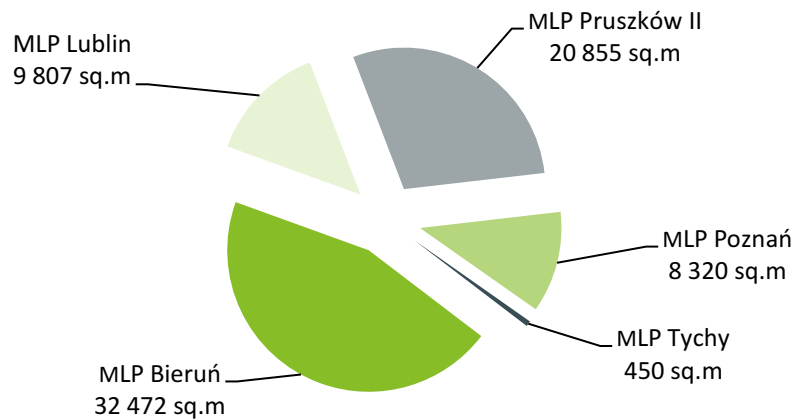
In the analyzed period, the Group simultaneously operated several development projects and rented more than 357 thousand sq.m of warehouse and office space. The Company's Management Board reviewed and evaluated:

- 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

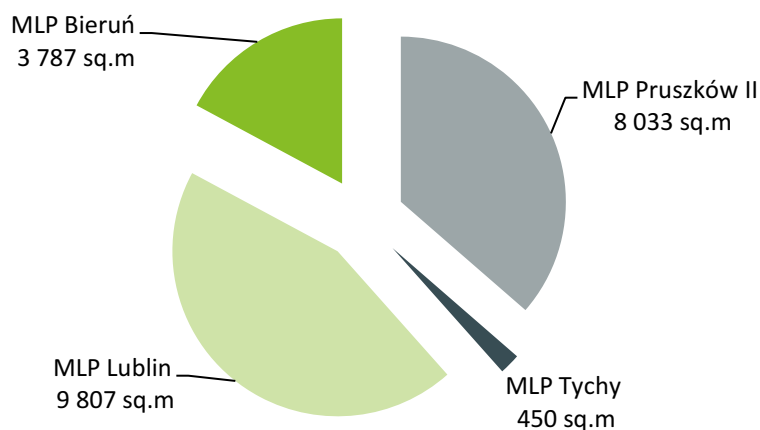
In 2014 the Company carried out investment projects with a total area of 71.904 sq.m through its subsidiaries.

#### Area of investment projects carried out in 2014 (in sq.m)



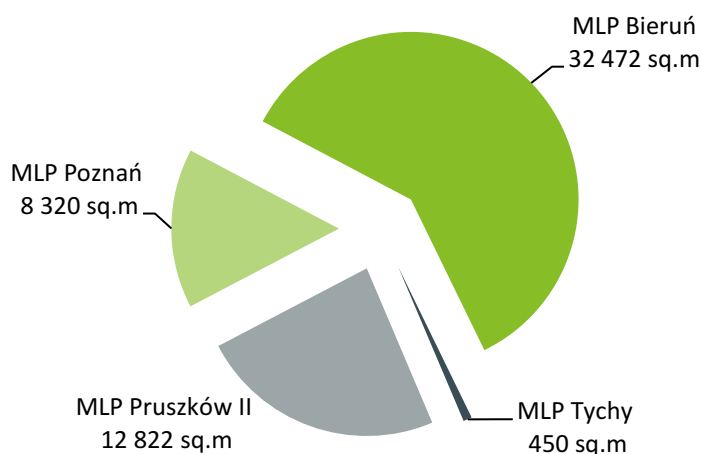
49 827 sq.m of investment projects, out of the total area of projects that were implemented in 2014, were started before 2014. Additionally, the Group commenced the construction of warehouse and office buildings with a total area of 22 077 sq.m. The chart presents the surface area of initiated investment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

### Area of investment projects started in 2014 in sq.m



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

### Area of investment projects completed in 2014 (in sq.m)



## 2. 1.2 Development projects currently underway and in preparation

In 2015 the Company, 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 under the investment of logistic park MLP Poznań Zachód.

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

Logistic Park		location	New (conditional) rent 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
<b>Total</b>			<b>158 368</b>

(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 development of other investment projects which were under construction in 2013 was finalized, 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 Company's strategy is to focus on expanding the existing industrial parks (i.e. construction of warehouses on owned land), and development of BTS projects outside existing parks. Investments are realized in BTS system, i.e. a lease agreement with a prospective tenant must be signed prior to the initiation of the investment process.

As of the date of authorization of the separate report the Company 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 Company's activities**

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

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

### **2. 1.4 Agreements between the shareholders**

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

Additionally, MLP Group S.A. has no information on possible agreements (including those concluded after the end of the reporting period), 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 26 of the Financial Statements for the year ended 31 December 2014.

