

millennium logistic parks

MLP GROUP



MLP Group S.A. Capital Group

**CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

This document is a translation. Polish version prevails.

Published pursuant to § 82 sec. 1 point 1 of the Decree of the Ministry of Finance dated 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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LETTER OF THE PRESIDENT OF MANAGEMENT BOARD TO SHAREHOLDERS

Dear Shareholders,

Year 2013 was characterized by the presence of many different trends in the global economy. In a situation when many countries were still struggling with the consequences of the financial crisis started in 2008 and the Euro zone crisis dominant in Europe, Polish economy grew preserving the overall stabilization. In 2013 Polish Gross Domestic Product increased by 1,6%, while the unemployment rate amounted to 13,4% and in many larger Polish cities remained below 7%. It is predicted that in 2014 the Polish economy will record further increase by approximately 2,9%.

Warehouse property market

Year 2013 was characterized by a slightly lower dynamics of supply than the previous year. In the four quarters the market was supplied with more than 396 thousand sq.m of modern warehouse space, what represents an increase of approximately 5,4% compared to the end of December 2012 (10% in 2012 vs. 2011). The largest increase in the supply was observed in the Wrocław market (about 105 thousand m²).

At the end of December 2013 total modern warehouse space in Poland amounted to 7,76 million m². As compared to the fourth quarter of 2012, the ratio of vacant warehouse space has increased by 1,6 percentage points reaching the level of 10,8%.

The transactions volume in 2013 reached nearly 2,24 million m² and was approximately 32% higher than in 2012. In the past twelve months there were no major changes in rent rates in majority of markets. A slight increase was observed in markets with relatively low vacancy rates and high demand.

2014 expectations

Currently approximately 707 thousand m² of modern warehouse space is under construction, out of which 91% have already been leased. We expect that it will be reflected by a gradual decrease in vacancy rates in selected regions. In 2014 BTS contracts will still be popular, especially among the manufacturing industry. A gradual return of speculative investments in the regions characterized by low levels of available warehouse space (Wrocław, Poznań, some locations in Upper Silesia) is predicted. 2014 will also bring market development of so called Small Business Units (SBU) offering smaller areas to tenants (from 600 m²). Increase in variation of rents depending on the attractiveness of warehouse space will be observed.

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 warehouse market are highly correlated, we may expect it will be reflected in warehouse demand.

Events regarding the Group in 2013 include:

The most important event in 2013 affecting the future financial results of the Group was the debut of MLP Group S.A. on the Warsaw Stock Exchange which took place on 28 October 2013 and the related proceeds from initial public offering of C series shares in the gross amount of approximately 72.453 thousand PLN.

Additionally, in 2013 the company signed new lease agreements for additional warehouse and office space of 48.343 m² in the following parks:

- MLP Pruszków II logistics park – the scale of investment in progress was approximately 12.952 sq.m,
- MLP Poznań logistics park - the scale of investment in progress was approximately 8.320 sq.m,
- MLP Tychy logistics park - the scale of investment in progress was approximately 4.156 sq.m,
- MLP Bieruń logistics park - the scale of investment in progress was approximately 22.915 sq.m.

Additionally, in 2013 the Group renegotiated currently leased warehouse space of 31.438 sq.m and signed new lease agreements for existing space of 14.048 sq.m.

In our opinion the company is in excellent financial situation, has a very good capital structure enabling the realization of long-term strategic objectives, own surplus land located in prime locations, a highly qualified management team. All these factors, plus an increase in macroeconomic indicators in Polish economy should positively affect the realization of long-term strategic objectives of MLP.

We would like to thank all our shareholders for their continuing support and confidence in our strategy.

Regards,

*Michael Shapiro
President of Management Board
MLP Group S.A.*

STATEMENT OF THE MANAGEMENT BOARD

The consolidated financial statements of MLP Group S.A. Capital Group for the period from 1 January 2013 to 31 December 2013 and the comparative data for the period from 1 January 2012 to 31 December 2012 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 Group. Management Board's Report on the activities of Issuer's Capital Group presents a true overview of the development and achievements of the MLP Group S.A. Capital Group and its business situation, including basic risks and exposures.

We declare that the Audit Firm performing audit of the consolidated financial statements of the MLP Group S.A. Capital Group for the period of 12 months ended 31 December 2013 - KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa was appointed in compliance with the respective provision of law. The audit firm and the certified auditors performing the audit met the conditions to issue an independent opinion in compliance with relevant regulations and professional standards.

Michael Shapiro

*President of the Management
Board*

**Dorota Magdalena Jagodzińska-
Sasson**

*Member of the Management
Board*

Radosław T. Krochta

*Vice-President of the Management
Board*

Pruszków, 12 March 2014

millennium logistic parks

MLP GROUP



MLP Group S.A.
Capital Group

THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013
prepared in accordance with the IFRS EU

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 12 March 2014 the Management Board of the Parent Company MLP Group S.A. approved the consolidated financial statements ("Consolidated Financial Statements") of MLP Group S.A. Capital Group ("Group") for the period from 1 January 2013 to 31 December 2013 for publication.

1. Consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2013 to 31 December 2013, with a net profit of PLN 56.608 thousand.
2. Consolidated statement of financial position as at 31 December 2013, with total assets and total liabilities and equity in the amount of PLN 1.095.395 thousand
3. Consolidated statement of cash flows for the period from 1 January 2013 to 31 December 2013, with a net cash increase of PLN 71.530 thousand
4. Statement of changes in consolidated equity for the period from 1 January 2013 to 31 December 2013, with an equity increase of PLN 134.631 thousand
5. Explanatory information to the consolidated financial statements

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

Michael Shapiro

*President of the Management
Board*

**Dorota Magdalena Jagodzińska-
Sasson**

*Member of the Management
Board*

Radosław T. Krochta

*Vice-President of the Management
Board*

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

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

	2013	2012
Average exchange rate during the period*	4,2110	4,1736
Exchange rate at the last day of the period	4,1472	4,0882

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

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

as at	31 December 2013		31 December 2012	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets	943 817	227 579	959 802	234 774
Current assets	151 578	36 549	29 375	7 185
Total assets	1 095 395	264 128	989 177	241 959
Long term liabilities	475 678	114 698	454 455	111 162
Short term liabilities	110 850	26 729	160 486	39 256
Equity, including:	508 867	122 701	374 236	91 541
Share capital	4 529	1 092	3 774	923
Total equity and liabilities	1 095 395	264 128	989 177	241 9659
Number of shares (in units)	18 113 255	18 113 255	15 094 379	15 094 379
The book value and diluted book value per share attributable to the owners of the Parent Company	28,09	6,77	24,79	6,06

To translate the consolidated statement of financial position the exchange rate published by the Polish National Bank (NBP) on the last day of the reporting period was used.

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

<i>for the year ended</i>	31 December 2013		31 December 2012	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Revenues	92 082	21 867	86 055	20 619
Other operating income	51 124	12 141	2 095	502
Profit on revaluation of investment properties	16 526	3 924	19 017	4 556
Selling and administrative expenses	(39 892)	(9 473)	(33 332)	(7 986)
Operating profit	118 278	28 088	72 934	17 475
Profit before taxation	57 973	13 767	72 249	17 311
Net profit from continuing operations	56 608	13 443	56 957	13 647
Total comprehensive income	62 755	14 903	54 248	12 998
Net profit attributable to the owners of the Parent Company	56 608	13 443	56 957	13 647
Net profit and diluted net profit per share attributable to the owners of the Parent Company	3,63	0,86	3,77	0,90

To translate the consolidated 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 Polish National Bank (NBP) on that day) was used.

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

<i>for the year ended</i>	31 December 2013		31 December 2012	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net cash flow from operating activities	51 022	12 116	51 861	12 426
Cash flow from investing activities	(36 357)	(8 634)	(56 134)	(13 450)
Cash flow from financing activities	56 921	13 517	(11 074)	(2 653)
Total net cash flow	71 586	17 000	(15 347)	(3 677)

To translate the consolidated statement of cash flows 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 Polish National Bank (NBP) on that day) was used.

<i>as at</i>	31 December 2013		31 December 2012	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Cash at the beginning of the period	12 257	2 998	27 618	6 253
Cash at the end of the period	83 787	20 203	12 257	2 998

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

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

Euro exchange rate on the last day of the reporting period ended 31 December 2011 was 4.4168 EUR/PLN.

Consolidated statement of profit or loss and other comprehensive income

	<i>for the year ended 31 December</i>	Note	2013	2012
Continuing operations				
Revenues		6	92 082	86 055
Other operating income		7	51 124	2 095
Profit on revaluation of investment properties			16 526	19 017
Selling and administrative expenses		9	(39 892)	(33 332)
Other operating costs		8	(1 562)	(901)
Operating profit			118 278	72 934
Financial income		10	2 256	21 668
Financial costs			(62 561)	(22 353)
Net financial loss			(60 305)	(685)
Profit before tax			57 973	72 249
Corporate income tax		11	(1 365)	(15 292)
Net profit from continuing operations			56 608	56 957
Other comprehensive income				
Exchange rate differences arising from the activities of entities operating abroad			(3 422)	5 150
The effective portion of changes in the fair value relating to cash flow hedges		26.2	7 065	(9 702)
Valuation of financial instruments			4 749	-
Corporate income tax on other comprehensive income			(2 245)	1 843
Other comprehensive income (net of tax)			6 147	(2 709)
Total comprehensive income			62 755	54 248
Net profit attributable to:				
Owners of the Parent Company			56 608	56 957
Net profit			56 608	56 957
Comprehensive income attributable to:				
Owners of the Parent Company			62 755	54 248
Total comprehensive income			62 755	54 248
Profit per share				
- Basic and diluted (in PLN) profit for the year attributable to ordinary shareholders of the parent company		22	3,63	3,77

Consolidated statement of financial position

	<i>as at</i>	31 December	31 December
	Note	2013	2012
Non-current assets			
Tangible fixed assets	12	497	4 363
Intangible assets	13	23	19
Investment property	14	930 708	936 452
Long term receivables	16	-	6
Other long-term investments	17	5 966	16 206
Other long-term assets	18	17	759
Deferred tax assets	15	6 606	1 997
Total non-current assets		943 817	959 802
Current assets			
Inventories		285	-
Short term investments	17	52 870	6
Corporate income tax receivables	19	1 491	222
Trade and other receivables	19	13 145	10 692
Cash and cash equivalents	20	83 787	18 455
Total current assets		151 578	29 375
TOTAL ASSETS		1 095 395	989 177
Equity			
Share capital	21	4 529	3 774
Other capital reserve		81 384	78 660
Share premium		71 121	-
Reserve capital		153 963	132 611
Capital reserve from valuation of hedging instruments		(17 093)	(26 662)
Foreign exchange differences on subsidiaries		-	3 422
Retained earnings		214 963	182 431
Total equity		508 867	374 236
Long term liabilities			
Credits, loans and other debt instruments	23.1	345 705	322 581
Deferred tax liability	15	83 033	74 794
Other long-term liabilities	23.1	46 940	57 080
Total long term liabilities		475 678	454 455
Short term liabilities			
Credits, loans and other debt instruments	23.2	81 740	143 416
Payroll liabilities	24	157	158
Corporate income tax liabilities	25	125	605
Trade and other liabilities	25	28 828	16 307
Total short term liabilities		110 850	160 486
Total liabilities		586 528	614 941
TOTAL EQUITY AND LIABILITIES		1 095 395	989 177

Consolidated statement of cash flows

<i>for the year ended 31 December</i>	Note	2013	2012
Cash flows from operating activities			
Profit before taxation		57 973	72 249
<i>Adjustments for:</i>			
Depreciation		131	522
Change in fair value of investment properties		(16 526)	(19 017)
Net interest		21 265	21 899
Foreign exchange losses/(gains)		2 214	(20 567)
Financial lease payments		-	964
Cessation of consolidation of MLP Bucharest		(10 228)	-
Other		4 184	(989)
		59 013	55 061
Changes in trade and other receivables		(3 718)	(3 332)
Changes in provisions		(285)	-
Changes in short-term trade and other liabilities		(2 141)	2 979
Cash generated from operating activities		52 869	54 708
Income tax paid		(1 847)	(2 847)
Net cash from operating activities		51 022	51 861
Cash flows from investing activities			
Interest received		10	3
Loans granted		(2 600)	(1)
Repayments of loans granted		3 913	149
Purchase of investment properties, tangible fixed assets and intangible assets		(43 888)	(56 285)
Disposal of intangible assets and tangible fixed assets		10	-
Other proceeds from investing activities		6 198	-
Cash from investing activities		(36 357)	(56 134)
Cash flows from financing activities			
Proceeds from credits and loans		62 867	31 807
Repayment of credits and loans		(49 440)	(21 011)
Net proceeds from issue of shares and other capital instruments and capital contributions		70 120	-
Financial lease liabilities payments		-	(964)
Interest paid		(26 626)	(20 906)
Cash from financing activities		56 921	(11 074)
Total cash flow		71 586	(15 347)
Cash and cash equivalents at the beginning of the period			
		12 257	27 618
Foreign exchange losses/gains on cash and cash equivalents		(56)	(14)
Cash and cash equivalents at the end of the period	20	83 787	12 257
<i>- including restricted cash and cash equivalents</i>		<i>(7 225)</i>	<i>(5 575)</i>

In 2013 MLP Group S.A. granted loans to Fenix Polska Sp. z o.o. in total amount of PLN 38.370 thousand, while Fenix Polska Sp. z o.o. granted loans in the same amount to entities from MLP Group S.A. Capital Group. In the consolidated statement of cash flows, cash flows from obtaining borrowings and repayment of the above loans were netted, due to lack of cash flows, because the loans were granted by MLP Group S.A. on behalf of Fenix Sp. z o.o.

Statement of changes in consolidated equity

Equity attributable to Owners of the Parent Company

	Share capital	Other capital reserve	Share premium	Reserve capital	Capital reserve from valuation of hedging instruments	Foreign exchange differences on subsidiaries	Retained earnings	Total equity
Equity as at 1 January 2012	3 774	78 660	-	69 141	(18 803)	(1 728)	188 944	319 988
<u>Comprehensive income:</u>								
Profit for the year	-	-	-	-	-	-	56 957	56 957
Total other comprehensive income	-	-	-	-	(7 859)	5 150	-	(2 709)
Total comprehensive income for the year ended 31 December 2012	-	-	-	-	(7 859)	5 150	56 957	54 248
Net profit distribution	-	-	-	63 470	-	-	(63 470)	-
Equity as at 31 December 2012	3 774	78 660	-	132 611	(26 662)	3 422	182 431	374 236
Equity as at 1 January 2013	3 774	78 660	-	132 611	(26 662)	3 422	182 431	374 236
<u>Comprehensive income:</u>								
Profit for the year	-	-	-	-	-	-	56 608	56 608
Total other comprehensive income	-	-	-	-	9 569	(3 422)	-	6 147
Total comprehensive income for the period ended 31 December 2013	-	-	-	-	9 569	(3 422)	56 608	62 755
<u>Transactions with owners of the Parent Company presented directly in equity:</u>								
Shares issue	755	-	71 698	-	-	-	-	72 453
Shares issue costs	-	-	(577)	-	-	-	-	(577)
Transactions with owners of Parent Company for the year ended 31 December 2013	755	-	71 121	-	-	-	-	71 876
Net profit distribution	-	2 724	-	21 352	-	-	(24 076)	-
Equity as at 31 December 2013	4 529	81 384	71 121	153 963	(17 093)	-	214 963	508 867

Explanatory information to the consolidated financial statements

1. General information

1.1. Information on the Parent Company

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

The Parent Company was established as a result of a transformation of the state company Zakłady Naprawcze Taboru Kolejowego im. Bohaterów Warszawy seated in Pruszkow into the joint stock company fully owned by the state. Notarial deed on transformation was drawn up on 18 February 1995. The company operates under the name of MLP Group S.A. by virtue of resolution of the Company's General Meeting of 27 June 2007.

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

As at the end of the reporting period, the composition of the Parent Company Management and Supervisory Board is as follows:

The Management Board of the Parent Company:

- Michael Shapiro - President of the Management Board,
- Radosław T. Krochta - Vice-President of the Management Board,
- Dorota Jagodzińska-Sasson - Member of the Management Board.

After the end of the reporting period there were no changes in the composition of the Management Board of the Parent Company.

The Supervisory Board of the Parent Company:

- Shimshon Marfogel - President of the Supervisory Board,
- Yosef Zvi Meir - Member of the Supervisory Board,
- Eytan Levy - Vice-President of the Supervisory Board,
- Baruch Yehezkelov - Member of the Supervisory Board.

On 21 August 2013 Mrs. Elah Shapira was dismissed from the position of the Member of the Supervisory Board. On 22 August 2013 Mr. Baruch Yehezkelov was appointed to the position of the Member of the Supervisory Board.

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.

1.2. Information about the Group

As at the end of the reporting period MLP Group S.A. Capital Group ("Capital Group", "Group") consists of MLP Group S.A. as the Parent Company and 13 subsidiaries.

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

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

The core business of the Parent Company and its subsidiaries are: management, buying and selling of real estate, rental of real estate, the management of residential and non-residential properties, works related to the construction of buildings and other construction (see note 6.).

As at 31 December 2013, MLP Group S.A. Capital Group consisted of following subsidiaries:

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 rights	
		31 December 2013	2012	31 December 2013	2012
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 Poznań 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 Moszna I Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Bucharest Sud S.R.L.*	Romania	50%	50%	0%	50%
Sanborn Holdings Limited **	Cyprus	-	100%	-	100%
MLP Poznań II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Property Sp. z.o.o.	Poland	100%	100%	100%	100%
MLP Bieruń Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków IV Sp. zo.o.	Poland	100%	100%	100%	100%
MLP Pruszków III Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Poznań I Sp. z o.o.	Poland	100%	100%	100%	100%

* Group lost control over MLP Bucharest Sud S.R.L. in the second quarter of 2013.

** Group ceased to consolidate Sanborn Holdings Limited on 31 December 2013.

1.3. Changes in the Group

In the period ended 31 December 2013, the Group ceased to consolidate MLP Bucharest Sud S.R.L, in connection with the loss of control over the entity. On 9 April 2013 upon one of the creditor's application - Alpha Bank AE - under the order of the bankruptcy court in Bucharest. The bankruptcy proceedings against the MLP Bucharest Sud S.R.L. have been initiated. On 28 May 2013 the court issued an order to disqualify the existing Management Board of MLP Bucharest Sud S.R.L. from managing the affairs of the company and to establish a judicial administrator, whose task is to run the company and represent it in relations with third parties. As a consequence of the bankruptcy proceedings initiated against MLP Bucharest Sud S.R.L. and the establishment of the judicial administrator the existing Management Board appointed by the Shareholders has lost influence on the management of the company.

On 8 October 2013, the Court in Bucharest issued a decision declaring bankruptcy which initiated the liquidation of MLP Bucharest Sud S.R.L.'s assets.

Detailed information is included in Note 31.

The Group shares structure changed in 2013. Share capital of MLP Poznań II Sp. z o.o. was increased, and new shares in the increased share capital of the above mentioned company were acquired by MLP Poznań Sp. z o.o. and MLP Poznań I Sp. z o.o. These shares were fully paid by contribution in kind in form of an organized part of the enterprise MLP Poznań Sp. z o.o. and MLP Poznań I Sp. z o.o.

On 31 December 2013 shares in Sanborn Holdings Limited a subsidiary registered on Cyprus were sold.

The consolidated financial statements for the period ended 31 December 2013 includes financial statements of the Parent Company and its subsidiaries controlled by the Parent Company ("the Group").

1.4. The shareholding structure of the Parent Company

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

To the best knowledge of the Management Board of the Parent Company, the Shareholders who hold, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders at the date of publication of this report are as follows:

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

Shares and rights to shares of the Parent Company owned by members of management and supervisory bodies

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

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

2. Basis for the preparation of the consolidated financial statements

2.1. Statement of compliance

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

2.2. Status of Standards Approval in the European Union

A number of new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2013 and have not been applied in preparing these consolidated financial statements. Of these pronouncements, the following will potentially have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

2.2.1. Standards and Interpretations approved by the EU that are not yet in force for annual periods ending on 31 December 2013

- **IFRS 10 Consolidated Financial Statements**

IFRS 10 provides a new single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when (1) it is exposed or has rights to variable returns from its involvement with the investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between the power and returns.

The new standard also includes disclosure requirements and requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

The standard is effective for annual periods beginning on 1 January 2014 or later.

The Group does not expect the new standard to have any impact on its consolidated financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

- **IFRS 11 Joint Arrangements**

IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31, those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations, under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, must be accounted for using the equity method. Proportionate consolidation is no longer possible.

The change is effective for annual periods beginning on 1 January 2014 or later.

The Group does not expect the new Standard to have any impact on the consolidated financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.

- **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The disclosure is effective for annual periods beginning on 1 January 2014 or later.

It is expected that the new Standard, when initially applied, will have a significant impact on the level of disclosure in the financial statements. However, the Group is not able to prepare an analysis of the impact this will have on the consolidated financial statements until the date of initial application.

- **Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance**

The amendments:

- define the date of initial application of IFRS 10 as the beginning of the annual period in which the standard is applied for the first time (1 January 2013 unless early adopted). At this date, an entity tests whether there is a change in the consolidation conclusion for its investees;
- limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged;
- requires disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required);
- will remove the requirement to present comparative information disclosures related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.

The standard is effective for annual periods beginning on 1 January 2014 or later.

The Group does not expect the Amendments to have material impact on the consolidated financial statements.

- **IAS 28 Investments in Associates and Joint Ventures (2011)**

There are limited amendments made to IAS 28 (2008):

- Associates and joint ventures held for sale. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The changes are effective for annual periods beginning on 1 January 2014 or later.

The Group does not expect the amendments to Standard to have material impact on the consolidated financial statements since it does not have any investments in associates or joint ventures that will be impacted by the amendments.

- **Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities**

The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The changes are effective for annual periods beginning on 1 January 2014 or later.

The Group does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them.

The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.

An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity:

- obtains funds from investors to provide those investors with investment management services;
- commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

The changes are effective for annual periods beginning on 1 January 2014 or later.

The Group does not expect the new standard to have any impact on the financial statements, since the Parent entity does not qualify as an investment entity.

- **Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 Financial Instruments: Recognition and Measurement)**

The Amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when the following criteria are met:

- the novation is made as a consequence of laws or regulations;
- a clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument;
- changes to the terms of the derivative are limited to those necessary to replace the counterparty.

The changes are effective for annual periods beginning on 1 January 2014 or later.

The Group does not expect the Amendments will have a material impact on the consolidated financial statements.

- **Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 Impairment of Assets)**

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognized or reversed during the period.

The Amendments also require the following additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and recoverable amount is based on fair value less costs to disposal:

- the level of IFRS 13 'Fair value hierarchy' within which the fair value measurement of the asset or cash-generating unit is categorized;
- for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making it;
- for fair value measurements categorized within Level 2 and Level 3, each key assumption (i.e. assumptions to which recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

The changes are effective for annual periods beginning on 1 January 2014 or later.

The Group does not expect the Amendments to have a material impact on the consolidated financial statements.

2.2.2. Standards and interpretations not yet endorsed by the EU as at 30 January 2014

- **IFRS 9 Financial Instruments (2009)**

This Standard replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and losses on remeasurement of financial assets measured at fair value are recognized in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognized in OCI is ever reclassified to profit or loss at a later date.

The Group does not expect the new Standard to have material impact on the financial statements. The classification and measurement of the Group's consolidated financial assets are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial assets that it holds.

- **Additions to IFRS 9 Financial Instruments (2010)**

The 2010 additions to IFRS 9 replace the guidance in IAS 39 Financial Instruments: Recognition and Measurement, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities.

The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities.

The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss.

Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.

Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.

The interpretation is effective for annual periods beginning on 1 January 2018 or later.

The Group does not expect additions to IFRS 9 (2010) to have material impact on the financial statements. The classification and measurement of the Group's financial liabilities are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of its financial liabilities.

- **Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures**

These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments (2009) and IFRS 9 Financial Instruments (2010).

The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9.

If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application.

If an entity early adopts IFRS 9 in 2012, then it has a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7. If an entity early adopts IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 are required.

The changes are effective for annual periods beginning on 1 January 2018 or later.

It is expected that the Amendments, when initially applied, will not have a material impact on the Group's consolidated financial statements. The classification and measurement of the Group's financial assets are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial

assets that it holds. It is expected that the new Standard, when initially applied, will have a significant impact on the level of disclosure in the consolidated financial statements. However, the Group is not able to prepare an analysis of the impact this will have on the consolidated financial statements until the date of initial application.

- **IFRIC Interpretation 21 Levies**

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognizing a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognized when this event occurs.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognized when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

The changes are effective for annual periods beginning on 1 January 2014 or later.

The Group does not expect IFRIC 21 to have a material impact on the consolidated financial statements, since it does not result in a change in the Group's accounting policy regarding levies imposed by governments.

- **Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions**

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

The changes are effective for annual periods beginning on 1 January 2014 or later.

It is expected that the Amendments, when initially applied, will not have a material impact on the Group's consolidated financial statements. The Group's has no such contributions to defined benefit plans.

- **Improvements to IFRS (2010-2012)**

The Improvements to IFRSs (2010-2012) contains 8 amendments to 7 standards, with consequential amendments to other standards and interpretations. The main changes were to:

- clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separately defining a 'performance condition' and a 'service condition';
- clarify certain aspects of accounting for contingent consideration in a business combination;
- amend paragraph 22 of IFRS 8 to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. This is to supplement the current disclosure requirements in paragraph 22(a) of IFRS 8;
- amend paragraph 28(c) of IFRS 8 Operating Segments to clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker. This proposed amendment is consistent with the requirements in paragraphs 23 and 28(d) in IFRS 8;

- clarify the IASB's rationale for removing paragraph B5.4.12 of IFRS 9 Financial Instruments and paragraph AG79 of IAS 39 Financial Instruments: Recognition and Measurement as consequential amendments from IFRS 13 Fair Value Measurement;
- clarify the requirements for the revaluation method in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to address concerns about the calculation of the accumulated depreciation or amortisation at the date of the revaluation;
- make an entity providing management personnel services to the reporting entity a related party of the reporting entity.

The changes are effective for annual periods beginning on 1 July 2014 or later.

None of these changes are expected to have a significant impact on the consolidated financial statements of the Group.

- **Improvements to IFRS (2011-2013)**

The Improvements to IFRSs (2011-2013) contains 4 amendments to standards, with consequential amendments to other standards and interpretations. The main changes were to:

- clarify the meaning of 'each IFRS effective at the end of an entity's first IFRS reporting period' as used in paragraph 7 of IFRS 1 First-time Adoption of IFRSs.
- clarify that the scope exemption in paragraph 2(a) of IFRS 3 Business Combinations:
 - excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and
 - only applies to the financial statements of the joint venture or the joint operation itself.
- clarify that the portfolio exception included in paragraph 48 of IFRS 13 applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- clarify that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgement is based on the guidance in IFRS 3.

The changes are effective for annual periods beginning on 1 July 2014 or later.

None of these changes are expected to have a significant impact on the consolidated financial statements of the Group.

- **IFRS 14 Regulatory Deferral Accounts**

The interim Standard:

- permits first time adopters of IFRS to continue to use its previous GAAP to account for regulatory deferral account balances both on initial adoption of IFRS and in subsequent financial statements;
- requires entities to present regulatory deferral account balances and movements therein as separate line items on the face of the financial statements; and
- requires specific disclosures to identify clearly the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances in accordance with this interim Standard.

The standard is effective for annual periods beginning on 1 January 2016 or later.

It is expected that the interim Standard will not have a material impact on the Group's consolidated financial statements of the Group as only first time adopters of IFRS are within the scope of the standard.

2.3. Basis of valuation

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

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

For fair value measurement methods see note 3.

2.4. Functional and presentation currency

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

2.5. Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS as approved by EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and assumptions are based on experience and other reasonable factors which provide the basis for the estimate of book value of assets and liabilities and which 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, in which the estimates are revised and in any future periods affected. Significant estimates are based on valuation performed by independent experts.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the note 15 „Investment Policy”.

3. Significant accounting policies

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

3.1. Basis of consolidation

The consolidated financial statements of MLP Group S.A. Capital Group include data of MLP Group S.A and its subsidiaries prepared as at the end of the same reporting period and based on the same accounting policies in relation to similar transactions.

Subsidiaries are entities controlled by the Parent Company. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, the Group takes into consideration existing and potential voting rights that are exercisable at the balance sheet date.

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

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

3.2. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency by applying the spot exchange rate at the dates 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 on historical costs or purchase price in foreign currency are translated using the exchange rate at the date of transaction.

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

3.3. Financial instruments

3.3.1. Non-derivative financial instruments

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

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

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

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

3.3.2. Derivative financial instruments, including hedge accounting

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

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

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

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

When a derivative meets criteria of cash flow hedge, the effective portion of changes in the fair value of the derivatives is recognized in the other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of derivatives is recognized immediately in profit or loss. Classification of hedging instruments is based on due dates.

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

3.3.3. Held-to-maturity financial assets

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

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

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

3.3.4. Loans and receivables

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

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

3.3.5. Financial assets 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 Group actively manages such investments and makes purchase and sale decisions based on their fair value. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

The fair value of financial instruments unquoted in an active market (e.g. derivative instruments unquoted 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.

3.3.6. Available-for-sale financial assets

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

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

3.4. Equity

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

3.4.1. Share capital

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

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

Preference shares are classified as liability if they are redeemable on a specific date or on shareholder's option or if the dividend payments are not discretionary.

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

3.4.2. Other capital reserves

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

3.4.3. Share premium

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

3.4.4. Capital reserve from valuation of hedging instruments

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

3.4.5. Reserve capital

Reserve capital encompasses retained earnings from prior years.

3.4.6. Retained earnings

The current-period earnings are recognized as retained earnings.

3.5. Tangible fixed assets

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

3.5.1. Valuation of tangible fixed assets

Tangible fixed assets are measured at cost i.e. either at acquisition price or construction cost less accumulated depreciation and any impairment losses. Tangible fixed assets that had been revalued to fair value as at 1 January 2006, the day of the first application of IFRS EU by the Group, are valued based on the deemed cost, which is the fair value at the date of revaluation.

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

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

3.5.2. Subsequent expenditures

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

3.5.3. Depreciation

Items of property, plant and equipment, or their major components are depreciated on a straight-line basis over the estimated useful life, allowing for the net selling price of an asset (residual value). The basis for calculating depreciation is the purchase price or construction cost less residual value (land is not depreciated), on the basis of the useful life of an asset adopted by the Group and periodically verified. Items of property, plant and equipment are depreciated from the date when they are 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 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:

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

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

3.6. Intangible assets

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

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

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

3.7. Investment property

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

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

For tax purposes, investment properties are depreciated.

Perpetual usufruct

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

3.8. Investment property under construction

Investment property under construction is presented as investment property.

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

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

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

3.9. Leased assets

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

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

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

3.10. Impairment of assets

3.10.1. Financial assets

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

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

All individually significant assets are assessed for impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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

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

3.10.2. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets as well as intangible assets not yet available for sale are tested annually for impairment. An 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 the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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. On each balance sheet date, impairment is assessed if there is any indication of reversal of impairment. For other assets, an impairment loss is reversed (if there are changes in estimates) only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.11. Employee benefits

Defined benefit plans

The Group entities employing workers are obliged to collect and pay contributions for pension benefit for 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.

3.12. Provisions

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

3.13. Bank credits and loans

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

3.14. Revenues

3.14.1. 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.

3.14.2. Rental income

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

3.15. Lease payments

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

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

3.16. Financial income and financial costs

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

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

3.17. Income tax

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

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for 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 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 is recognized at the time of the obligation to pay the dividend.

3.18. Earnings per share

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

3.19. Segment reporting

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

4. Financial risk management

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

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

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

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

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

4.1. Credit risk

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

4.1.1. Trade and other receivables

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

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

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

4.1.2. Loans granted

The Group's credit risk from loans granted relates mainly to receivables from related parties. At the moment there are no indicators that related parties will not be able to repay the loans granted.

4.1.3. Securities

The Group limits its exposure to credit risk by investing only in liquid debentures with high credit rating. Therefore Board of Directors does not expect any counterparty to fail to meet its obligations.

4.2. Liquidity risk

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

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

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

4.3. Market risk

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

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

4.3.1. Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in foreign currencies (primarily the Euro) other than the functional currency of Group's entities.

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

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

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

4.3.2. Interest rate risk

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

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

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

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

The purpose is to hedge cash flows from interest exposed to interest rate risk. In MLP Moszna Sp. z o.o. reference rate EURIBOR 3M is hedged.

4.4. Capital management

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

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

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

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

5. Segment reporting

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

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

As at 31 December 2013, the Group has one operating segment - Poland.

Segment operations

	<i>for the year ended 31 December</i>						
	2013			2012			
	Poland	Foreign countries	Total	Poland	Foreign countries	Consolidation adjustments	Total
Revenues							
Revenues from third parties	91 361	721	92 082	83 191	2 864	-	86 055
Revenues from revaluation of investment property	18 961	(2 435)	16 526	16 967	2 050	-	19 017
Total revenues of the segment	110 322	(1 714)	108 608	100 158	4 914	-	105 072
Operating profit of the segment	71 031	(2 315)	68 716	68 382	3 358	-	71 740
Other operating results of the segment	49 345	217	49 562	300	894	-	1 194
Profit/(loss) from continuing operations of the segment before tax and financial expenses	120 376	(2 098)	118 278	68 682	4 252	-	72 934
Net financial results of the segment	(61 176)	871	(60 305)	9 593	(10 278)	-	(685)
Profit/(loss) before tax	59 200	(1 227)	57 973	78 275	(6 026)	-	72 249
Income tax	(1 365)	-	(1 365)	(15 292)	-	-	(15 292)
Net profit/loss for the period	57 835	(1 227)	56 608	62 983	(6 026)	-	56 957

	<i>as at 31 December</i>						
	2013			2012			
	Poland	Foreign countries	Total	Poland	Foreign countries	Consolidation adjustments	Total
Assets, equity and liabilities							
Assets of the segment	1 095 395	-	1 095 395	937 194	88 753	(36 770)	989 177
Total assets	1 095 395	-	1 095 395	937 194	88 753	(36 770)	989 177
Liabilities of the segment	586 528	-	586 528	517 484	134 227	(36 770)	614 941
Equity	508 867	-	508 867	419 710	(45 474)	-	374 236
Total equity and liabilities	1 095 395	-	1 095 395	937 194	88 753	(36 770)	989 177
Additions to investment property	58 610	-	58 610	55 164	297	-	55 461

6. Revenues

	<i>for the year ended 31 December</i>	
	2013	2012
Revenue from rental of properties	78 520	74 380
Other revenues	13 562	11 675
Total revenues	92 082	86 055
Reinvoicing of utilities	12 120	10 665
Revenues from rental of apartments	35	41
Services provided to tenants	1 407	969
Other revenues	13 562	11 675

7. Other operating income

	<i>for the year ended 31 December</i>	
	2013	2012
Discontinuation of consolidation of MLP Bucharest Sud SRL	50 123	-
Profit on disposal of fixed assets	223	18
Reimbursement of court costs	18	26
Reversal of impairment for receivables	86	47
Reversal of allowance on property, plant and equipment	-	112
Compensation received from tenants	-	956
Write off of liabilities	44	9
Received compensation for contractual penalties	156	41
Other	474	886
Total other operating income	51 124	2 095

8. Other operating costs

	<i>for the year ended 31 December</i>	
	2013	2012
Loss on disposal of fixed assets	(14)	-
Allowances for receivables	(1 092)	(468)
Court costs	(23)	(43)
Donations	(11)	(53)
Costs associated with the acquisition of the investment areas	(18)	(23)
Costs of insurance policies	(30)	(46)
Other	(374)	(268)
Total other operating expenses	(1 562)	(901)

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

financial statements in prior periods) and impairment of this loan of PLN 39.870 thousands because of bankruptcy proceeding concerning MLP Bucharest Sud S.R.L.