### **2. 1.7 Litigations**

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

As at 31 December 2014 there was no single proceeding in court, arbitration proceedings or public administration related to liabilities or receivables of the Company or its subsidiaries, the value of which would exceed 10% of the Company's equity.

As at 31 December 2014 there were no two or more proceedings in a court, arbitration proceedings or public administration related to liabilities or receivables, the value of which would exceed 10% of the Company'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 Company do not have a material impact on the Company's activities.

The Company 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 separate 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., risk factors

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

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

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

- Credit risk
- Liquidity risk
- Market risk

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

#### Credit risk

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

#### Market risk

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

- **Foreign exchange risk**

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

In order to hedge the currency risk (i.e. Currency hedging), the Group 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 companies, the depreciation of the Polish currency against EUR and USD adversely affects the Group companies performance, resulting in increased debt service costs.

- **Interest rate risk**

The Group companies credit agreements are based on floating interest rates. The level of interest rates is highly dependent on many factors, including governmental monetary policies and both domestic and international economic and political conditions, and other factors beyond the Group companies' control. Changes in interest rates may increase the financing cost of the Group companies in respect of existing loans, and thus affect its profitability. A need to hedge the risk of interest rates is considered by the Group companies in each case. In order to reduce the impact of the interest rate risk, the companies enter into Interest Rate SWAP transactions with the bank financing their activities. Changes in interest rates may have a material adverse effect on the financial position and results of the Group companies.

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

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

The development of commercial real estate market, where the Company and Group companies operate, 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 Company's and Group companies' operations indirectly depend on changes in the world economy. The Company's and Group companies' 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 Company's and Group companies' financial results materially and the ability to implement their plans.

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

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

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

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

**Insurance risk**

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

**Risks associated with the development activities of the Company.**

The development of the Company's business is related to the risks arising from the nature of the process of construction of warehouses and manufacturing centers. During the construction of warehouses and manufacturing centers there may occur, 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 Company.



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

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

The following factors, over which the Group companies have limited or no control, which may result in a delay or otherwise adversely affect the development or modernization of the Group companies' 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 companies or defects, restrictions or conditions related to management decisions on land owned by the Group companies;
- changes in applicable laws, regulations or standards, which come into force after the start of the planning or construction of the project, resulting in the Group companies incurring additional costs or causing delays in the project or its interpretation or application;
- violations of building standards, incorrect methods of construction or faulty construction materials;
- industrial accidents, previously undisclosed existing soil contamination and potential liability related to environmental regulations and other applicable laws, for example, related to archaeological finds, un-exploded bombs or building materials that are deemed harmful to health;
- forces of nature, such as bad weather, earthquakes and floods, which can damage or delay the completion of projects;
- acts of terrorism or riot, revolts, strikes or civil unrest.

Investment projects may be carried out only if the land on which they are carried out is provided with appropriate technical infrastructure as required by law, (e.g. access to internal roads, the possibility of connections to the media or certain procedures for fire protection and adequate facilities to ensure this protection). The relevant authorities may require the Group companies to create additional infrastructure required by law in the 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 companies' control, such as the slowdown in the real estate market. The Group companies may not be able to complete these projects on time, within budget or at all, due to any of the above or other factors, which may increase the costs, delay the implementation of the project or cause the company to abandon the project.

#### **Risk associated to general contractors.**

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

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

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

#### **Risks associated with administrative decisions:**

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

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

## **2. 2.2 Business prospects**

MLP Group S.A. core activity includes managing the operations of its subsidiaries. The strategic goal of the Group companies is to permanently increase the owned warehouse space on the Polish market. The effect of this will be strengthening their position as a long-term partner of customers developing operations in the area. The strategic objective of the Group companies 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 warehouse space.

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. 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.

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.

### 3. MLP GROUP S.A. FINANCIAL POSITION, FINANCIAL RESOURCES MANAGEMENT

#### 3.1 Key economic and financial data disclosed in the separate financial statements of MLP Group S.A. for the year 2014

##### 3.1.1 Selected financial data from the separate statement of financial position

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

	31 December		31 December		Change %
<i>As at</i>	2014	Share %	2013	Share %	
<b>Assets</b>	<b>230 704</b>	<b>100%</b>	<b>226 842</b>	<b>100%</b>	<b>2%</b>
<b>Non-current assets</b>	<b>125 227</b>	<b>54%</b>	<b>129 018</b>	<b>57%</b>	<b>-3%</b>
Long-term financial assets in related parties	121 142	53%	121 142	53%	0%
Other long-term investments	4 059	2%	7 827	3%	-48%
<b>Current Assets</b>	<b>105 477</b>	<b>46%</b>	<b>97 824</b>	<b>43%</b>	<b>8%</b>
Short-term investments	83 629	36%	38 049	17%	120%
Trade and other receivables	1 637	1%	1 147	1%	43%
Cash and cash equivalents	20 211	9%	58 561	26%	-65%