For more information regarding MLP Bucharest - see note 30.1.

9. Selling and administrative expenses

	<i>for the year ended 31 December</i>	2013	2012
Depreciation and amortization		(811)	(522)
Materials and energy		(10 299)	(11 267)
External services		(15 696)	(10 634)
Tax and charges		(10 450)	(8 770)
Payroll		(1 586)	(1 301)
Social security and other employee benefits		(291)	(258)
Other expenditures		(759)	(580)
Total selling and administrative expenses		(39 892)	(33 332)

Selling and administrative expenses for the year ended 31 December 2013 amounted to PLN 39.892 thousand, out of which PLN 2.947 thousand (included in "External services" expenses) relates to IPO on Warsaw Stock Exchange. The other part of the above costs relates to the maintenance of revenue-generating investment properties. Costs that are not directly connected with those properties are depreciation costs of tangible fixed assets used for operating activity and not generating revenue from lease and property tax on undeveloped land.

10. Financial income and expenses

	<i>for the year ended 31 December</i>	2013	2012
Interest on loans granted		1 665	885
Interest income on bank deposits		511	566
Foreign exchange differences net		-	20 217
Interest on receivables		80	-
Total financial income		2 256	21 668

	<i>for the year ended 31 December</i>	2013	2012
Interest expenses on credits and loans		(10 554)	(13 794)
Other interest		(10)	-
Interest paid on SWAP		(12 526)	(11 022)
Interest results on cash flow hedge		2 456	2 859
Ineffective part of valuation of cash flow hedges		239	(91)
Foreign exchange differences net		(2 214)	-
Allowance for loans granted to MLP Bucharest Sud S.R.L.		(39 870)	-
Other financial expenses		(82)	(305)
Total financial expenses		(62 561)	(22 353)

In March and December 2013 the Group signed IRS agreements for new credit taken by MLP Sp. z o.o. SKA (former MLP Tychy Sp. z o.o.), while in June 2013 for MLP Pruszków IV Sp. z o.o. credit. In the period ended 31 December 2013, the Group recognized costs of Swap transactions as financial expenses, including ineffective part of valuation of Swap and interest resulting from this valuation. Foreign exchange differences are mainly the result of valuation of credits and loans denominated in EUR and USD as at balance sheet date. Additionally financial costs consist of payments related to SWAP.

11. Income tax

<i>for the year ended 31 December</i>	2013	2012
Current income tax for the period	1 977	3 525
Origination/reversal of temporary differences	(612)	11 767
Income tax	1 365	15 292

Effective tax rate

<i>for the year ended 31 December</i>	2013	2012
Profit before taxation	57 973	72 249
Current income tax on the basis of the valid tax rate (19%)	(11 015)	(13 727)
Differences arising from the MLP Bucharest	-	(961)
Loss of control over MLP Bucharest	9 500	-
IPO expenses	140	-
The difference resulting from the lack of taxation in MLP Sp. z o.o. SKA	83	-
Difference in deferred tax rates of foreign entities 16% vs. 19%	-	(180)
Non-taxable costs	(73)	(424)
Current income tax	(1 365)	(15 292)

12. Tangible fixed assets

	Buildings	Machinery and equipment	Vehicles	Other fixed assets	Total
Gross value as at 1 January 2012	6 321	508	261	30	7 120
Additions	-	23	-	-	23
Acquisition	-	23	-	-	23
Decreases	(423)	-	(97)	(2)	(522)
Sale	-	-	(97)	-	(97)
Liquidation	(423)	-	-	(2)	(425)
Gross value as at 31 December 2012	5 898	531	164	28	6 621
Additions	564	30	1	57	652
Acquisition	-	30	-	5	35
Transfer from CIP	35	-	-	-	35
Other	529	-	1	52	582
Decreases	(4 381)	(322)	-	(18)	(4 721)
Reclassification	-	-	-	(10)	(10)
Loss of control	(4 381)	(322)	-	(8)	(4 711)
Gross value as at 31 December 2013	2 081	239	165	67	2 552
Depreciation as at 1 January 2012	(1 524)	(99)	(208)	(24)	(1 855)
Additions	(437)	(26)	(34)	(5)	(502)
Depreciation	(437)	(26)	(34)	(5)	(502)
Decreases	-	-	97	2	99
Sale	-	-	97	-	97
Liquidation	-	-	-	2	2
Depreciation as at 31 December 2012	(1 961)	(125)	(145)	(27)	(2 258)
Additions	(512)	(145)	(9)	(14)	(680)
Depreciation	(68)	(27)	(8)	(5)	(108)
Other	(444)	(118)	(1)	(9)	(572)
Decreases	821	54	-	8	883
Loss of control	821	54	-	8	883
Depreciation as at 31 December 2013	(1 652)	(216)	(154)	(33)	(2 055)
Net value as at 1 January 2012	4 797	409	53	6	5 265
Net value as at 31 December 2012	3 937	406	19	1	4 363
Net value as at 31 December 2013	429	23	11	34	497

13. Intangible assets

	Software
Gross value as at 1 January 2012	98
Additions	5
Acquisition	5
Gross value as at 31 December 2012	103
Additions	27
Acquisition	27
Decreases	(9)
Other	(9)
Gross value as at 31 December 2013	121
Amortization as at 1 January 2012	(84)
Additions	-
Amortization	-
Amortization as at 31 December 2012	(84)
Additions	(14)
Amortization	(4)
Other	(10)
Amortization as at 31 December 2013	(98)
Net value as at 1 January 2012	14
Net value as at 31 December 2012	19
Net value as at 31 December 2013	23

14. Investments property

	<i>as at 31 December</i>	2013	2012
Gross value at the beginning of the period		936 452	870 867
Additions		58 610	55 461
Cessation of consolidation of MLP Bucharest Sud SRL		(83 210)	-
Foreign exchange differences		2 330	(8 893)
Change in the fair value		16 526	19 017
Gross value at the end of the period		930 708	936 452

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

Investment property divided into parks:

	<i>as at 31 December</i>	2013	2012
MLP Pruszków I Park			
MLP Pruszków I		337 914	329 632
Perpetual usufruct - MLP Pruszków I		2 642	3 269
		340 556	332 901
MLP Pruszków II Park			
MLP Pruszków II		227 258	206 961
Perpetual usufruct - MLP Pruszków II		2 620	2 540
Investment property under construction MLP Pruszków II		-	1 288
		229 878	210 789
MLP Poznań Park			
MLP Poznań		69 739	59 823
		69 739	59 823
MLP Tychy Park			
MLP Tychy		251 577	238 796
Perpetual usufruct - MLP Tychy		16	28
		251 593	238 824
MLP Bieruń Park			
MLP Bieruń		38 942	12 682
		38 942	12 682
MLP Bucharest Park			
MLP Bucharest		-	81 433
		-	81 433
Gross value at the end of the period		930 708	936 452

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

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

	<i>for the year ended 31 December</i>	2013	2012
Capitalized interest expenses		267	111

Investment liabilities are presented in the following table.

	<i>as at 31 December</i>	2013	2012
Investment liabilities		26 002	11 694

14.1. The fair value of the Group investment

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

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

Valuations were prepared based on discounted cash flow method for the existing warehouses and for land with building permit, and comparable method for undeveloped lands.

Because of different localizations and characteristics of investment properties, assumptions used by experts concerning yield rates are in the range 8,0%-8,75%.

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

In the year ended 31 December 2013, there were no reclassifications between the levels.

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

	Fair value as at 31 December 2013	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Pruszków I Logistic Park					
(i) warehouse and office buildings	81 480 000 EUR	Income approach	Monthly rent per 1 sqm	3,31 EUR - 3,52 EUR, (3,42 EUR)	The higher rent, the higher fair value
			Capitalization rate	8,25% - 9,00 %, (8,43%)	The lower capitalization rate, the higher fair value
MLP Pruszków II Logistic Park					
(i) warehouse and office buildings	22 009 000 EUR	Income approach	Monthly rent per 1 sqm	2,12 EUR - 3,51 EUR, (3,14 EUR)	The higher rent, the higher fair value
			Capitalization rate	8,25% - 9,25 %, (8,40%)	The lower capitalization rate, the higher fair value
(ii) chimney	5 403 000 EUR	Income approach	Monthly rent	40 tys. EUR - 42 tys. EUR, (41 tys. EUR)	The higher rent, the higher fair value
			Capitalization rate	(8,75%)	The lower capitalization rate, the higher fair value
(iii) parking	1 071 000 EUR	Income approach	Monthly rent	7,5 tys. EUR - 8,2 tys. EUR, (7,9 tys. EUR)	The higher rent, the higher fair value
			Capitalization rate	(8,75%)	The lower capitalization rate, the higher fair value
(iv) surplus land	20 705 000 EUR	Comparable approach	Price for 1 sqm	25,57 EUR - 72,04 EUR, (41,23 EUR)	The higher price for 1 sqm, the higher fair value
(v) warehouse and office buildings under construction	3 063 000 EUR	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
(vi) land with building permit	2 547 000 EUR	Residual approach	Capitalized net income	(c)	The lower estimated capitalized net income, the lower fair value
			Construction costs	(d)	The higher estimated construction costs, the lower fair value

	Fair value as at 31 December 2013	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Poznań Logistic Park					
(i) warehouse and office buildings	11 614 000 EUR	Income approach	Monthly rent per 1 sqm	2,85 EUR - 4,39 EUR, (3,69 EUR)	The higher rent, the higher fair value
			Capitalization rate	(8,00%)	The lower capitalization rate, the higher fair value
(ii) surplus land	4 612 000 EUR	Comparable approach	Price for 1 sqm	25,32 EUR - 57,87 EUR, (33,49 EUR)	The higher price for 1 sqm, the higher fair value
(iii) land with building permit	590 000 EUR	Residual approach	Capitalized net income	(c)	The lower capitalized net income, the lower fair value
			Construction costs	(d)	The higher construction costs, the lower fair value
MLP Tychy Logistic Park					
(i) warehouse and office buildings	60 210 000 EUR	Income approach	Monthly rent per 1 sqm	4,18 EUR - 5,03 EUR, (4,61 EUR)	The higher rent, the higher fair value
			Capitalization rate	(8,00%)	The lower capitalization rate, the higher fair value
(ii) surplus land	452 000 EUR	Comparable approach	Price for 1 sqm	27,45 EUR - 44,85 EUR, (31,17 EUR)	The higher price for 1 sqm, the higher fair value
MLP Bieruń Logistic Park					
(i) warehouse and office buildings under construction	7 950 000 EUR	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
(ii) land with building permit	1 440 000 EUR	Residual approach	Capitalized net income	(c)	The lower estimated capitalized net income, the lower fair value
			Construction costs	(d)	The higher estimated construction costs, the lower fair value

- (a) Capitalized net income: calculation based on the rents from lease agreements, as well as market rents and capitalization rates
 (b) Construction costs: the construction costs of the project based on construction contracts
 (c) Estimated capitalized net income: calculated on the basis of the estimated rents and capitalization rates
 (d) Estimated cost of construction: the construction costs of the project estimated for this type of project

15. Deferred tax

<i>as at 31 December</i>	Deferred tax assets		Deferred tax liabilities		Net value	
	2013	2012	2013	2012	2013	2012
Investment property	-	1 997	91 097	86 888	91 097	84 891
Credits, loans granted and received	-	2 284	500	-	500	(2 284)
Derivatives	6 201	9 061	-	-	(6 201)	(9 061)
Other	8 043	523	-	-	(8 043)	(523)
Tax losses deductible in the future periods	926	226	-	-	(926)	(226)
Deferred tax assets / liabilities	15 170	14 091	91 597	86 888	76 427	72 797

	01.01.2012	changes recorded in profit or loss	changes recorded in other comprehensive income	31.12.2012
Investment property	78 581	6 310	-	84 891
Credits, loans granted and received	(7 104)	4 820	-	(2 284)
Derivatives	(7 751)	533	(1 843)	(9 061)
Other	(612)	89	-	(523)
Tax losses deductible in the future periods	(241)	15	-	(226)
	62 873	11 767	(1 843)	72 797

	01.01.2013	changes recorded in profit or loss	changes recorded in other comprehensive income	cessation of consolidation of MLP Bucharest	31.12.2013
Investment property	84 891	4 209	-	1 997	91 097
Credits, loans granted and received	(2 284)	2 784	-	-	500
Derivatives	(9 061)	615	2 245	-	(6 201)
Other	(523)	(7 520)	-	-	(8 043)
Tax losses deductible in the future periods	(226)	(700)	-	-	(926)
	72 797	(612)	2 245	1 997	76 427

16. Long-term receivables

	<i>as at 31 December</i>	2013	2012
Other long-term receivables		-	6

17. Other investments

	<i>as at 31 December</i>	2013	2012
Other long-term financial assets		4 749	-
Long-term loans		1 217	16 206
Other long-term investments		5 966	16 206
Short-term loans		52 870	6
Short-term investments		52 870	6

18. Other long-term assets

	<i>as at 31 December</i>	2013	2012
Long-term prepayments		17	759

19. Trade and other receivables

	<i>as at 31 December</i>	2013	2012
Trade receivables		4 152	4 832
Investment settlements		305	1 192
Prepayments		2 846	2 212
Taxation and social security receivables		5 842	2 456
Trade and other receivables		13 145	10 692
Corporate income tax receivables		1 491	222
Short-term receivables		14 636	10 914

Receivables due from related parties are set out in note 30.

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

	<i>as at 31 December</i>		<i>2013</i>		<i>2012</i>	
	<u>Gross receivables</u>	<u>Write-downs</u>	<u>Gross receivables</u>	<u>Write-downs</u>	<u>Gross receivables</u>	<u>Write-downs</u>
Neither past due or impaired:	731	-	1 677	-		
Past due:						
0 to 90 days	3 279	274	2 607	-		
91 to 180 days	262	173	535	69		
over 181 days	4 000	3 673	3 698	3 616		
Total receivables	8 272	4 120	8 517	3 685		

20. Cash and cash equivalents

	<i>as at 31 December</i>	<i>2013</i>	<i>2012</i>
Cash on hand		50	48
Cash in bank		1 540	2 945
Short-term deposits		82 197	15 462
Cash and cash equivalents in the consolidated statement of financial position		83 787	18 455
Deposits with maturity over 3 months		-	(6 198)
Cash and cash equivalents in the consolidated statement of cash flows		83 787	12 257
Restricted cash and cash equivalents		(7 225)	(5 575)

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

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

Cash and cash equivalents balance presented in consolidated statement of cash flows consists of defined above cash and cash equivalents, less unpaid overdrafts being an integral part of cash management system in the Group and deposits with maturity over 3 months.

In accordance with the bank loans agreement the Group has restricted cash in the amount of PLN 7.225 thousand.

21. Equity

21.1. Share capital

	<i>as at 31 December</i>	2013	2012
Share capital			
Ordinary shares of A series		11 440 000	11 440 000
Ordinary shares of B series		3 654 379	3 654 379
Ordinary shares of C series		3 018 876	-
		18 113 255	15 094 379
Par value of 1 share		0,25	0,25

As at 31 December 2013 the share capital of Parent Company amounted to PLN 4.528.313,75 and divided into 18.113.255 shares entitling to 18.113.225 votes on general meeting. The value of all share is PLN 0,25 and has been fully paid.

The Issuer increased its share capital by PLN 754.719 by an issuance of new shares C series. 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 consolidated financial statements:

	<i>as at 31 December</i>		2013		2012	
	<u>number of shares</u>	<u>Value</u>	<u>number of shares</u>	<u>Value</u>	<u>number of shares</u>	<u>Value</u>
Number of shares at the beginning of the period	15 094 379	3 774	15 094 379	3 774	15 094 379	3 774
Shares issuance	3 018 876	755	-	-	-	-
Number of shares at the end of the period	18 113 255	4 529	15 094 379	3 774	15 094 379	3 774

List of shareholders holding, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders on the date of approval of the report is presented in note 1.4. 1."

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

21.2. Share premium

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

	Issuance of shares of C series in connection with the IPO	Expenses incurred in connection with issuance of shares	Total
As at 31 December 2012	-	-	-
As at 31 December 2013	71 698	(577)	71 121

22. Earnings per share

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

	<i>for the year ended 31 December</i>	
	2013	2012
Net profit for the year	56 608	56 957
Number of shares issued	18 113 255	15 094 379
Weighted average number of shares issued	15 597 525	15 094 379
Earnings per share attributable to shareholders of the Parent Company for the period (in PLN per share):		
- basic	3,63	3,77
- diluted	3,63	3,77

In presented periods there were no dilutive factors.

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

23.1. Long-term liabilities

	<i>as at 31 December</i>	2013	2012
Loans and credits pledged on the Group's assets		344 495	299 592
Loans		1 210	22 989
Total long-term credits, loans and other debt instruments		345 705	322 581

	<i>as at 31 December</i>	2013	2012
Finance lease liabilities		5 278	5 837
Liabilities concerning SWAP transactions		37 382	47 690
Guarantees from tenants and other		4 280	3 553
Total other long-term liabilities		46 940	57 080

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

	<i>as at 31 December</i>	2013	2012
Finance lease liabilities		5 278	5 837

23.2. Short-term liabilities

	<i>as at 31 December</i>	2013	2012
Short-term credits and short-term part of long term credits		20 218	80 781
Overdraft - MLP Pruszków I Hapoalim Bank		-	402
Loans		61 522	62 233
Total short-term credits, loans and other debt securities liabilities		81 740	143 416

Shown as the Group's assets, the secured and unsecured loans constitute liabilities from related and unrelated parties.

Loans received from related parties unsecured and secured on the assets of the Group:

	<i>as at 31 December</i>	2013	2012
Fenix Polska Sp. z o.o.		59 172	23 185
CAJAMARCA HOLLAND B.V.		3 560	3 667
		62 732	26 852

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

	<i>as at 31 December</i>			2013		2012	
	currency	effective rate (%)	maturity date	in currency	in thousand PLN	in currency	in thousand PLN
Investment loan BRE 17/001/13/D/IN	EUR	Euribor 1M+margin	2018	2 515	10 429	-	-
Investment loan 39165/13 dated 05.03.2013	EUR	Euribor 1M+margin	2021	34 270	141 596	-	-
Investment loan CRD/21222/06	EUR	Euribor 1M+margin	2018	-	-	9 192	37 579
Investment loan CRD/24193/07	EUR	Euribor 1M+margin	2019	-	-	16 268	66 507
Loan CRD/25846/07	EUR	Euribor 1M+margin	2017	36 841	152 663	39 167	160 123
Loan - MLP Bucharest	EUR	Euribor 3M+margin	2012	-	-	15 293	62 519
Credit line - MLP Pruszków I Hapoalim Bank	USD	floating rate	2013	-	-	130	402
Loan KNK/1212752	EUR	Euribor 3M+margin	2027	6 404	26 469	6 862	28 053
Loan 2010/KI/0092	EUR	Euribor 3M+margin	2020	3 115	12 831	3 246	13 272
Loan ING 11/0002	EUR	Euribor 1M+margin	2020	5 018	20 725	3 014	12 320
Unsecured loans	EUR	fixed rate	2012	-	-	8 310	33 973
Unsecured loans	EUR	Libor EUR 6M+margin	2013	-	-	1 236	5 055
Unsecured loans	PLN	Wibor 3M+margin	2014	-	16 827	-	16 184
Unsecured loans	EUR	Euribor 6M +margin	2013	-	-	2 356	9 631
Unsecured loans	USD	Libor R USD+margin	2013	1 182	3 560	1 183	3 667
Unsecured loans	USD	Libor R USD+margin	2014	1 678	5 056	2 259	7 001
Unsecured loans	EUR	Libor EUR 6M+margin	2018	-	-	1 665	6 805
Unsecured loans	PLN	Wibor 3M+margin	2013	-	-	-	2 906
Unsecured loans	PLN	Wibor 3M+margin	2014	-	15 233	-	-
Unsecured loans	PLN	Wibor 3M+margin	2021	-	1 210	-	-
Unsecured loans	EUR	Euribor 3M+margin	2014	5 027	20 846	-	-
					427 445		465 997

The balances of loans received in foreign currency were translated by the following average exchange rates quoted by the NBP as at 31 December:

	2013	2012
exchange rate EUR/PLN	4,1472	4,0882
exchange rate USD/PLN	3,0120	3,0996

In the year ended 31 December 2013 the Group signed the following significant loan agreements:

	currency	effective rate (%)	maturity date	loans balance as at 31 December 2013	
				EUR	PLN
Loans granted:					
• Fenix Polska Sp. z o.o.					
	EUR	EURIBOR 3M+margin	2014	5 026	20 842
	PLN	WIBOR 3M+margin	2014	-	15 232
	PLN	WIBOR 3M+margin	2019	-	1 210
Loans received:					
• Fenix Polska Sp. z o.o.					
	PLN	WIBOR 3M+margin	2021	-	1 210
	EUR	EURIBOR 3M+margin	2014	5 027	20 846
	PLN	WIBOR 3M+margin	2014	-	15 233

24. Payroll liabilities

	<i>as at 31 December</i>	
	2013	2012
Special funds	157	158
Employee benefits liabilities	157	158

25. Trade and other liabilities

	<i>as at 31 December</i>	
	2013	2012
Trade liabilities	3 277	3 622
Taxation and social security liabilities	115	2 733
Uninvoiced receipts	831	697
Investment liabilities, guarantees and others	24 605	9 255
Trade and other liabilities	28 828	16 307
Income tax liabilities	125	605
Trade and other liabilities	28 953	16 912

Liabilities to related parties were disclosed in note 30.

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

	<i>as at 31 December</i>	2013	2012
Current liabilities		25 329	13 324
Liabilities overdue from 1 to 90 days		1 981	2 226
Liabilities overdue from 91 to 180 days		328	527
Liabilities overdue over 181 days		4 695	353
Total trade liabilities and other		32 333	16 430

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

Liabilities resulting from deliveries and services are not subject to interest and are usually settled within 30 to 60 days. Liabilities over 181 days relate mainly to delivery of goods, the amounts retained as guarantee deposits associated with investment (construction works) in order to ensure correct and on time contract execution. Other payables are non-interest bearing and have an average maturity of one month. The amount stemming from the difference between the liabilities and VAT receivables is paid to the appropriate tax authorities in the periods regulated in tax law. Interest liabilities are usually settled based on approved interest notes.

26. Financial instruments

26.1. Valuation of financial instruments

The fair value of financial assets and financial liabilities as at 31 December 2013 and 31 December 2012 is equal to the value presented in the consolidated statement of financial position.

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

- **cash and cash equivalents:** the book value of these financial instruments corresponds to fair value because of the short time to 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 book value corresponds to fair value because of the floating rate which is comparable with market interest rates,
- **bank credit and loans taken:** the book value of these instruments is comparable with fair value because of the floating rate, based on market rates,
- **Swap valuation liabilities:** fair value determined on the basis of references to instruments quoted in an active market.

26.1.1. Financial assets

	<i>as at 31 December</i>	2013	2012
Available for sale financial assets:			
Other financial instruments (Level 3)		4 749	-
		<u>4 749</u>	<u>-</u>
Loans and receivables:			
Cash and cash equivalents (Level 3)		83 787	18 455
Loans and receivables, including:			
• Trade and other receivables (Level 3)		4 457	4 838
• Loans granted (Level 3)		54 087	16 212
		<u>142 331</u>	<u>39 505</u>
Total financial assets		<u>147 080</u>	<u>39 505</u>

26.1.2. Financial liabilities

	<i>as at 31 December</i>	2013	2012
Derivative hedging instruments:			
Liabilities concerning SWAP transactions (Level 2)		37 382	47 690
		<u>37 382</u>	<u>47 690</u>
Liabilities valued at amortized cost			
Bank loans (Level 3)		364 713	380 775
Loans received (Level 3)		62 732	85 222
Trade and other payables (Level 3)		32 333	16 430
Finance lease liabilities (Level 2)		5 278	5 837
		<u>465 056</u>	<u>488 264</u>
Total financial liabilities		<u>502 438</u>	<u>535 954</u>

The fair value of hedging financial instruments as at 31 December 2013 amounted to PLN 37.382 thousand and is determined based on inputs other than quoted prices that are either directly or indirectly observable (level 2). The information is provided by banks and is based on references to instruments quoted in an active market.

In the year ended 31 December 2013 there were no reclassifications between the levels.

26.2. Other disclosures relating to financial instruments

Established collaterals

Information concerning established collaterals has been disclosed in note 29.

Hedge accounting

In 2009 the MLP Pruszkow I Sp. z o.o. and the former MLP Tychy Sp. z o.o. (currently MLP Sp. z o.o. SKA) entered into a swap agreement (hedging instrument), through which the future interest payments from debt based on the variable interest rates are effectively converted into fixed interests based on the schedule from the swap agreement. The companies receive from the bank the amounts equivalent to the product of the reference rate and debt equal to the amount which the companies would have paid if the variable rate was valid.

For the above-mentioned companies monthly cash flows are forecasted respectively until 29 December 2017 (for MLP Pruszkow I Sp. z o.o.) and 31 December 2019 (for MLP Sp. z o.o. SKA).

In 2013 MLP Sp. z o.o. SKA (former MLP Tychy Sp. z o.o.) entered into two new interest rate swap agreements (hedging instrument). In accordance with the concluded agreement future debt interest payments based on variable interest rates are effectively converted into fixed interest based on the schedule from the swap agreement. The company receives from the bank the amount equivalent to the product of reference rate and debt equal to the amount which the company would have paid if the variable rate was valid.

Monthly cash flows are forecasted until 31 January 2019.

In 2010 MLP Pruszkow II Sp. z o.o. entered into an interest rate swap agreement (hedging instrument), which was transferred to the company MLP Moszna I Sp. z o.o. In accordance with the concluded agreement future debt interest payments that are based on variable interest rates are effectively converted into fixed interest based on the schedule from the swap agreement. The company receives from the bank the amount equivalent to the product of reference rate and debt equal to the amount which the company would have paid if the variable rate was valid.

Monthly cash flows are forecasted until 31 August 2020.

In 2010 MLP Poznań II Sp. z o.o. entered into interest rate swap agreement (hedging instrument). In accordance with the concluded agreement future debt interest payments that are based on variable interest rates are effectively converted into fixed interest based on the schedule from the swap agreement. The Company receives from the bank the amounts equivalent to the product of reference rate and debt in the amount equal to the amount which the company would have paid if the variable rate was valid.

Monthly cash flows are forecasted until 31 August 2016.

In 2013 MLP Pruszków IV Sp. z o.o. entered into interest rate swap agreement (hedging instrument). In accordance with the concluded agreement future debt interest payments that are based on variable interest rates are effectively converted into fixed interest based on the schedule from the swap agreement. The Company receives from the bank the amounts equivalent to the product of reference rate and debt in the amount equal to the amount which the company would have paid if the variable rate was valid.

Monthly cash flows are forecasted until 19 April 2018.

Identification of the hedging instrument and the hedged position

Entity	Hedged position - debt in the amount of:		Hedging instrument - amortized Interest Rate Swap of initial value:		The fair value of the hedging instrument (in EUR thousand) as at 31 December		The fair value of the hedging instrument (in PLN thousand) as at 31 December	
	in EUR thousand	in PLN thousand	in EUR thousand	in PLN thousand	2013	2012	2013	2012
MLP Pruszków I Sp. z o.o.	47 382	196 503	47 382	196 503	(3 718)	(6 318)	(19 700)	(25 828)
MLP Sp. z o.o. SKA (former: MLP Tychy Sp. z o.o.)	36 339	150 705	33 255	137 915	(3 883)	(4 845)	(16 001)	(19 806)
MLP Moszna Sp. z o.o.	3 600	14 930	3 600	14 930	(248)	(339)	(1 030)	(1 386)
MLP Poznań II Sp. z o.o.	3 300	13 686	3 300	13 686	(116)	(164)	(481)	(670)
MLP Pruszków IV Sp. z o.o.	2 565	10 638	2 565	10 638	(41)	-	(170)	-

The values of the hedged position and the hedging instrument were translated at the average EUR exchange rate published by the NBP on 31 December 2013.

The fair value of hedging instruments was translated by the following average exchange rates published by the NBP on the day:

	31 December 2013	31 December 2012
exchange rate EUR/PLN	4,1472	4,0882

The amounts recognized in other comprehensive income in 2013:

Entity	Amounts recognized in financial costs - ineffective part	Amounts recognized in financial costs - interest result	Amounts recognized in other comprehensive income
MLP Pruszków I Sp. z o.o.	263	1 687	3 627
MLP Pruszków IV Sp. z o.o.	(76)	-	(94)
MLP Sp. z o.o. SKA (former MLP Tychy Sp. z o.o.)	52	769	2 986
MLP Moszna I Sp. z o.o.	-	-	356
MLP Poznań II Sp. z o.o.	-	-	190
	239	2 456	7 065

The amounts recognized in other comprehensive income in 2012:

Entity	Amounts recognized in financial costs - ineffective part	Amounts recognized in financial costs - interest result	Amounts recognized in other comprehensive income
MLP Pruszków I Sp. z o.o.	(19)	2 226	(4 631)
MLP Sp. z o.o. SKA (former MLP Tychy Sp. z o.o.)	(72)	633	(4 050)
MLP Moszna I Sp. z o.o.	-	-	(682)
MLP Poznań II Sp. z o.o.	-	-	(339)
	(91)	2 859	(9 702)

26.3. 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.

26.3.1. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

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

Credits - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2013	31 572	229 537	155 053	415 162
2012	85 119	210 643	121 555	417 317

The following table shows the maturity structure of derivative interest:

Derivatives - expected payments		up to 1 year	from 1 to 5 years	over 5 years	Total
2013	inflows	1 016	8 974	1 177	11 167
	outflows	(12 202)	(34 374)	(1 973)	(48 549)
		(11 186)	(25 400)	(796)	(37 382)
2012	inflows	610	8 270	2 810	11 690
	outflows	(12 281)	(41 195)	(5 904)	(59 380)
		(11 671)	(32 925)	(3 094)	(47 690)

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

Loans - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2013	63 155	-	1 619	64 774
2012	56 726	16 492	13 876	87 094

26.3.2. Currency risk

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

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

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

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

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

The currency structure of financial instruments as at 31 December 2012 (PLN thousand):

	PLN	EUR	USD	Other	Total
Financial assets					
Loans and receivables:					
Cash and cash equivalents	6 127	6 130	6 198	-	18 455
Loans and receivables, including:					
• Trade and other receivables	4 037	801	-	-	4 838
• Loans granted	16 206	-	-	6	16 212
	26 370	6 931	6 198	6	39 505

	PLN	EUR	USD	Other	Total
Financial liabilities					
Hedging financial instruments					
Liabilities concerning Swap transactions	-	47 690	-	-	47 690
Financial liabilities measured at amortized cost:					
Bank credits	-	380 373	402	-	380 775
Loans received	19 090	55 464	10 668	-	85 222
Trade and other liabilities	15 315	1 115	-	-	16 430
Lease liabilities	5 837	-	-	-	5 837
	40 242	484 642	11 070	-	535 954

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

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

	<i>as at 31 December</i>	2013	2012
Increase in the exchange rate EUR/PLN by 5%		(19 489)	(24 000)
Increase in the exchange rate USD/PLN by 5%		(179)	(244)

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

26.3.3. Interest rate risk

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

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

	<i>as at 31 December</i>	2013	2012
EURIBOR + 50 b.p.		(237)	(524)
US LIBOR + 50 b.p.		(18)	(53)
WIBOR + 50 b.p.		(166)	(201)

The above sensitivity analysis presents how much debt service interest costs 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>	2013	2012
EURIBOR + 50 b.p.		104	-
WIBOR + 50 b.p.		166	82

The above sensitivity analysis presents how much interest income 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 for cash and cash equivalents:

	<i>as at 31 December</i>	2013	2012
EURIBOR + 50 b.p.		35	31
WIBOR + 50 b.p.		359	31
US LIBOR + 50 b.p.		25	39

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

26.3.4. Credit risk

Credit risk is defined as risk of financial losses in a situation in which a party to a contract or a second party in a transaction does not fulfil their contractual obligations. Credit risk is associated mostly with receivables, loans granted and cash and cash equivalents.

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

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

	<i>as at 31 December</i>	2013	2012
The value of the deposit from tenants at balance sheet date:		1 682	807

27. Operating lease

Group signs operating lease agreements regarding rental of warehouse and office space. Agreements are signed for the periods from 3 to 10 years, generally for 5 years. Typical agreement provides following methods of payments: (a) rent for leased space denominated in EUR (occasionally in USD and PLN) depending on the type and standard of the rental area, (b) property management fees covering the running costs denominated in PLN as PLN per 1 m² of leasable area, (c) fees for participation in the real estate tax and (d) utility costs re-invoicing.

On 31 December 2013 the aggregated value of rental income (assuming a fixed exchange rate of EUR/PLN and USD/PLN and the lack of indexation) amounts to PLN 326,4 mln, out of which PLN 65,0 mln is receivable within one year, PLN 191,7 mln in the period from 2 to 5 years, and PLN 69,7 mln after 5 years.

On 31 December 2012 the aggregated value of rental income (assuming a fixed exchange rate of EUR/PLN and USD/PLN and the lack of indexation) amounts to PLN 300,2 mln, out of which PLN 63 mln is required within one year, PLN 187,3 mln in the period from 2 to 5 years, and PLN 49,9 mln after 5 years.

28. Contractual investment liabilities

	<i>as at 31 December</i>	2013	2012
Contractual investment liabilities		30 647	23 129

29. Contingent liabilities and pledges

On 31 December 2013 the Group had established the following securities on its assets:

29.1. Mortgages

Entity	Land register number	Details	Mortgage charge [in thousand]
MLP Pruszków I Sp. z o.o.	WA1P/00036973/9	Mortgage to secure claims of Raiffeisen Bank S.A.	4.950 EUR thousand
		Mortgage to secure claims of Raiffeisen Bank S.A.	1.500 EUR thousand
		Mortgage to secure credit repayment for Raiffeisen Bank S.A. - security of credit granted Raiffeisen Bank Polska S.A. on the basis of agreement dated 4 December 2007 to MLP Tychy	80.000 EUR thousand
MLP Pruszków III Sp. z o.o.	WA1P/00079808/5	Mortgage to secure credit no KNK/1212752 dated 6 July 2012 granted by Deutsche Bank PBC S.A.	10.350 EUR thousand
		Mortgage to secure claims of Deutsche Bank PBC S.A.	1.934 EUR thousand
MLP Moszna I Sp. z o.o.	WA1P/00101970/5	Mortgage to secure credit 2010/KI/0092 dated 10 August 2010 claims of DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK	3.600 EUR thousand
		Mortgage for DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK to secure interest repayment, commission, fees and other costs based on credit no 2010/KI/0092 dated 10 August 2010	1.800 EUR thousand
		Mortgage to secure credit repayment granted by BRE Bank S.A. under the agreement dated 24 April 2013	3.870 EUR thousand
MLP Pruszków IV Sp. z o.o.	WA1P/00111450/7	Mortgage to secure VAT credit repayment, interest, commissions and any other bank fees under the credit agreement concluded with BRE Bank S.A.	1.614 PLN thousand
		Mortgage to secure claims of BRE Bank S.A.	1.920 PLN thousand
MLP Sp. z o.o. SKA (former MLP Tychy Sp. z o.o.)	KA1T/00045321/3 KA1T/00012641/2 KA1T/00012640/5 KA1T/00012664/9 KA1T/00050891/7	Joint mortgage to secure credit granted under agreement no CRD/39165/13 dated 5 March 2013 by Raiffeisen Bank S.A.	74.720 EUR thousand
		Joint mortgage to secure claims under hedge agreement concluded with Raiffeisen Bank Polska S.A.	16.200 EUR thousand

Entity	Land register number	Details	Mortgage charge [in thousand]
MLP Poznań II Sp. z o.o.		Joint mortgage to secure credit granted by ING Bank Śląski S.A. under agreement no 11/0002 dated 08 August 2011 with amendments.	11.114 EUR thousand
	PO1D/00041540/8 PO1D/00050728/6 PO1D/00051882/0	Joint mortgage to secure claims for ING Bank Śląski S.A.	1.050 EUR thousand
		Joint mortgage to secure VAT credit and interest claims of ING Bank Śląski S.A.	3.750 PLN thousand
MLP Poznań I Sp. z o.o.*	PO1D/00050728/6	Mortgage for Powszechna Kasa Oszczędności Bank Polski S.A.	2.530 EUR thousand

* On 4 February 2014 the District Court in Środa Wielkopolska removed the mortgage set by the Subsidiary of the Issuer - MLP Poznań I Sp. z o.o. for Powszechna Kasa Oszczędności Bank Polski S.A. Cancelled mortgage was set to the amount of EUR 2.530.107 for the property covered by the mortgage register PO1D/00050728/6.