	31 December		31 December		Change %
<i>As at</i>	2014	Share %	2013	Share %	
<b>Liabilities and equity</b>	<b>230 704</b>	<b>100%</b>	<b>226 842</b>	<b>100%</b>	<b>2%</b>
<b>Equity</b>	<b>182 118</b>	<b>79%</b>	<b>185 809</b>	<b>82%</b>	<b>-2%</b>
<b>Short-term liabilities</b>	<b>48 586</b>	<b>21%</b>	<b>41 033</b>	<b>18%</b>	<b>18%</b>
Loans and other debt instruments	43 545	19%	39 677	17%	10%

As at 31 December 2014, long-term financial assets represented a significant part of the Company's assets, i.e. 53% of total assets. Loans and other debt instruments represent the largest part of the Company's liabilities and equity, i.e. 19% of total liabilities and equity.

### Long-term financial assets in related parties

	<i>As at</i>	31 December 2014	31 December 2013
Gross value at the beginning of the period		121 142	121 142
Gross value at the end of the period		121 142	121 142
<b>Net value at the end of the period</b>		<b>121 142</b>	<b>121 142</b>

Shares in subsidiaries held by MLP Group S.A. as at 31 December 2014 are disclosed in section 1.1 (MLP Group S.A. shareholding structure).

### Short-term investments

	<i>As at</i>	31 December 2014	31 December 2013
Loans granted to related parties		83 621	38 049
Loans granted to other entities		8	-
<b>Total short-term investment</b>		<b>83 629</b>	<b>38 049</b>

As at 31 December 2014 the Company recognized short-term investments from loans granted to related parties in the amount of PLN 83 621 thousand, whereof PLN 81 603 thousand represents the loans granted to Fenix Polska Sp. z o.o.

### Cash

	<i>As at</i>	31 December 2014	31 December 2013
Cash on hand		4	4
Cash in bank		10	1
Short-term deposits		20 197	58 556
<b>Cash and cash equivalents, the amount presented in the separate statement of financial position</b>		<b>20 211</b>	<b>58 561</b>
<b>Cash and cash equivalents, the amount presented in the separate statement of cash flows</b>		<b>20 211</b>	<b>58 561</b>

As at 31 December 2014, the cash balance amounted to PLN 20 211 thousand and decreased as compared to PLN 58 561 thousand in the previous year. The decrease results mainly from partial use of funds obtained in 2013 from issue of C series shares by MLP Group S.A. for expansion of existing and construction of a new logistics parks.

## Equity

### • Share capital

	<i>As at</i>	31 December 2014	31 December 2013
A series shares		11 440 000	11 440 000
B series shares		3 654 379	3 654 379
C series shares		3 018 876	3 018 876
<b>Total</b>		<b>18 113 255</b>	<b>18 113 255</b>
Par value of 1 share		0,25	0,25

As at 31 December 2014, share capital of the Company amounted to PLN 4 528 313.75 and was divided into 18 113 255 shares entitling shareholders to 18 113 225 votes at the General Meeting. All shares have a par value of PLN 0.25 and have been fully paid.

### Loans and other debt instruments

	<i>As at</i>	31 December 2014	31 December 2013
<b>Loans from related parties:</b>		<b>43 545</b>	<b>39 677</b>
• MLP Pruszków I Sp. z o.o.		41 936	38 137
• MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.)		1 609	1 539
• MLP Energy Sp. z o.o.		-	1
<b>Loans and other debt instruments</b>		<b>43 545</b>	<b>39 677</b>

Loans and other debt instruments are the main item of the Company's liabilities and equity. These are short-term loans received from subsidiaries.

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

Separate statement of profit or loss of MLP Group S.A. for the year ended 31 December 2014 compared to the year 2013:

<i>for the year ended 31 December</i>	2014	% sales	2013	% sales	Change %
Revenue	8 230	100%	7 605	100%	8%
Other operating income	299	4%	148	2%	102%
Selling and administrative expenses	(6 864)	83%	(5 627)	74%	22%
Other operating costs	(320)	4%	(891)	12%	-64%
<b>Operating profit before recognition of the IPO costs</b>	<b>1 345</b>	<b>16%</b>	<b>1 235</b>	<b>16%</b>	<b>9%</b>
IPO costs (one-off cost)	-	-	(2 947)	-39%	-
Provision for liabilities for purchase of shares in MLP Bucharest Sud S.R.L (one-off cost)	(2 557)	-31%	-	-	-
<b>Operating loss</b>	<b>(1 212)</b>	<b>-15%</b>	<b>(1 712)</b>	<b>-23%</b>	<b>-29%</b>
Net financial income/(costs)	2 271	-28%	(15 461)	203%	-115%
<b>Profit/(Loss) before taxation</b>	<b>1 059</b>	<b>13%</b>	<b>(17 173)</b>	<b>-226%</b>	<b>-106%</b>
Corporate income tax	(4 750)	58%	7 123	-94%	-167%
<b>Loss from continuing operations</b>	<b>(3 691)</b>	<b>-45%</b>	<b>(10 050)</b>	<b>-132%</b>	<b>-63%</b>

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

In 2014, selling and administrative expenses amounted to PLN 6 864 thousand, and increased by PLN 1 237 thousand as compared to 2013. Costs of legal and advisory services are the main class of expenses of the Company's current operations.