29.2. Financial and registered pledges on shares

Pledge type	Security	Value of the established security [in EUR thousand]
Securities established on the MLP Group's shares in the entity:		
Registered pledge on shares:		
MLP Pruszków I Sp. z o.o.	Raiffeisen Bank Polska S.A. receivables resulting from the credit CRD/25846/07 granted to MLP Pruszków I Sp. z o.o.	80.000 EUR thousand
MLP Moszna I Sp. z o.o.	Dz Bank AG Deutsche Zentral-Genossenschaftsbank Frankfurt am Main S.A. receivables resulting from the credit 2010/KI/0092 granted to MLP Moszna I Sp. z o.o.	7.200 EUR thousand
MLP Poznań II Sp. z o.o.	ING Bank Śląski S.A. receivables from the credit ING 11/0002 granted to MLP Poznań II Sp. z o.o.	14.047 EUR thousand
Registered and financial pledge on shares:		
MLP Sp. z o.o. SKA (former MLP Tychy Sp. z o.o.),	Raiffeisen Bank Polska S.A. receivables resulting from credit CRD/39165/13	74.720 EUR thousand
MLP Sp. z o.o.	Raiffeisen Bank Polska S.A. receivables resulting from credit CRD/39165/13	74.720 EUR thousand

Securities established on the MLP Sp. z o.o.'s shares in the entity:

Registered pledge on shares:

MLP Sp. z o.o. SKA (former MLP Tychy Sp. z o.o.),	Raiffeisen Bank Polska S.A. receivables resulting from credit CRD/39165/13 granted to MLP Sp. z o.o. SKA	74.720 EUR thousand
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Securities established on the MLP Property Sp. z o.o.'s shares in the entity:

Registered pledge on shares:

MLP Pruszków III Sp. z o.o.	Deutsche Bank PBC S.A. receivables resulting from credit no KNK/1212752 granted to MLP Pruszków III Sp. z o.o.	13.800 EUR thousand
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Registered and financial pledge on shares:

MLP Pruszków IV Sp. z o.o.	BRE Bank S.A. receivables resulting from credit no 17/001/13/D/IN granted to MLP Pruszków IV Sp. z o.o.	3.870 EUR thousand
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MLP Pruszków IV Sp. z o.o.	BRE Bank S.A. receivables resulting from credit no 17/001/13/D/IN granted to MLP Pruszków IV Sp. z o.o.	1.614 EUR thousand
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Securities established on the MLP Poznań Sp. z o.o.'s shares in the entity:

Registered and financial pledge on shares:

MLP Poznań II Sp. z o.o.	ING Bank Śląski S.A. receivables resulting from credit ING 11/0002 granted to MLP Poznań II Sp. z o.o.	14.047 EUR thousand
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Securities established on the MLP Pruszków II Sp. z o.o.'s shares in the entity:

Registered pledge on shares:

MLP Pruszków III Sp. z o.o.	Deutsche Bank PBC S.A. receivables resulting from credit no KNK/1212752 granted to MLP Pruszków III Sp. z o.o.	13.800 EUR thousand
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Registered and financial pledge on shares:

MLP Pruszków IV Sp. z o.o.	BRE Bank S.A. receivables resulting from credit no 17/001/13/D/IN granted to MLP Pruszków IV Sp. z o.o.	3.870 EUR thousand
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MLP Pruszków IV Sp. z o.o.	BRE Bank S.A. receivables resulting from credit no 17/001/13/D/IN granted to MLP Pruszków IV Sp. z o.o.	1.614 EUR thousand
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In addition, there are ongoing negotiations to establish the registered pledge on shares of MLP Group S.A. by the company Cajamarca Holland BV. The pledge is intended to secure receivables of Mercantile Discount Bank Ltd related to the loan granted to the company RRN Holdings and Investments Ltd.

29.3. Ordinary pledges on receivables

Ordinary pledge on cash receivables has established on 27 November 2013 by MLP Sp. z o.o. to secure refinancing credit no CRD/39165/13 granted by Raiffeisen Bank Polska S.A. to MLP Sp. z o.o. SKA up to the amount of EUR 74.720 thousand.

29.4. Bank guarantees

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

- On 24 April 2013 MLP Pruszków I Sp. z o.o. granted a bank guarantee in favor of Hapoalim Bank in the amount of USD 300.000, which expires on 10 May 2014,
- On 18 April 2013 MLP Pruszków I Sp. z o.o. granted a bank guarantee in favor of Mercantile Discount Bank in the amount of USD 1.000.000, which expires on 24 April 2014,
- On 3 September 2013 MLP Pruszków I Sp. z o.o. granted a bank guarantee in favor of Mercantile Discount Bank in the amount of USD 300.000, which expires on 15 September 2014,
- 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 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.

29.5. Guarantees

On 31 December 2013 the Group guaranteed:

- On 6 July 2012 MLP Group S.A. signed bill of exchange for its subsidiary MLP Pruszków III Sp. z o.o. in order to secure the liabilities increased by the amount of secondary liabilities, such as commissions, interest and other costs resulting from the credit agreement KNK/1212752 signed on 6 July 2012, granted to MLP Pruszków III Sp. z o.o. in the amount of 6,900,000 EUR.

29.6. Other securities

- **Security claims to BRE Bank S.A.:**
 - Assignment of the claims under the insurance policy,
 - Assignment of the lease agreements,
 - Power of attorney to all the accounts of the Borrower,
 - The agreement of loans subordination,
 - Statement of execution.

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

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

- **Security claims to ING Bank Śląski S.A.:**
 - Assignment of the claims under the insurance policy,
 - Deposit in the amount of EUR 85,000,
 - Assignment of the lease agreements,
 - Power of attorney to all the accounts of the Borrower.

30. Related party transactions

30.1. Trade and other receivables and payables

Related party transactions related to the trade and other receivables and payables as at 31 December 2013 are as follows:

	Trade and other receivables	Trade and other payables
Parent company		
The Israel Land Development Company Ltd., Tel Aviv	29	-
	<u>29</u>	<u>-</u>
Key management personnel		
ROMI CONSULTING Michael Shapiro	-	31
MARDOR, Dorota Jagodzińska-Sasson	-	14
RTK CONSULTING	-	30
	<u>-</u>	<u>75</u>
Total	29	75

30.2. Loans granted and received

Related party transactions related to the loans granted and received as at 31 December 2013 are as follows:

	Loans granted	Loans received
Parent company		
CAJAMARCA HOLLAND B.V., Delft	-	3 560
Other related parties		
Fenix Polska Sp. z o.o.	54 054	59 171
Key management personnel		
MARDOR, Dorota Jagodzińska-Sasson	6	-
	<u>54 060</u>	<u>62 731</u>
Total	54 060	62 731

30.3. Revenues and expenses

Related party transactions related to revenues and expenses for the year ended 31 December 2013 are as follows:

	Revenue from sales of services	Sales-other	Interest income
Parent company			
The Israel Land Development Company Ltd., Tel Aviv	-	105	-
	-	105	-
Other related parties			
Fenix Polska Sp. z o.o.	-	-	1 005
	-	-	1 005
Key management personnel			
MARDOR, Dorota Jagodzińska-Sasson	1	-	-
	1	-	-
Total	1	105	1 005

	Purchase of services	Interest expenses
Parent company		
CAJAMARCA HOLLAND B.V., Delft	-	(227)
	-	(227)
Other related parties		
Fenix Polska Sp. z o.o.	-	(1 352)
	-	(1 352)
Key management personnel		
ROMI CONSULTING Michael Shapiro	(379)	-
MARDOR, Dorota Jagodzińska-Sasson	(168)	-
RTK CONSULTING	(418)	-
	(965)	-
Total	(965)	(1 579)

Fenix Polska Sp. z o.o. is related to the Capital Group through Cajamarca Holland B.V., which as at 31 December 2013 owns 100% of the shares of Fenix Polska Sp. z o.o., and holds of 56,98% shares in the MLP Group S.A. Capital Group.

31. Significant litigation and disputes

31.1. Loss of control over the MLP Bucharest Sud S.R.L.

The Issuer is 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 call option of 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 to pass a judgment replacing the shares sale agreement and to oblige MLP Group S.A. to pay EUR 2,5 million as a 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 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 complaint was based on allegations regarding violation of public order and the Romanian procedural standards. It was rejected by Court on 12 June 2013. Court of Appeal in Bucharest stated these breaches did not take place. Court of Appeal in Bucharest decision is subject to appeal by the Supreme Court, which decision shall be final. On 16 August 2013 MLP Group S.A. appealed against the decision of Court of Appeal.

On 9 April 2013 at the request of one of the creditors - Alpha Bank AE, which claims debt from MLP Bucharest Sud SRL in the amount of EUR 15 509 014,38 - based on the Bankruptcy Court in Bucharest decision a MLP Bucharest Sud SRL insolvency proceeding was initiated. At the beginning, bankruptcy proceeding decision predicted to leave the company management to the Company's Management. On 28 May 2013 Court gave a decision to deprive existing authorities of MLP Bucharest Sud SRL management and give it to the judicial administrator, responsible for managing and representing the Company.

Due to the loss of control over MLP Bucharest Sud SRL, the Issuer deconsolidated the company's assets and its equity and liabilities. At the same time in the Issuer's consolidated financial statements the loans granted to the company were recognized, that previously were not disclosed due to the consolidation eliminations as well as recognized impairment in full amount.

On 8 October 2013 Court in Bucharest, VII Civil Section (Tribunal Bucuresti, Sectia a VII-a Civila), gave a ruling changing the ruling from 9 April 2013 regarding insolvency of Issuer subsidiary - MLP Bucharest Sud SRL with its seat in Bucharest open to compensation agreements into bankruptcy petition involving liquidation of MLP Bucharest Sud SRL assets. The change of the court decision resulted from failure to reach agreement by the company's creditors over the restructuring plan of MLP Bucharest Sud SRL.

The MLP Bucharest Sud SRL liquidator is Euro INSOL SPRL with its seat in Bucharest.

In 2013, the Group lost control over the activities of MLP Bucharest Sud SRL, in connection with the bankruptcy order and the appointment of judicial administrator. As a result, the Group ceased to consolidate the results of the company, which in the case of the consolidated balance sheet of the Group had an impact on both the reduction of the total assets and liabilities in the consolidated balance sheet of the Group, which was caused by the derecognition of both assets and liabilities related to the MLP Bucharest Sud SRL. The most significant items in the consolidated balance sheet in respect to the asset side which were decreased are: (i) the value of investment property in the amount of PLN 83.210 thousand, (ii) tangible fixed assets in the amount of PLN 3.836 thousand, (iii) deferred tax assets in the amount of PLN 1.997 thousand, and (iv) the current assets in the amount of PLN 1.731 thousand.

The liabilities in the consolidated balance sheet of the Group were decreased in connection with: (i) the currency transaction reserve of PLN 2.134 thousand, (ii) short-term liabilities from bank credits, loans and other debt instruments in the amount of PLN 97.265 thousand (loans and bank credit of MLP Bucharest Sud SRL provided by third parties) and (iii) other current liabilities in the amount of PLN 1.628 thousand. The Issuer also recognized loan in the amount of PLN 39.870 thousand, which was not previously recognized in the consolidated financial statements due to the consolidation elimination. Based on the MLP Bucharest Sud SRL bankruptcy proceedings, the Issuer has created an allowance for the entire value of loans along with accrued interest.

The differences between: (i) the total amount of derecognized liabilities and currency translation reserve in the amount of PLN 101.027 thousand and (ii) the total amount of derecognized assets in the amount of PLN 90.774 thousand and (iii) loans of PLN 39.870 thousand recognized by the Issuer amounted to PLN 50.123 thousand and was presented as other operating income (non-cash revenue). On the other hand, the Issuer recognized in the financial expenses an allowance for the loan granted to MLP Bucharest in the amount of PLN 39.870 thousand (non-cash expense; which in the consolidated financial statements of the Group for the period ended 31 December 2012 was subject to consolidation eliminations according to the accounting principles adopted by the Group). Cessation of consolidation of MLP Bucharest Sud SLR resulted in an increase of the Group's 2013 results, by the amount of PLN 10.253 thousand (the difference between other operating revenues in the amount of PLN 50.123 thousand and financial costs of PLN 39.870 thousand).

31.2. The proceeding concerning CreditForce Holding BV

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

The above mentioned amount includes receivables from investment expenditures incurred the lessor related to construction works that increase technical standard of the leased asset.

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

Currently, the proceeding regarding the filed complaint by CreditForce Holding BV to revoke the proceedings after final court judgment is pending action before the court of I instance.

31.3. The proceeding concerning OLPIZ Sp. z o.o.

On 16 January 2014 the Issuer's subsidiary MLP Sp. o.o. SKA (formerly MLP Tychy Sp.) received a formal notice to pay the amount of PLN 5 279 thousand for improper storage and custody over property seized by the court executive officer in the course of enforcement actions and loss of profits of OLPIZ Sp. z o.o. The Management of the Group does not agree with this claim.

32. Significant events during the financial year and subsequent events

32.1. Significant events during the financial year 2013

The most important factor influencing the Group's future financial results is MLP Group S.A. debut on Warsaw Stock Exchange on 28 October 2013 and gaining due to IPO of C series shares, cash in the amount of c.a. PLN 72.453 thousand gross.

MLP Group S.A. Prospectus approved by Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) on 7 October 2013 and was published on 8 October 2013.

In the IPO investors were offered 3.773.595 MLP Group S.A. shares, therein: 3.018.876 newly issued C series shares offered by the Company and 754.719 existing A series shares offered by the Seller. Individual investors could submit for 377.360 shares (10% of all offered shares), while institutional investors could submit for 3.396.235 shares (90%). All shares were being sold for PLN 24. Value of IPO amounted to PLN 90.566 thousand gross.

On 29 October 2013 the District Court for the Capital City of Warsaw, XIV Commercial Department of Court Register issued a decision to register share capital increase through 3.018.876 C series shares issuance. Accordingly, Group's share capital amounted to PLN 4.529 thousand and is divided into 18.113.255 shares entitling to 18.113.255 votes on General Meeting.

On 18 November 2013 3.018.876 company shares were registered with the ISIN code "PLMLPGR00017", in accordance with the resolution no. 833/13 of the Management Board of the National Depository for Securities.

32.2. Subsequent events

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.

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

During the meeting of the Supervisory Board dated 15 January 2014 the Audit Committee was constituted with the following members appointed:

- Shimshon Marfogel,
- Eytan Levy
- Maciej Matusiak.

Following the balance sheet date, until the date of preparation of this separate financial statement, no other events occurred which were not but should have been included both in the accounting books of the reporting period and the consolidated financial statements of the Group.

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

<i>for the year ended 31 December 2013</i>	2013	2012
Michael Shapiro	404	401
Radosław T. Krochta	472	358
Dorota Jagodzińska-Sasson	366	282
	1 242	1 041

The above remuneration includes the costs of services provided to the Group companies by ROMI CONSULTING, RTK CONSULTING and MARDOR.

ROMI CONSULTING seated in Warsaw, presented in the note 30, is a business activity of Mr. Michael Shapiro.

MARDOR seated in Warsaw, presented in the note 30, is a business activity of Mrs. Dorota Jagodzińska-Sasso

RTK CONSULTING seated in Kalisz, presented in the note 30, is a business activity of Mr. Radosław Krochta.

Except for the transactions presented in note 30 and above, the Members of the Management Board and the Supervisory Board did not receive any other benefits from any of the entities of the Group.

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

34. Employment structure

	<i>as at 31 December</i>	2013	2012
Average employment in the period	23		22

35. Information about the entity entitled to audit of the financial statements

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

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

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

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

In the period ended 31 December 2013 there were no events related to the issuance, redemption or repayment of debt and equity securities.

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

The Management Board of MLP Group S.A. has not published any financial forecasts for 2013.

38. A brief description of achievements and failures in the period ended 31 December 2013

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

39. Seasonality and cyclicity

Group activities are not subject to seasonality or cyclicity.

Michael Shapiro
President of the Management Board

Dorota Magdalena Jagodzińska-Sasson
Member of the Management Board

Radosław T. Krochta
Vice-President of the Management Board

millennium logistic parks

MLP GROUP



MLP Group S.A. Capital Group

**MANAGEMENT BOARD'S REPORT ON ACTIVITIES
MLP GROUP S.A. CAPITAL GROUP
FOR THE YEAR 2013**

Pruszków, 12 March 2014

Management Board's report on the activities of MLP Group S.A. Capital Group for 2013 was prepared in accordance with Par. 91 of the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by law of non-Member States (Official Journal No. 33 item 259).

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MLP GROUP S.A. MANAGEMENT BOARD APPROVAL OF REPORT ON THE MLP GROUP S.A. CAPITAL GROUP ACTIVITIES FOR THE YEAR 2013

The Management Report of the MLP Group S.A. Capital Group activities for 2013 has been prepared and approved by the Management Board on 12 March 2014.

Michael Shapiro
President of the Management Board

Dorota Magdalena Jagodzińska-Sasson
Member of the Management Board

Radosław T. Krochta
Vice-President of the Management Board

Pruszków, 12 March 2014

INTRODUCTION

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

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

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

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

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

1. BASIC INFORMATION ON MLP GROUP S.A. CAPITAL GROUP AND MLP GROUP S.A.

1.1. Group structure

As at 31 December 2013, MLP Group S.A. Group consisted of following subsidiaries:

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 rights
MLP Pruszków I Sp. z o.o.	Poland	100%	100%
MLP Pruszków II Sp. z o.o.	Poland	100%	100%
MLP Poznań Sp. z o.o.	Poland	100%	100%
MLP Spółka z o.o. S.K.A. (previously: MLP Tychy Sp. z o.o.)	Poland	100%	100%
MLP Energy Sp. z o.o.	Poland	100%	100%
MLP Moszna I Sp. z o.o.	Poland	100%	100%
MLP Bucharest Sud S.R.L.*	Romania	50%	-
MLP Poznań II Sp. z o.o.	Poland	100%	100%
MLP Property Sp. z o.o.	Poland	100%	100%
MLP Bieruń Sp. z o.o.	Poland	100%	100%
MLP Sp. z o.o.	Poland	100%	100%
MLP Pruszków IV Sp. z o.o.	Poland	100%	100%
MLP Pruszków III Sp. z o.o.	Poland	100%	100%
MLP Poznań I Sp. z o.o.	Poland	100%	100%

*Group ceased to consolidate MLP Bucharest Sud S.R.L. in the second quarter of 2013.

Changes in the Group:

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

On 8 October 2013, the Court in Bucharest issued a decision declaring bankruptcy, which initiated the liquidation of MLP Bucharest Sud S.R.L. assets.

As at 31 December 2013, MLP Group S.A. entered into an agreement for the sale of the shares of a subsidiary company Sanborn Holdings Limited, and thus ceased to consolidate the company.

1.2. Scope of activities of the Company and the Group

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

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

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

MLP Group is currently operating four logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Tychy, MLP Poznań and an industrial park under development - MLP Bieruń. The total size of surplus land in Poland is 74,1 hectares.

1.3. Information about the real estate portfolio

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

The Group classifies its investment portfolio under two categories:

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

The following table shows the structure of the investment portfolio by category of the Group's parks at 31 December 2013:

Industrial parks in Poland	Location	Target area (sq.m)	Developed space (sq.m)	Space under construction (sq.m)	Surplus land (sq.m)
MLP Pruszków I	Pruszków	167 033	165 034	-	-
MLP Pruszków II	Brwinów	302 000	46 165	12 822	544 387
MLP Poznań	Poznań	103 000	11 246	8 320	143 954
MLP Tychy	Tychy	92 588	90 371	-	-
MLP Bieruń	Bieruń	55 000	-	28 685	52 684

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

Summary of leasable area owned by the Group in Poland as at 31 December 2013 (sq.m):

Total developed space upon completion (sq.m)	Developed space (sq.m)	Space under construction (sq.m)	Space built and leased (sq.m)	Space under development leased on the basis of signed agreements (sq.m)	Space under development not yet leased (sq.m)
719 621	312 816	49 827	303 748	41 005	9 068

Types of rental space offered:

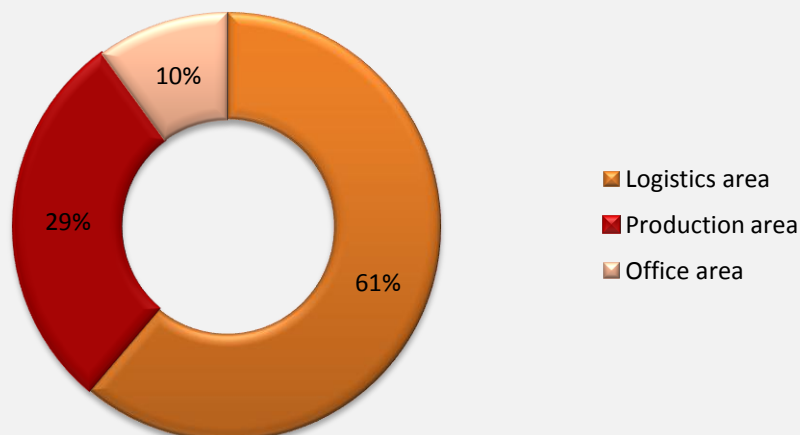
The Company offers its tenants two types of space:

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

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

The completed area of the Group's parks at 31 December 2013 is:

Breakdown of the Group's constructed surface based on its type as at 31 December 2013



The fair value of the Group's property portfolio as at 31 December 2013:

Industrial Park	Fair Value in EUR thousand	Fair Value in PLN thousand
MLP Pruszków I	81 480	337 914
MLP Pruszków II	54 798	227 258
MLP Poznań	16 816	69 739
MLP Tychy	60 662	251 577
MLP Bieruń	9 390	38 942
Total	223 146	925 430

The fair value of the investment property portfolio presented in the consolidated financial statements at 31 December 2013 is comprised of: (i) investment property of PLN 925.430 thousand, (ii) perpetual usufruct of land of PLN 5.278 thousand.

1.4. Information about the market, customers and suppliers

In 2013, the Group operated mainly in Poland. The Group has four operating industrial parks located in Poland (MLP Pruszków I, MLP Pruszków II, MLP Tychy and MLP Poznań) and a logistic park under development - MLP Bieruń.

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

1.4.1. The structure of the Group's sales

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

Revenue from sale	period: 01.01. - 31.12.2013 in PLN thousand	period: 01.01. - 31.12.2012 in PLN thousand	change 2013/2012
External costumers sales			
Property rental	62 911	60 533	4%
Re-invoicing of operating costs	15 609	13 847	13%
Re-invoicing of utilities	12 120	10 665	14%
Other	1 442	1 010	43%
Total	92 082	86 055	7%

The structure of the Group's tenants is diversified, and therefore the Group is not exposed to significant risk arising from contracts signed with a single tenant or group of tenants. As at 31 December 2013, the average space for one tenant was 4,3 thousand sq.m.

As at 31 December 2013, about 42% of the total leased space was occupied by the 10 largest tenants.

1.4.2 The largest counterparties

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

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

In case of construction, general contractors are chosen through the process of internally organized tender procedures. In 2013 the Group cooperated with two construction companies, with purchase turnover exceeding 10% of the Group's revenue that were acting as general constructors with.

- Bln - Biuro Inżynierskie Sp. z o.o.
JOKA Sp. z o.o.

In case of the purchase of other services, due to a broad base of suppliers, the Group is not dependent on a single supplier. In 2013 there were no purchases from a single supplier exceeding 10% of the Groups revenues.

2. MLP GROUP S.A. CAPITAL GROUP ACTIVITIES

2.1. Activities of the MLP S.A. in 2013

In 2013, the Group continued the activity of the development and leasing of warehouse and office space. The development was carried out primarily through general contractors.

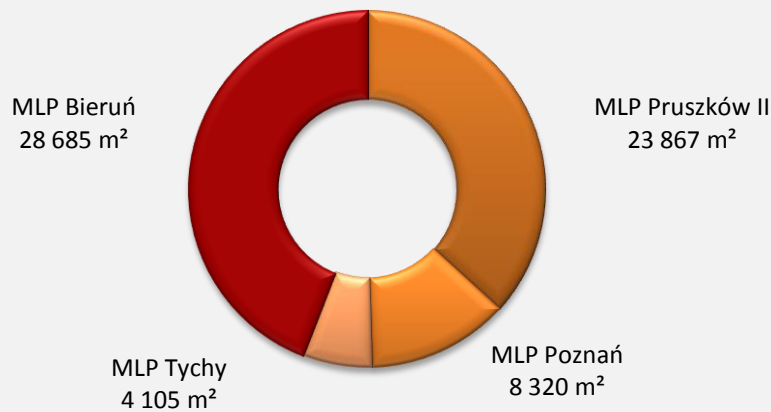
During the period, the Group simultaneously had several development projects and rented more than 303 thousand sq.m of warehouse and office space. The Company's Management Board reviews and evaluates:

- on a current basis progress of the development work,
- earned and expected revenue from sales,
- the best possible use of existing land resources of the Group and adoption of sales offers to meet the expectations and anticipations of market demand,
- possibilities building up a land bank for future projects,
- optimization of financing of the Group's investments.

2.1.1. Development projects started and completed

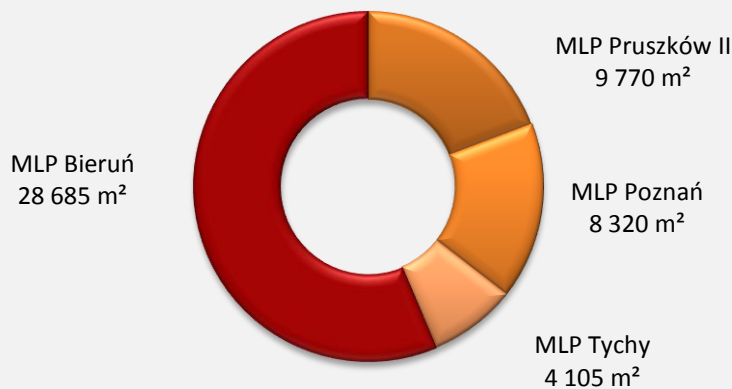
In 2013, the Group was developing investment projects with a total area of 64.977 sq.m.

Area of investment projects carried out in 2013



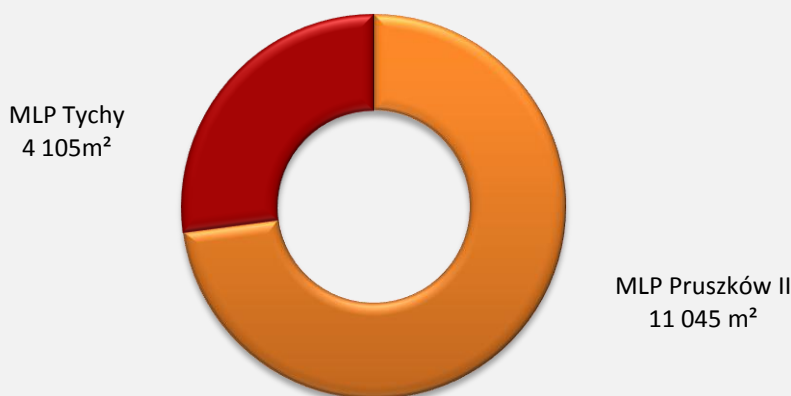
14.097 sq.m of investment projects out of the total area of projects that were realized in 2013, were started before 2013. Additionally, the Group commenced the development of warehouse and office space with a total area of 50.880 sq.m. The chart below presents the surface area of investment projects launched in various parks of the Groups:

Area of investment projects launched in 2013



Among the projects being developed in 2013, with a total area of 64.977 sq.m, the Group has completed development projects with an area of 15.150 sq.m.

Area of investment projects of which the implementation was completed in 2013



2.1.2 Development projects currently underway and in preparation

Currently the Group is developing an investment project in MLP Bieruń industrial park with an area of 28.685 sq.m. In 2014, the Group completed the development of other projects under development in 2013, i.e.: MLP Poznań industrial park - investment project with an area of 8.320 sq.m; MLP Pruszków II industrial park - investment project with a total area of 12.822 sq.m.

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

Currently, the Group has not entered into any binding commitments for the realization of new investment projects. Future investments will be financed from, among other sources, proceeds from the issuance of shares.

2.1.3 Significant agreements for the Group's activities

Significant suppliers with whom the Group entered into agreements in 2013 with a total value exceeding 10% of Group's equity.

In the financial year 2013, the Group has not entered into any trade agreement with a single supplier whose total value exceeded 10% of the Group's equity.

In 2013, the Group entered into a credit agreement with Raiffeisen Bank Polska S.A., the value of which exceeds 10% of the Group's equity. Details of the credit agreement are described in section 3.4.2.

2.1.4 Agreements between shareholders

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

Additionally, MLP Group S.A. Capital Group has no information regarding possible agreements (including those concluded after the balance sheet date), which may result in future changes in the proportion of shares held by existing shareholders.

2.1.5 Cooperation and collaboration agreements

In 2013, MLP Group S.A. Capital Group has not entered into any significant agreements concerning collaboration or cooperation with other entities.

2.1.6 Transactions with related parties

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

All transactions with related parties are presented in Note 30 of the Consolidated Financial Statements for the year ended 31 December 2013.

2.1.7 Litigation

Ongoing proceedings in court, arbitration proceedings

As at 31 December 2013 there were no proceedings in court, arbitration proceedings or public administration related to liabilities or receivables of the Company or its subsidiaries, which would exceed 10% of the Group's equity.

As at 31 December 2013 there were not 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 Group's equity.

As at 31 December 2013, the Group was a party to proceedings relating to liabilities and receivables of approximately PLN 5.708 thousand, including the total value of proceedings relating to liabilities of approximately PLN 3.172 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 located in Limassol). The total value of proceedings concerning receivables is approximately PLN 2.536 thousand.

Proceedings involving the Group have no material impact on the Group.

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

2.2.1 Key risk factors relevant to the development of the Group

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

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

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

Credit risk

Credit risk is 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, and uses the "cash pool" systems within the Group.

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 Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. The activities of the Company in this respect include applying hedge accounting to minimize volatility in the profit or loss for the current period.

a) Foreign exchange risk

The consolidated financial statements of the Group are prepared in PLN, which is the functional currency of the Group. The majority of the Group's revenue from rent is denominated in EUR and USD. A portion of the Group's costs, such as certain construction costs, labor costs and wages are denominated in PLN.

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

b) Interest rate risk

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

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

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

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

Risk associated with factors specific to the real estate sector:

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

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

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

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

Insurance risk:

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

Risk associated with the development activities of the Group

The development of the Group's business is related to the risks arising from the nature of the process of construction of warehouses and manufacturing centers. During the construction of warehouses and manufacturing centers there may occur, independent from the developer, delays or technical problems resulting in a failure to meet deadlines and to obtain appropriate permits required by law or administrative approvals, which may have an adverse effect on the business and the financial position and performance of the Group.

Risk associated with the nature of the property development activities of the Group:

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

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

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

Investment projects of the Group may be carried out only if the land on which they are carried out is provided with appropriate technical infrastructure as required by law, (e.g. access to internal roads, the possibility of connections to the media or certain procedures for fire protection and adequate facilities to ensure this protection). The relevant authorities may require the Group to create additional infrastructure required by law in the exercise of its construction work, before making appropriate administrative decisions. Such additional work can significantly affect the cost of construction. In addition, the implementation of some projects may become uneconomic or impracticable for reasons that are beyond the Group's control, such as the slowdown in the real estate market. The Group may not be able to complete these projects on time, within budget or at all, due to any of the above or other factors, which may increase the costs, delay the implementation of the project or cause the company to abandon the project.

Risks relating to general contractors

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

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

The Group's dependency on general contractors also exposes the Group to all risks associated with poor quality of work of such general contractors, their subcontractors and employees and of design flaws. In particular, the

Group may incur losses due to the need to engage other contractors to correct defective work done or because of the need to pay compensation to people who have suffered losses as a result of defective work carried out. In addition, there is a risk that such losses or expenses will not be covered by insurers of the Group, by the contractor or by the appropriate subcontractor.

Risk associated with obtaining administrative decisions:

As part of its activities and in the course of management of its assets, the Group is obligated to obtain multiple licenses, approvals or other decisions of public administration bodies, in particular for the execution construction and use of its property. The Group cannot 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 fulfillment of certain additional terms and conditions (including, for example ensuring adequate infrastructure) or impose on the Group in such decisions additional conditions and obligations, which may involve additional costs and the extension of the procedures.

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

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

2.2.2 Business prospects

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

Currently Poland is constructing close to 707 thousand sq.m of modern warehouse space, of which 91% has already been leased. We expect that this will be reflected by a gradual decrease in vacancy rates in selected regions. In 2014, BTS contracts will still be popular, especially among tenants in the manufacturing industry. A gradual return of speculative investments in the regions, which are characterized by low levels of available warehouse space (Wroclaw, Poznan, some locations in Upper Silesia). The year 2014 will also bring development in the Small Business Units (SBU) market offering tenants smaller areas (from 600 sq.m). The observed variation will increase rental rates depending on the attractiveness of warehouse space.

3. CAPITAL GROUP'S FINANCIAL POSITION, FINANCIAL RESOURCES MANAGEMENT

3.1. Key economic and financial data disclosed in the annual consolidated financial statements of the Group for the year 2013

3.1.1 Selected financial data from the consolidated statement of financial position

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

<i>As at</i>	31 December 2013	Share %	31December 2012	Share %	Change % 2013/2012
Assets	1 095 395	100%	989 177	100%	11%
Non-current assets	943 817	86%	959 802	97%	-2%
Investment property	930 708	85%	936 452	95%	-1%
Other long-term investments	5 966	1%	16 206	2%	-63%
Current Assets	151 578	14%	29 375	3%	416%
Short-term investments	52 870	5%	6	0%	881067%
Trade receivables	13 145	1%	10 692	1%	23%
Cash and cash equivalents	83 787	8%	18 455	2%	354%

<i>As at</i>	31 December 2013	Share %	31December 2012	Share %	Change % 2013/2012
Liabilities	1 095 395	100%	989 177	100%	11%
Equity	508 867	47%	374 236	38%	36%
Long-term liabilities	475 678	43%	454 455	46%	5%
Credits, loans, perpetual usufruct and other debt instruments	392 645	36%	379 661	38%	3%
Short-term liabilities	110 850	10%	160 486	16%	-31%
Credits, loans, perpetual usufruct and other debt instruments	81 740	7%	143 416	14%	-43%

As at 31 December 2013, investment property including industrial parks belonging to the Group, were a key asset of the Group constituting 85 % of total assets. The observed decrease in relation to the share at the end of 2012 (95%) resulted from derecognition of MLP Bucharest industrial park. As for liabilities, the largest items were liabilities from bank credits, loans received, perpetual usufruct and other debt instruments and equity. At the end of 2013, liabilities consisted of: Long-term credits, loans and other debt instrument liabilities which amounted to 36% and short-term credits, loans and other debt instrument liabilities which amounted to 7%. Decrease in credits, loans and other debt instrument liabilities (43% in comparison to prior year) resulted from the derecognition of liabilities of MLP Bucharest Sud SRL.