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

On 28 October 2013, the company MLP Group S.A. debuted on the Warsaw Stock Exchange. In connection with the debut, the Company recognized in the statement of profit and loss costs of PLN 2 947 thousand.

In 2014 the Company recognized net financial income of PLN 2 271 thousand (comparing to net financial costs of PLN 15 461 thousand in the prior year). This change is caused mostly by an impairment allowance for loans granted to MLP Bucharest Sud SRL (PLN 39 870 thousand) recognized in 2013. Moreover, current value of net financial income is impacted by interest income from loans granted to related parties (PLN 2 207 thousand), which amounted to PLN 1 320 thousand in the prior year and were lower by PLN 877 thousand.

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

	<i>year ended 31 December</i>	<b>2014</b>	<b>2013*</b>
Net cash flows from operating activities		2 559	2 018
Net cash flows from investing activities		-43 007	-17 064
Net cash flows from financing activities		2 099	73 421
<b>Total net cash flow</b>		<b>-38 349</b>	<b>58 375</b>
<b>Cash at the beginning of the period</b>		<b>58 561</b>	<b>189</b>
Foreign exchange differences		-1	-3
<b>Cash and cash equivalents at the end of the period</b>		<b>20 211</b>	<b>58 561</b>

*\* restated data*

In 2014, the Company reported a positive cash flows from operating activities of PLN 2 559 thousand. Compared to 2013, there was an increase of PLN 541 thousand.

Negative cash flows from investing activities are associated with short-term loans granted.

In 2014, positive cash flows from financing activities relate to net proceeds from short-term loans received.

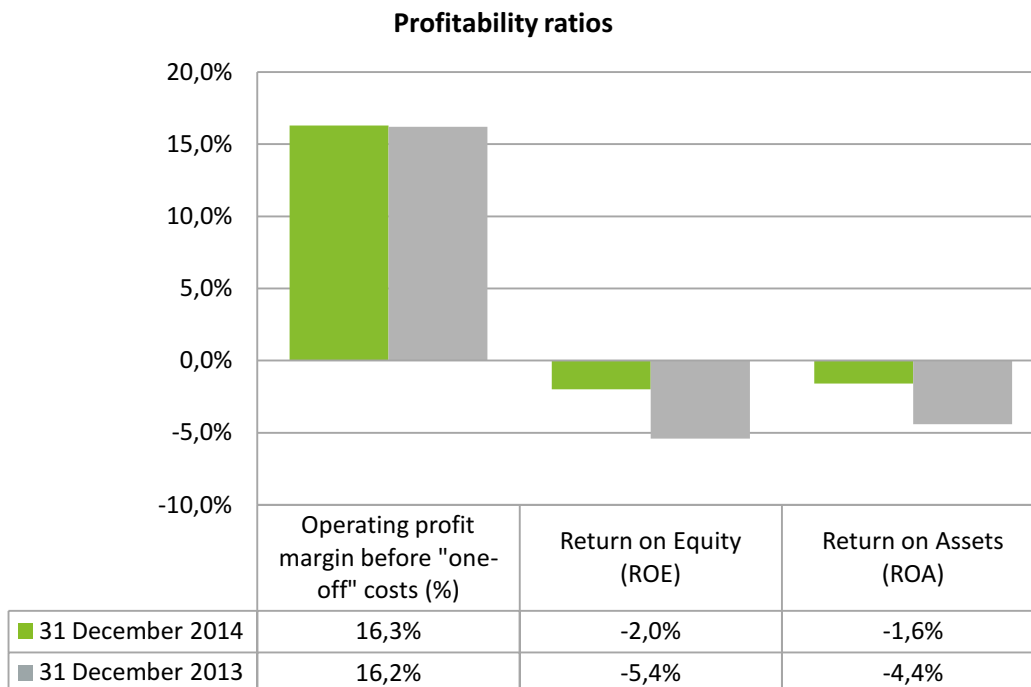
### 3. 2 Forecasts

MLP Group S.A. did not publish forecasts of separate financial results for 2014.



### 3.3 Company's financial management

#### 3.3.1 Profitability ratios



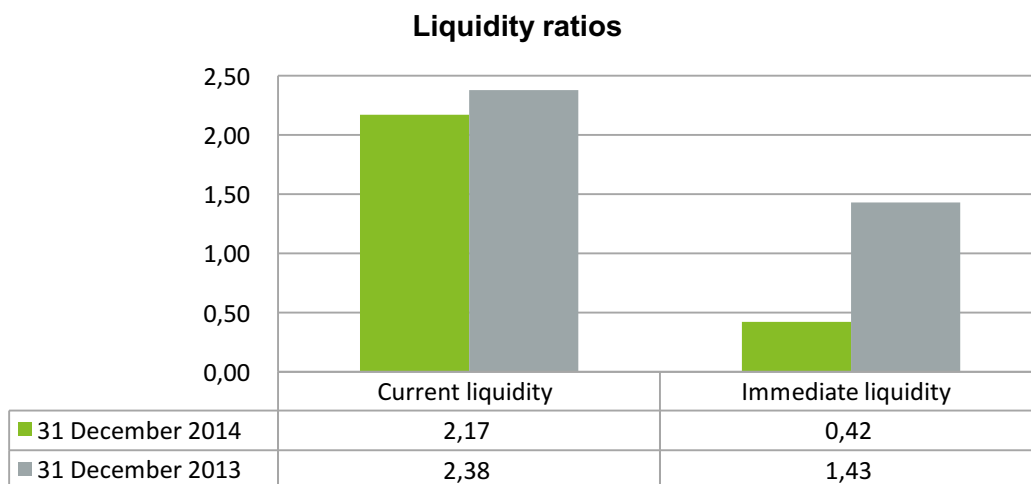
Profitability analysis was based on the below defined ratios:

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

In 2014, operating profit margin ratio remained at similar level, comparing to the previous year.

Other ratios similarly to the last year were negative, however an increase as compared to the values from 2013 was noted. It was caused mainly by a lower net loss for 2014 as compared to the last year. In 2013, a net loss was additionally increased by higher net financial costs caused by impairment of loans granted to MLP Bucharest Sud S.R.L

### 3. 3.2 Liquidity ratios



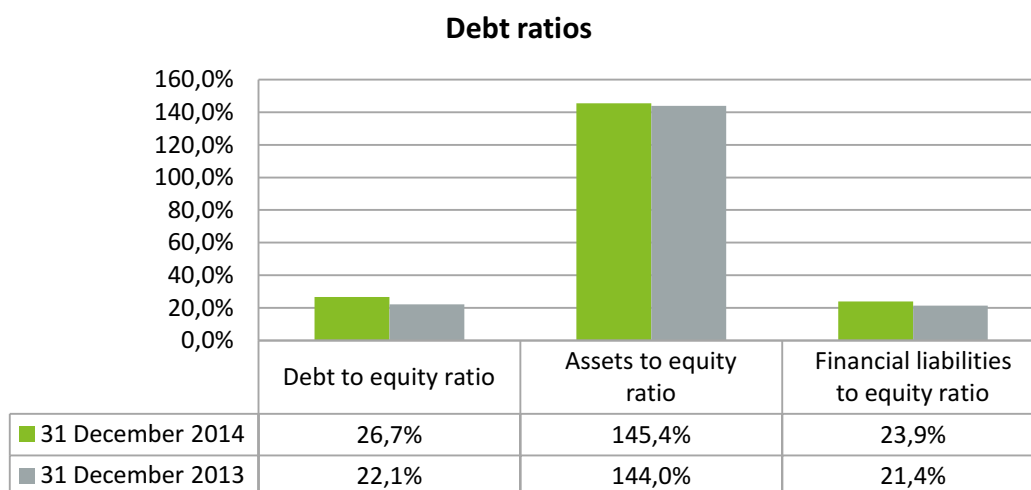
Liquidity analysis was performed based on the following ratios:

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

In 2014 liquidity ratios decreased in comparison to 2013.

This change is caused mainly by (i) a decrease in cash and cash equivalents in comparison to the last year, and (ii) granting of new short-term loans in 2014

### 3. 3.3 Debt ratios



Debt analysis was performed based on the following ratios presented:

- **debt to equity ratio:** total liabilities / total equity
- **equity to non-current assets ratio:** total equity / non-current assets
- **financial liabilities to equity ratio:** financial liabilities <sup>1)</sup> / total equity

<sup>1)</sup> *Financial liabilities include long term liabilities and short term liabilities from loans and other debt instruments.*

In 2014 debt to equity ratio and financial liabilities to equity ratio increased. It is caused mainly by increase of short-term loans received, which were received from related parties.

### 3. 4 Credits, bonds, loans, securities and guarantees

#### 3. 4.1 Concluded and terminated loans agreements

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

Borrower	Lender	Date of loan agreement	Amount of loan	The amount of loan outstanding
MLP Group S.A.	MLP Pruszków I Sp. z o.o.	2014-01-13	2 700 000,00 PLN	2 700 000,00 PLN

In 2014, the Company repaid the following loans and interest on loans:

Borrower	Lender	Date of loan agreement	Amount of loan repaid	The amount of interest repaid
MLP Group S.A.	MLP Pruszków I Sp. z o.o.	2013-12-02	600 000,00 PLN	0,00 PLN
MLP Group S.A.	MLP Sp. z o.o. SKA	2013-12-02	0,00 PLN	407,53 PLN
MLP Group S.A.	MLP Energy Sp. z o.o.	2013-12-02	0,00 PLN	652,05 PLN

In 2014, no loans were terminated.