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

Investment property

<i>As at</i>	31 December 2013 in EUR thousand	31 December 2013 in PLN thousand	31 December 2012 in EUR thousand	31 December 2012 in PLN thousand	Change in PLN thousand 2013/2012
MLP Pruszków I	81 480	337 914	80 630	329 632	8 282
MLP Pruszków II	54 798	227 258	50 624	206 961	20 297
MLP Poznań	16 816	69 739	14 633	59 823	9 916
MLP Tychy	60 662	251 577	57 671	235 771	15 806
MLP Bieruń	9 390	38 942	3 102	12 682	26 260
MLP Bucharest	-	-	19 919	81 433	-81 433
Value of inventory property according to valuations	223 146	925 430	226 579	926 302	-872

According to valuations as at 31 December 2013, the total value of the investment property portfolio of the Group is EUR 223.146 thousand (PLN 925.430 thousand) and decreased by EUR 3.433 thousand in comparison to the value of the property according to the valuation as at 31 December 2012. The change in the value of property resulted from: (i) the reduction of the Group's portfolio due to discontinuation of consolidation of MLP Bucharest Sud investment property (EUR 19.919 thousand as at 31 December 2012) and (ii) increase in the value of the Group's portfolio due to a higher valuation of the Group's properties in Poland - increased by EUR 16.486 thousand.

The value of investment properties in Poland and Romania, according to valuation reports



Other Investments

As at	31 December 2013	31 December 2012
Other long-term financial assets	4 749	-
Long-term loans	1 217	16 206
Short-term loans	52 870	-
Total other investments	58 836	16 206

As at 31 December 2013, the amount of outstanding loans granted increased by PLN 37.881 thousand in comparison to the end of 2012. This increase results from new loans granted, with a value at the balance sheet date of PLN 37.284 thousand. The beneficiary of these loans was a related company, Fenix Poland Sp. z o.o.

Cash

As at	31 December 2013	31 December 2012
Cash in hand	50	48
Cash in bank	1 540	2 945
Short-term deposits	82 197	15 462
<i>Cash and cash equivalents, presented in the consolidated statement of financial position</i>	83 787	18 455
Deposits with maturity over 3 months	-	(6 198)
<i>Cash and cash equivalents, presented in the consolidated statement of cash flows</i>	83 787	12 257
Restricted cash	(7 225)	(5 575)

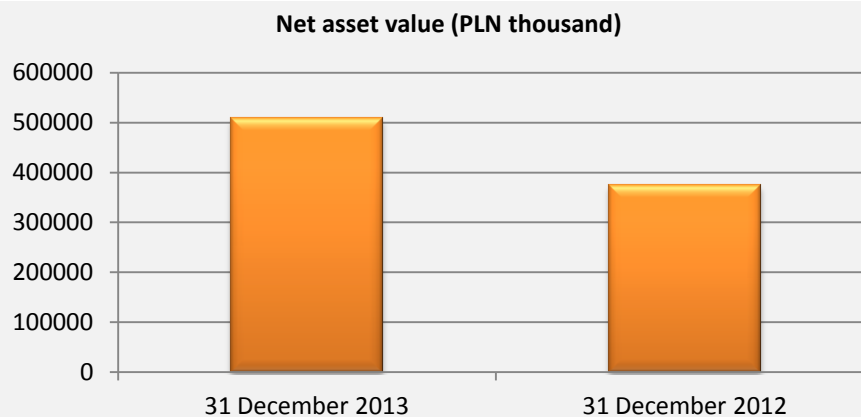
Cash and cash equivalents in the annual consolidated statement of financial position includes cash in hand and bank deposits with a maturity of up to 12 months from the end of the reporting period.

The cash balance as at 31 December 2013 amounted to PLN 83.787 thousand and increased from the level of PLN 18.455 thousand in the previous period. The increase in cash results mainly from the net cash flow from the issuance of MLP Group S.A. C series shares of PLN 70.120 thousand.

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

Equity

(i) Net asset value (NAV)



At the end of 2013, the net asset value was PLN 508.867 thousand and increased by PLN 134.631 thousand. The increase was affected by: (i) the net profit earned in 2013, (ii) the issuance of C series shares.

(ii) Share capital

As at	31 December 2013	31 December 2012
Series A shares	11 440 000	11 440 000
Series B shares	3 654 379	3 654 379
Series C shares	3 018 876	-
Total	18 113 255	15 094 379
Par value of 1 share	0,25 zł	0,25 zł

As at 31 December 2013, share capital of the MLP Group S.A. Capital Group amounted to PLN 4,528,313,75 and were divided into 18,113,255 shares entitling to 18,113,225 votes at the General Meeting. The par value of all shares is PLN 0,25 and has been fully paid.

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

Credits, loans, other debt instruments and other liabilities

<i>As at</i>	31 December 2013	31 December 2012
Credits secured on the Group's assets	344 495	299 592
Loan liabilities	1 210	22 989
Total long-term credits, loans and other debt instruments	345 705	322 581
Finance lease liabilities	5 278	5 837
Liabilities concerning SWAP transactions	37 382	47 690
Tenant's deposits and other	4 280	3 553
Total other long-term liabilities	46 940	57 080
Short-term credits and short term part of credits secured on Group's assets	20 218	80 781
Line of credit - MLP Pruszków I Hapoalim Bank	-	402
Loan liabilities	61 522	62 233
Total short-term liabilities	81 740	143 416
<i>Credits, loans, other debt instruments and other liabilities</i>	474 385	523 077

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

In 2013, in connection with the cessation of consolidation of MLP Bucharest Sud, short-term credits and the short-term part of credit secured on the Group's assets decreased (PLN 80.781 thousand as at the end of 2012 to PLN 20.218 thousand as at the end of 2013). Despite the cessation of consolidation of MLP Bucharest as at 31 December 2013 the value of short-term credits did not change significantly in comparison to the prior year as a result of new loans received of PLN 36.289 thousand. The lender of the new loans is a related company Fenix Poland Sp. z o.o.

3.1.2 Selected financial data from the consolidated profit and loss account

Consolidated profit and loss of the MLP Group S.A. for the year ended 31 December 2013 compared to the year 2012:

As at	01.01.2013 - 31.12.2013	% Sales	01.01.2012 - 31.12.2012	% Sales	Change % 2013/2012
Revenue from rental of investment property	92 082	100%	86 055	100%	7%
Other operating income, including:	51 124	56%	2 095	2%	2340%
- Deconsolidation of MLP Bucharest Sud SRL (one-off revenue)	50 123	54%	-	0%	-
Selling and administrative expenses	(36 945)	40%	(33 332)	39%	11%
Other operating costs	(1 562)	2%	(901)	1%	73%
Operating profit before investment property revaluation and recognition of the IPO costs	104 699	114%	53 917	63%	94%
Profit on revaluation of investment	16 526	18%	19 017	22%	(13%)
IPO costs (one-off cost)	(2 947)	(3%)	-	-	-
Operating profit	118 278	128%	72 934	85%	62%
Net financial loss	(60 305)	65%	(685)	1%	8704%
Profit before taxation	57 973	63%	72 249	84%	(20%)
Corporate income tax	(1 365)	1%	(15 292)	18%	(91%)
Profit from continuing operations	56 608	61%	56 957	66%	(1%)

For the period	01.01.2013 -31.12.2013	01.01.2012 -31.12.2012
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Profit per share

- Basic (in PLN) profit for the year attributable to ordinary shareholders of the Parent Company	3,63	3,77
- Diluted (in PLN) profit for the year attributable to ordinary shareholders of the Parent Company	3,63	3,77

The main source of revenue of the Group's core activities includes rental revenues. In 2013, rental revenues of MLP Group increased steadily and amounted to PLN 92.082 thousand and increased by PLN 6.027 thousand compared to the same period of the previous year (PLN 86.055 thousand). The increase in rental revenue resulted primarily from the expansion of existing warehouse and production space in parks operated by the Group. In 2013, the average size of the leased space was 290.094 sq.m, i.e. a 4% increase compared to 2012.

In 2013, the Group recognized significant other income, i.e. PLN 51.124 thousand. A significant increase in other operating income in 2013 compared to the previous period was associated with the accounting for the cessation of consolidation of MLP Bucharest Sud SRL - the amount of other income was PLN 50 123 thousand.

Selling and administrative expenses in 2013 amounted to PLN 36.945 thousand and increased by PLN 3.613 thousand compared to the year 2012. The reported increase in costs resulted primarily from an increase of warehouses and office space built in parks of the Group (an increase of 2% in the 12 months of 2013 compared to the same period of 2012).

Due to the nature of the Group's operations, the largest position of selling and administrative expenses were costs of materials and energy consumption, external services and tax charges, which amounted to PLN 10.299 thousand, PLN 12.749 thousand, and PLN 10.450 thousand respectively in 2013 - these costs were closely correlated to the volume of space in warehouses and manufacturing parks owned by the Group and their development and maintenance costs. The Group re-invoices all utilities and maintenance costs to its tenants related to the leased area.

In 2013, the Group recorded a gain on revaluation of investment properties held, which resulted from an increase in the valuation of investment properties at the balance sheet date.

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

In 2013, there was a significant increase in the Group's net financial expenses (amounting to PLN 60 305 thousand) as compared to the previous year (PLN 685 thousand). The increase was due to recognition of foreign exchange losses related to the increase in the EUR exchange rate, as well as resulting from write-downs of loans granted to MLP Bucharest Sud SRL of PLN 39 870 thousand, which is associated with the bankruptcy of MLP Bucharest Sud SRL and cessation of its consolidation.

3.1.3 Selected information from the consolidated statement of cash flows

<i>For the period</i>	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Cash flows from operating activities	52 708	51 861
Net cash flows from investing activities	(38 043)	(56 134)
Net cash flows from financing activities	56 921	(11 074)
Total net cash flow	71 586	(15 347)
Cash at the beginning of period	12 257	27 618
Forex differences	(56)	(14)
Cash and cash equivalents at end of the period	83 787	12 257
- Including restricted cash	(7 225)	(5 575)

In 2013, the Group had positive cash flows from operating activities of PLN 52.708 thousand. Compared to 2012, there was an increase of PLN 847 thousand.

Negative cash flows from investing activities are associated with the Group's investment program. The most significant items are investments connected with the development of industrial parks.

Positive cash flows from financing activities in 2013 relate to obtaining of the net proceeds from the issuance of series C shares of PLN 70.120 thousand. In addition, in 2013 the Group recognized cash inflows from credits and loans received of PLN 62.867 thousand. Compared to 2012, there was an increase in bank credits and loans received of PLN 31.060 thousand.

Cash inflows from credits and loans received is the largest source of financing of investment activities of the Group in 2013. During this period, the Group received four credits with a total value of EUR 62.867 thousand. Funds from the credit granted by PKO BP S.A. of EUR 5.537 thousand, were used to refinance the expenditures on the development of the MLP Poznan warehouse and office space with a total area of 4 364 sq.m. Funds from the credit granted by BRE Bank S.A. of PLN 11.726 thousand were used to finance and refinance the expenditures for the development of an area of 7 873 sq.m. Cash obtained by MLP Tychy (currently MLP Spółka z ograniczoną odpowiedzialnością SKA) from a credit granted by Raiffeisen Bank Polska S.A. was used for (i) the payment of dividends to the Issuer and MLP Sp. z o.o. and (ii) the refinancing and financing of capital expenditures relating to the business development of the logistics park. A credit from ING Bank of EUR 2.185 thousand was allocated to (i) the repayment of a loan received in order to repay the bank credit at PKO BP S.A. of EUR 5.470 thousand and (ii) to finance investment in MLP Poznan.

3.2 Forecasts

Both the MLP Group S.A. Capital Group and MLP Group S.A. did not publish forecast of the consolidated financial results for 2013.

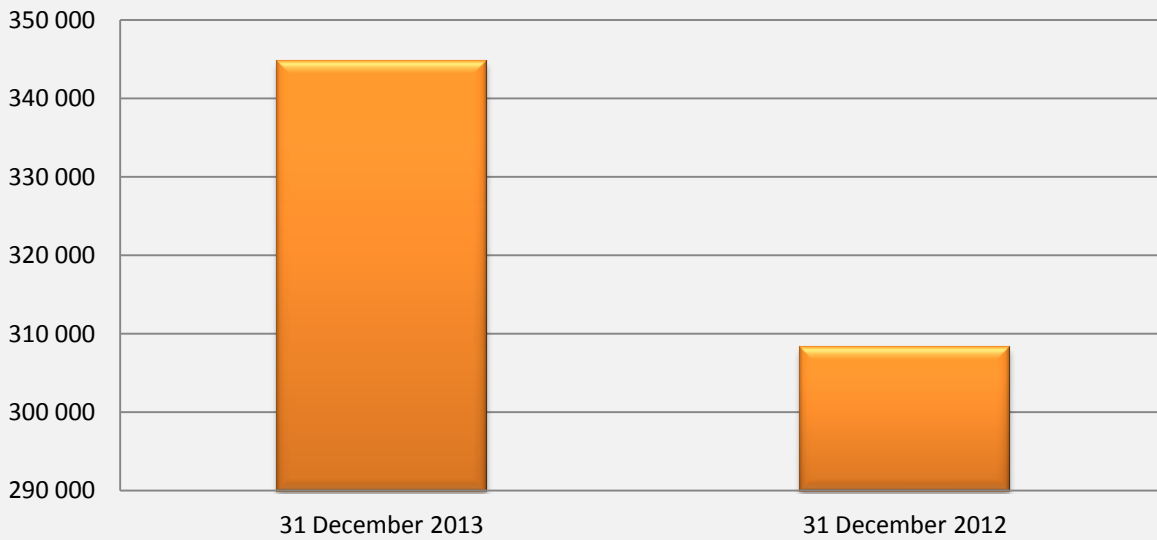
3.3 Group's financial management

Management of financial resources of the MLP Group S.A. Capital Group in 2013, in connection with the ongoing investment projects for the development of warehouse and office space, focused primarily on acquiring and structuring appropriate financing sources, as well as maintaining safe liquidity ratios. The Management Board conducts regular analysis of the existing and future optimal financing structure in order to achieve the ratios and financial results while ensuring the liquidity of the Group and the wider financial security.

According to the Management Board, the Group's financial position and its performance as at the end of 2013 proves a stable situation of the Group. This is achieved by the established position in the warehousing market of the Group, the accumulation of experience and operational capacity both in terms of implementation of investment projects as well as in the process of renting the facilities. The financial position and the performance of the Group is described by liquidity and debt ratios further in the report.

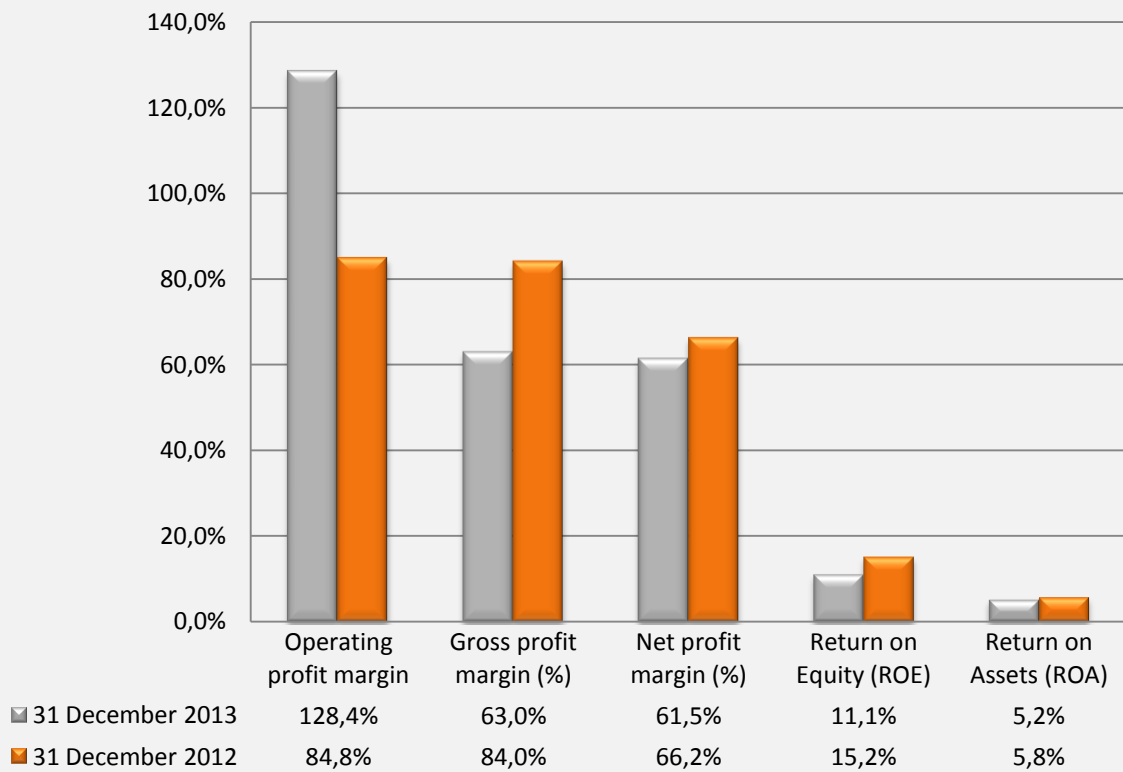
Taking into account the situation in the real estate market in Poland in recent years, the financial results achieved by the Group in 2013 are to be considered positive. As at 31 December 2013, the Group leased a total area of 344.753 sq.m, in comparison to 308.272 sq.m at 31 December 2012.