#### 3. 4.2 Concluded and terminated bank credit agreements

MLP Group S.A. is not a party to any bank credit agreement.

#### 3. 4.3 Bonds

The Company does not hold nor issue bonds.

#### 3. 4.4 Loans granted

As at 31 December 2014, the Company 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	9 648 180,00 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 Group S.A.	MLP Property Sp. z o.o.	2014-05-14	50 000,00 PLN	50 000,00 PLN
MLP Group S.A.	MLP Teresin Sp. z o.o.	2014-12-02	1 838 730,00 PLN	1 838 730,00 PLN

### **3. 4.5 *Granted and received sureties***

As at 31 December 2014 the Company did not grant nor received any sureties.

### **3. 4.6 *Granted and received guarantees***

As at 31 December 2014, the Company 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.

### **3.5 Use of proceeds from issuance of shares**

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

Funds from issuance of shares have been used in 2014 for implementation of Group's 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 market terms.

### **3.6 Assessment of the feasibility of the investment plans**

The Company is in possession of appropriate capital resources to meet its strategic objectives and to finance current operations. Investment projects are realized by special purpose vehicles which are owned by the Company. The Company finances the investments, both those connected with the acquisition of new properties, as well as those connected with expanding currently held logistics parks from its own resources and through long-term debt financing in the form of bank credits and loans. The Company assumes that the share of debt financing in the financing of the planned investment projects will be approximately 70%.

### **3.7 Evaluation of factors and unusual events affecting separate financial result for the year**

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 separate financial statements for the year ended 31 December 2014 a provision for liabilities listed above in the amount of EUR 600 thousand in connection with the settlement signed on 5 March 2015.

## 4. Statement on Corporate Governance

Statement of MLP Group S.A. with its seat in Pruszków (the "Company", "The Issuer") 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 Company. 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 January 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.**

**Rule No. 1.2a).** The company maintains a corporate website and annually, in the fourth quarter - publishes information about men and women in the Management Board and the Supervisory Board of the company for representation for the last two years.

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

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

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

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

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

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

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

In the opinion of the Issuer, publication of a complete record of The General Shareholders Meeting 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 Shareholders 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 Shareholders Meeting is attended by persons entitled to attend the General Shareholders Meeting and individuals who support the General Shareholders Meeting. According to the Company there is no need to introduce additional obligations to shareholders on enabling participation at the General Shareholders 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 Shareholders Meeting by means of electronic communication through:

<sup>1)</sup> transmission of the general meeting in real time,

<sup>2)</sup> 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 January 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.

## 4. 1 Equity and shareholders

### 4. 1.1 Shareholders

As at December 31, 2014, 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 number of votes
Cajamarca Holland B.V	10 319 842	56,98%	56,98%
Thesinger Limited	1 920 475	10,60%	10,60%
Gracecup Trading Limited	1 094 388	6,04%	6,04%
MIRO B.V.	1 004 955	5,55%	5,55%
Shareholders holding less than 5% of the votes	3 773 595	20,83%	20,83%
<b>Total</b>	<b>18 113 255</b>	<b>100%</b>	<b>100%</b>

### 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 shares.*

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

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

There are no restrictions on transfer of ownership of 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, pos. 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 shall 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 state 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 not 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, perpetual usufruct 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 on the agenda of the General Meeting at the request of the person or persons entitled to require their consent.

The Management Board shall determine the order of the General Meeting of Shareholders.

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

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

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

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

Individuals 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 individual, 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 the case of a resolution regarding the amendment of Articles of Association concerning the benefits of increasing 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. 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.

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 years 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 a note
- granting of security for any debt of other entity, including a subsidiary
- establishing a mortgage or other encumbrance on any assets of the Company
- concluding a contract, which imposes an obligation to provide or a risk to provide by the Company within one year items, services or cash of the amount of PLN 2 000 000 (two million), unless the agreement was included by the Management Board in the annual financial plan (budget) of the Company and approved by the Supervisory Board,
- convening the General Meeting of Shareholders or requesting a meeting of the Supervisory Board
- filing a petition for cancellation or invalidation of resolutions of the General Meeting of Shareholders
- filing for bankruptcy of the Company

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

#### 4. 4.2 Principles of operation of the Management Board

The Management Board operates under the Articles of Association, Rules of the Management Board and the Commercial Companies Code.

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

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

#### 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 the last appointment, and the date of expiry of the current term.

Name	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 overseas. 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 resigned from the position of Member of Management Board.

## 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 in 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 <sup>1)</sup>);
- 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, <sup>1)</sup>
- 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, in 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, <sup>1)</sup>
- approval of the Rules of the Management Board, <sup>1)</sup>



- 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

<sup>1)</sup> 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 be adopted.

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

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

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

#### **4. 5.2 Principles of operation of the Supervisory Board**

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

The Supervisory Board shall adopt resolutions if the meeting is attended by at least half of its members, and all members are invited at least 7 Business Days prior to the meeting. However, in urgent matters the Chairman of the Supervisory Board, or under 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 referred to in the Act of Certified Auditors. The criteria for independence is set forth in Art. 18.12 of the Articles of Association.

#### 4. 5.3 Composition of the Supervisory Board

As at 31 December 2014, the composition of the supervisory board is as follows:

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

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

From 1982 to 1991 he held various managerial positions, including 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 seated 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. 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.

<sup>1)</sup> 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 Łódź (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 - Członek Rady Nadzorczej**

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 - XI NFI SA in Warsaw, Investor director (basic responsibilities similar to the responsibilities of the Director of the Investment in Trinity 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.

<sup>2)</sup> 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. He 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.

#### **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.

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

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

###### Management Boards remuneration in 2014

###### Remuneration and other benefits:

• Michael Shapiro	378
• Radosław T. Krochta	92
• Dorota Jagodzińska-Sasson	24

<b>Cash settled share based payment</b>	<b>536</b>
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**1 030**

Total remuneration of the Management Board (received or due) in 2014 amounted to PLN 1 030 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.

###### Supervisory Board remuneration in 2014.

Matusiak Maciej	29
Tucharz Jacek	29
Levy Eytan	29
Marfogel Shimshon	29
Meir Yosef Zvi	29
Yehezkelov Baruch	29
	<b>174</b>

Total remuneration received by the Supervisory Board amounted to PLN 174 thousand.

##### 4. 6.2 Agreements with the members of 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 22 to the Separate Financial Statements for the period ended 31 December 2014.

#### **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.

#### **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 poz.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 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 guarantees 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.

Person 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 by the independent auditor, the Financial Division employees involved in the process of drafting the report, are available for any explanations.

The process of controlling in the Company, the primary and significant part of the internal control, is based on a system of budgets. The Company performed 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 Company'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 Company'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 Company is exposed.

#### 4.11 Audit Firm

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

Headquarters of KPMG Spółka z ograniczoną odpowiedzialnością spółka komandytowa is seated in Warsaw, 51 Chłodna 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:

Remuneration for an audit, review of financial statements and other mandates is presented in the table below:

	31 December <i>as at</i>	31 December 2014	31 December 2013
Audit of the annual financial statements		96	96
Review of the consolidated and separate financial statements.		60	70
Other services, including audit and review of group reporting package		158	204
<b>Total remuneration</b>		<b>314</b>	<b>370</b>

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**Michael Shapiro**  
*President of the management  
 Board*

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

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

Pruszków, 12 March 2015





**MLP Group S.A.**

**Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2014**

The opinion contains 2 pages  
The supplementary report contains 9 pages  
Opinion of the independent auditor  
and supplementary report on the audit  
of the separate 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.*

## **OPINION OF THE INDEPENDENT AUDITOR**

*To the General Meeting of MLP Group S.A.*

### **Opinion on the Separate Financial Statements**

We have audited the accompanying separate financial statements of MLP Group S.A., with its registered office in Pruszków, 3 Maja 8 Street (“the Company”), which comprise the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the separate statement of financial position as at 31 December 2014, the separate statement of cash flows and the separate statement of changes in 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 Financial Statements*

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these 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 Company’s activities. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the 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 Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company’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 financial statements and whether the financial statements are derived from properly maintained accounting records 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 financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 Company, as well as evaluating the overall presentation of the 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 separate financial statements of MLP Group S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2014 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

**Specific Comments on Other Legal and Regulatory Requirements**

*Report on the Company's Activities*

As required under the Accounting Act, we report that the accompanying report on the Company'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 separate 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

**MLP Group S.A.**

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

The supplementary report contains 9 pages  
The supplementary report on the audit  
of the separate 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  
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## **1. General**

### **1.1. General information about the Company**

#### **1.1.1. Company name**

MLP Group S.A.

#### **1.1.2. Registered office**

3 Maja 8 Street  
05-800 Pruszków

#### **1.1.3. Registration 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 Register  
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 Company**

The Management Board is responsible for management of the Company.

As at 31 December 2014, the Management Board of the 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 for the position of Member of the Management Board.

### **1.2. Key Certified Auditor and Audit Firm Information**

#### **1.2.1. Key Certified Auditor information**

Name and surname: Monika Bartoszewicz  
Registration number: 10268

#### **1.2.2. 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 into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

### **1.3. Prior period financial statements**

The separate 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 separate financial statements were approved at the General Meeting on 26 June 2014 where it was resolved to cover the net loss for the prior financial year of PLN 10,050 thousand with the future profits.

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

### **1.4. 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 separate financial statements comprising: the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the separate statement of financial position as at 31 December 2014, the separate statement of cash flows and the separate statement of changes in equity for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting dated 16 December 2009.

The separate 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 separate financial statements at the Company during the period from 9 February 2015 to 27 February 2015.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the 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 Company’s activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.



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

All required statements, explanations and information were provided to us by Management of the 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).



## 2. Financial analysis of the Company

### 2.1. Summary analysis of the separate financial statements

#### 2.1.1. Separate statement of financial position

ASSETS	31.12.2014	% of total	31.12.2013	% of total
	PLN '000	assets	PLN '000	assets
<b>Non-current assets</b>				
Intangible assets	10	0.0	23	-
Tangible fixed assets	16	0.0	26	-
Long - term financial assets in related parties	121 142	52.5	121 142	53.4
Long - term investments	1 406	0.6	1 217	0.6
Deferred tax assets	2 651	1.1	6 593	2.9
Other long - term investments	2	0.0	17	-
<b>Total non-current assets</b>	<b>125 227</b>	<b>54.3</b>	<b>129 018</b>	<b>56.9</b>
<b>Current assets</b>				
Short - term investments	83 629	36.2	38 049	16.8
Corporate income tax receivables	-	-	67	-
Trade and other receivables	1 637	0.7	1 147	0.5
Cash and cash equivalents	20 211	8.8	58 561	25.8
<b>Total current assets</b>	<b>105 477</b>	<b>45.7</b>	<b>97 824</b>	<b>43.1</b>
<b>TOTAL ASSETS</b>	<b>230 704</b>	<b>100.0</b>	<b>226 842</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>	<b>31.12.2014</b>	<b>% of total</b>	<b>31.12.2013</b>	<b>% of total</b>
	<b>PLN '000</b>	<b>assets</b>	<b>PLN '000</b>	<b>assets</b>
<b>Equity</b>				
Share capital	4 529	2.0	4 529	2.0
Other capital reserve	4 194	1.8	4 194	1.8
Share premium	71 121	30.8	71 121	-
Reserve capital	64 485	28.0	64 485	28.4
Retained earnings	37 789	16.4	41 480	18.3
<b>Total equity</b>	<b>182 118</b>	<b>78.9</b>	<b>185 809</b>	<b>81.9</b>
<b>Short - term liabilities</b>				
Loans and other debt instruments	43 545	18.9	39 677	17.5
Payroll liabilities	1 432	0.6	157	0.1
Corporate income tax liabilities	336	0.1	-	-
Trade and other liabilities	3 273	1.4	1 199	0.5
<b>Total short - term liabilities</b>	<b>48 586</b>	<b>21.1</b>	<b>41 033</b>	<b>18.1</b>
<b>Total liabilities</b>	<b>48 586</b>	<b>21.1</b>	<b>41 033</b>	<b>18.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>230 704</b>	<b>100.0</b>	<b>226 842</b>	<b>100.0</b>

## 2.1.2. Separate statement of profit or loss and other comprehensive income

	<b>1.01.2014 - 31.12.2014 PLN '000</b>	<b>% of total sales</b>	<b>1.01.2013 - 31.12.2013 PLN '000</b>	<b>% of total sales</b>
Revenue	8 230	100.0	7 605	100.0
Other operating income	299	3.6	148	2.0
Other operating costs	(2 877)	35.0	(891)	11.7
Selling and administrative expenses	(6 864)	83.4	(8 574)	112.8
<b>Operating loss</b>	<b>(1 212)</b>	<b>14.7</b>	<b>(1 712)</b>	<b>22.5</b>
Finance income	3 456	42.0	24 990	328.6
Finance costs	(1 185)	14.4	(40 451)	531.9
<b>Net finance income/(loss)</b>	<b>2 271</b>	<b>27.6</b>	<b>(15 461)</b>	<b>203.3</b>
<b>Profit/(Loss) before taxation</b>	<b>1 059</b>	<b>12.9</b>	<b>(17 173)</b>	<b>225.8</b>
Corporate income tax	(4 750)	57.7	7 123	93.7
<b>Net loss from continuing operations</b>	<b>(3 691)</b>	<b>44.8</b>	<b>(10 050)</b>	<b>132.1</b>
<b>Total comprehensive income</b>	<b>(3 691)</b>	<b>44.8</b>	<b>(10 050)</b>	<b>132.1</b>

### Loss per share

Basic and diluted loss for the year attributable to the ordinary shareholders of the Parent Company

(PLN) (0.20) (0.64)

## 2.2. Selected financial ratios

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>1. Return on sales</b>			
<u>profit for the period x 100%</u> revenue	negative value	negative value	34.3%
<b>2. Return on equity</b>			
<u>profit for the period x 100%</u> equity - profit for the period	negative value	negative value	2.2%
<b>3. Debtors' days</b>			
<u>average trade receivables (gross) x 365 days</u> revenue	66 days	118 days	94 days
<b>4. Debt ratio</b>			
<u>liabilities x 100%</u> equity and liabilities	21.1%	18.1%	23.3%
<b>5. Current ratio</b>			
<u>current assets</u> current liabilities	2.2	2.4	1.1

- 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 system**

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system, which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

#### **3.2. Notes to the separate financial statements**

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

#### **3.3. Report on the Company's activities**

The report on the Company's activities includes, in all material respects, 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 separate 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