The leased space by signed contracts as at the balance sheet (sq.m)



3.3.1 Profitability ratios

Profitability ratios



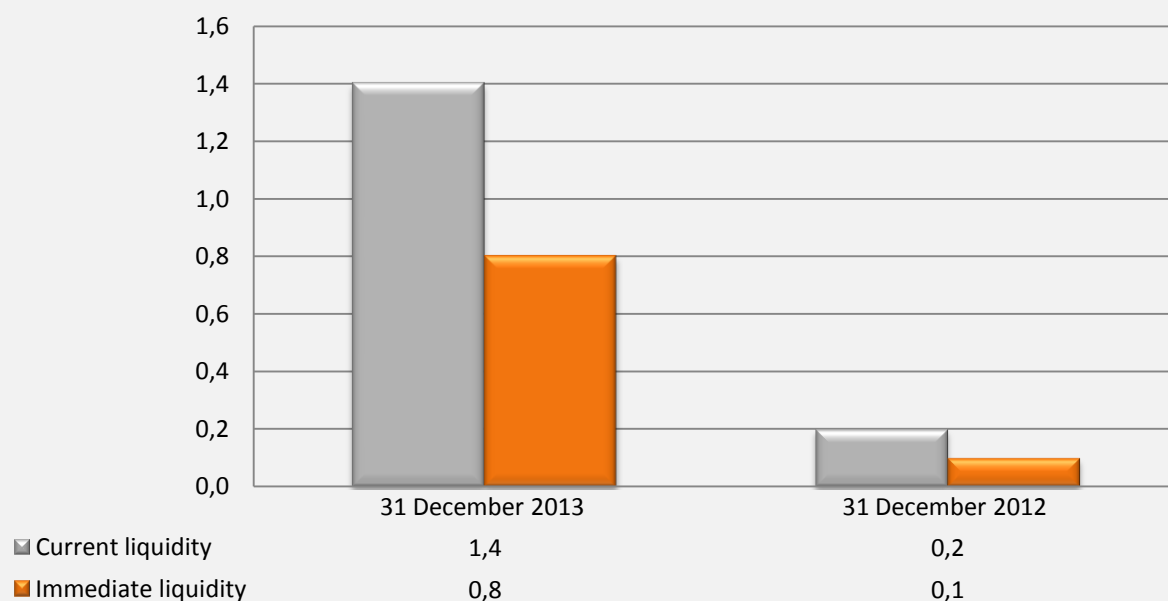
Profitability analysis was based on the below defined indicators:

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

In 2013, the operating profit margin increased in comparison to 2012. The level of operating profit margin in 2013 was affected by the following factors: (i) the increase in the amount of other operating income due to the recognition of PLN 50.123 thousand - as a result of the cessation of consolidation of MLP Bucharest Sud SRL, (ii) recognition of gain on revaluation of investment property of PLN 16.526 thousand, (iii) recognition of IPO costs of PLN 2.947 thousand.

Other ratios decreased as compared to 2012, which was mainly due to (i) an increase in the value of net financial expenses in 2013 due to the recognition of negative foreign exchange losses and as a result (ii) of impairment of loans granted to MLP Bucharest Sud SRL (value PLN 39.870 thousand).

3.3.2 Liquidity ratios

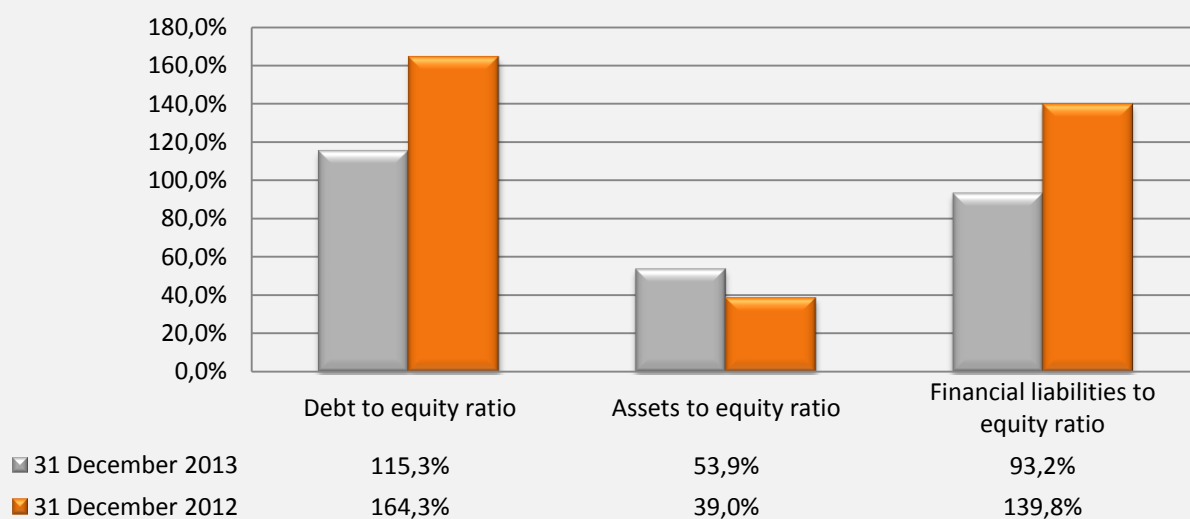


Liquidity analysis was based on the below indicators:

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

Liquidity ratios in 2013 increased in comparison to 2012. The increase in value is related to (i) obtaining funds from the issuance of C series shares, and (ii) a decrease in current liabilities as a result of the cessation of consolidation of MLP Bucharest Sud SRL.

3.3.3 Debt ratios



Debt analysis was performed based on the following ratio presented:

- debt to equity ratio: total liabilities / total equity;
- equity to non-current assets ratio: total equity / fixed assets;
- financial liabilities to equity ratio: financial liabilities / total equity.

In 2013, there has been a decline in the value of the debt to equity ratio that resulted from (i) the decrease of liabilities as a result of the cessation of consolidation of MLP Bucharest, and (ii) the increase of equity related primarily to the issuance of shares and the net profits for 2013.

3.4. Information on bank credits, bonds, loans, securities and guarantees

3.4.1 Concluded and terminated loans agreements

As at 31 December 2013 the Group recognized liabilities due to loans received in 2013:

Borrower	Lender	Date of loan agreement granted	Amount of loan	The amount of loan outstanding
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	28/03/2013	1 241 802,91 EUR	1 241 802,91 EUR
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	07/11/2013	2 500 000,00 PLN	2 500 000,00 PLN
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	18/11/2013	1 500 000,00 PLN	1 500 000,00 PLN
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	10/12/2013	1 000 000,00 PLN	1 000 000,00 PLN
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	24/12/2013	3 500 000,00 PLN	3 500 000,00 PLN
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	28/03/2013	1 608 261,62 EUR	1 608 261,62 EUR
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	08/11/2013	427 915,73 PLN	427 915,73 PLN
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	21/11/2013	49 000,00 PLN	49 000,00 PLN
MLP Poznań II Sp. z o.o.	Fenix Polska Sp. z o.o.	08/11/2013	72 084,27 PLN	72 084,27 PLN
MLP Poznań II Sp. z o.o.	Fenix Polska Sp. z o.o.	21/11/2013	251 000,00 PLN	251 000,00 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	28/03/2013	2 406 133,82 EUR	2 106 000,00 EUR
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	19/11/2013	1 150 000,00 PLN	1 150 000,00 PLN
MLP Bieruń Sp. z o.o.	Fenix Polska Sp. z o.o.	09/12/2013	4 730 000,00 PLN	4 730 000,00 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	11/04/2013	1 172 906,47 PLN	1 172 906,47 PLN

In 2013, the Group repaid the following loans and interest on loans:

Borrower	Lender	Date of loan agreement	Amount of loan repaid	The amount of interest repaid
MLP Bieruń Sp. z o.o.	BIN -Biuro Inżynierskie Sp. z o.o.	18/12/2012	2 900 000,00 PLN	28 560,63 PLN
MLP Poznań Sp. z o.o.	Abambar Investments Ltd.	29/12/2010	247 409,00 EUR	141 779,33 EUR
MLP Poznań Sp. z o.o.	Horben Investments Ltd.	29/12/2010	143 626,00 EUR	81 543,44 EUR
MLP Poznań Sp. z o.o.	Hachsharat Hayeshuv Financing	23/12/2010	654 913,00 EUR	338 990,85 EUR
MLP Pruszków II Sp. z o.o.	Abambar Investments Ltd.	04/09/2006	138 233,00 EUR	41 223,74 EUR
MLP Pruszków II Sp. z o.o.	Horben Investments Ltd.	04/09/2006	112 861,50 EUR	33 691,36 EUR
MLP Pruszków II Sp. z o.o.	Hachsharat Hayeshuv Financing	04/09/2006	502 640,00 EUR	150 426,06 EUR
MLP Pruszków II Sp. z o.o.	Hachsharat Hayeshuv Financing	28/08/2007	170 000,00 EUR	37 777,36 EUR
MLP Pruszków II Sp. z o.o.	Horben Investments Ltd.	28/08/2007	45 000,00 EUR	9 949,89 EUR
MLP Sp.z o.o. SKA	Hachsharat Hayeshuv Financing	24/07/2006	186 917,58 EUR	20 052,30 EUR
MLP Sp.z o.o. SKA	Kookla Investments Ltd.	24/07/2006	159 041,72 EUR	15 980,98 EUR
MLP Sp.z o.o. SKA	Hachsharat Hayeshuv Financing	17/10/2006	126 968,72 EUR	13 621,07 EUR
MLP Sp.z o.o. SKA	Kookla Investments Ltd.	17/10/2006	111 126,05 EUR	11 166,30 EUR
MLP Sp.z o.o. SKA	Horben Investments Ltd.	17/10/2006	42 022,14 EUR	740,38 EUR
MLP Sp.z o.o. SKA	Hachsharat Hayeshuv Financing	05/12/2003	696 802,33 EUR	6 536,47 EUR
MLP Sp.z o.o. SKA	Horben Investments Ltd.	12/01/2004	205 141,36 EUR	3 498,67 EUR
MLP Sp.z o.o. SKA	Kookla Investments Ltd.	04/03/2004	595 154,29 EUR	8 412,64 EUR
MLP Sp.z o.o. SKA	Horben Investments Ltd.	10/07/2006	61 854,54 EUR	1 089,78 EUR
MLP Pruszków I Sp. z o.o.	Fenix Polska Sp. z o.o.	25/05/1998	571 360,00 USD	126 115,62 USD
MLP Pruszków I Sp. z o.o.	Cajamarca Holland B.V.	23/12/1998	0,00 USD	72 801,88 USD

The loans along with accrued interest from the following entities:

- Abambar Investments Ltd.,
- Horben Investments Ltd.,
- Hachsharat Hayeshuv Financing,
- Kookla Investments Ltd.

were repaid with the funds obtained under the credit agreement concluded between MLP Sp. z o.o. SKA (previously MLP Tychy Sp. z o.o.) and Raiffeisen Bank Polska S.A., as described in section 3.4.2.

As at 31 December 2013 the Group did not have any loan liabilities to the above mentioned parties.

In 2013, there were no loan contracts terminated.

3.4.2 Concluded and terminated bank credit agreements

a) In 2013 the Group entered into the following credit agreements:

The bank credit agreement signed on 6 February 2013 between MLP Poznan Sp. z o.o. and PKO BP S.A.

PKO BP SA granted MLP Poznan I Sp. z o.o. credit up to EUR 1.488.298,50 for the purpose of refinancing the development costs of the warehouse.

Repayment of credits is to take place no later than 31 December 2027.

The credit agreement signed on 5 March 2013, between the MLP Tychy Sp. z o.o. (currently MLP Spółka z ograniczoną odpowiedzialnością SKA) and Raiffeisen Bank Polska S.A.

Raiffeisen Bank Polska S.A. granted MLP Tychy the following credits for the purpose of financing and refinancing the costs of expansion of buildings in the logistics park:

- refinancing credit of up to EUR 25.239.963,78 to repay the loan taken out in Raiffeisen Bank Polska S.A. under the agreements dated 15 May 2006 and 6 June 2007;
- investment credit of up to EUR 4 400 000;
- investment credit of up to EUR 7 720 000;

Repayment of credits is to take place no later than 5 March 2021.

The credit agreement signed on 24 April 2013 between MLP Pruszkow IV Ltd. and BRE Bank SA

BRE Bank SA granted MLP Pruszkow IV sp o.o. the following credits:

- investment term credit of up to EUR 2.580.000 for financing and refinancing of the construction costs of the building along with infrastructure of the real estate located in the town of Moszna-Parcela, including the repayment of loans granted by the MLP Pruszkow I (Credit I);
- revolving term credit up to PLN 1.076.000 to finance the VAT on the cost of the project described above (Credit II);

The final repayment of loans is to take place no later than 30 June 2018 in respect of Loan I, and no later than 30 November 2013 in respect of Loan II.

Annex No. 2 to the credit agreement dated on 8 August 2011, concluded on 29 November 2013 between MLP Poznań II Sp. z o.o. and ING Bank Slaski S.A.

Based on annex no. 2 to the credit agreement dated 8 August 2011, ING Bank Slaski S.A. granted MLP Poznan II Sp. z o.o. the following credits:

- investment credit up to EUR 2.185.000 for (i) repayment of loans acquired by MLP Poznań II Sp. z o.o. as contribution of MLP Poznan I Sp. z o.o. to repay the credit to PKO BP SA (ii) to finance/ refinance its own financial contribution in respect of the A3 investment project, (iii) repay part of the loan granted by MLP Pruszkow I Sp. z o.o.
- investment term credit in the amount of EUR 1.923.457 for financing/ refinancing of the net value of the A3 investment project investment

- investment term credit in the amount of EUR 1.955.943 for financing/ refinancing of the net value of the A4 investment project
- investment term credit of up to PLN 2.500.000 to finance the VAT on the cost of the A3 and A4 investment project;

The final repayment of credits is to take place no later than 31 January 2020

b) In 2013, the Group repaid the following credits:

On 28 March 2013, the Group repaid credits granted by Raiffeisen Bank Polska S.A. to MLP Tychy Sp. z o.o. (currently MLP Sp. z o.o. SKA) on the basis of the credit agreements dated on 15 May 2006 and 6 June 2007. The total amount of credit amounted to EUR 25.239.963,78. The credits were repaid with the proceeds from the credit agreement dated 5 March 2013, described above.

On 2 December 2013, the Group made an early repayment of the credit at PKO BP S.A. in the amount of EUR 1.285.250,37.

In 2013, there were no terminations of credit agreements.

3.4.3 Bonds

The group does neither hold nor issue bonds.

3.4.4. Loans granted

As at 31 December 2013, the Group recognized receivables from loans granted in 2013:

Lender	Borrower	Date of loan agreement granted	Amount of loan	The amount of loan outstanding
MLP Group S.A.	Fenix Polska Sp. z o.o.	28/03/2013	5 256 198,35 EUR	4 956 064,53 EUR
MLP Group S.A.	Fenix Polska Sp. z o.o.	11/04/2013	1 229 906,47 PLN	1 172 906,47 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	07/11/2013	2 500 000,00 PLN	2 500 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	08/11/2013	500 000,00 PLN	500 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	18/11/2013	1 500 000,00 PLN	1 500 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	19/11/2013	1 150 000,00 PLN	1 150 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	21/11/2013	300 000,00 PLN	300 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	09/12/2013	4 730 000,00 PLN	4 730 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	10/12/2013	1 000 000,00 PLN	1 000 000,00 PLN
MLP Group S.A.	Fenix Polska Sp. z o.o.	24/12/2013	3 500 000,00 PLN	3 500 000,00 PLN

In 2013, the Group recognized allowance for loans granted to MLP Bucharest Sud SRL in the total amount of PLN 39.870.392,46.

3.4.5 Granted and received sureties

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

On 6 July 2012, MLP Group SA granted an aval to MLP Pruszkow III Sp. z o.o. in order to secure bank together with commissions, interest and other costs arising from the loan agreement no KNK/1212752 date 6 July 6 2012, granted to MLP Pruszkow III Sp. z o.o. of EUR 6.900.000.

As at 31 December 2013 the Group has not received any sureties.

3.4.6 Granted and received guarantees

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

On 24 April 2013, MLP Pruszków I Sp. z o.o. granted a bank guarantee in favor of Hapoalim Bank in the amount of USD 300.000, which expires on 10 May 2014.

On 18 April 2013, MLP Pruszków I Sp. z o.o. granted a bank guarantee in favor of Mercantile Discount Bank in the amount of USD 1.000.000, which expires on 24 April 2014.

On 3 September 2013, MLP Pruszków I Sp. z o.o. granted a bank guarantee in favor of Mercantile Discount Bank in the amount of USD 300.000, which expires on 15 September 2014.

On 5 March 2013, MLP Group S.A. entered into a guarantee agreement with Raiffeisen Bank Polska S.A. and MLP Tychy Sp. z o.o., hereinafter referred to as the Borrower (currently MLP Sp. z o.o. SKA), under which MLP Group S.A. undertakes to provide financial resources to the Borrower in order to ensure the Debt Service Coverage Ratio of the Borrower exceeds 1,20 (as described in the bank credit agreement dated 5 March 2013).

3.5 Use of proceeds from shares issued

Proceeds from the issuance of shares as at 31 December 2013 were used for the realization of investment plans of the Group involving the expansion of the following existing logistics parks:

- PLN 12 mln for the expansion of MLP Bieruń logistics park (construction of approximately 25.000 sq.m. of warehouse space),
- PLN 8,1 mln for the expansion of MLP Pruszków II logistics park (construction of approximately 14.000 sq.m. of warehouse space).

The remaining proceeds from the issue of shares are deposited on market conditions.

3.6 Assessment of the feasibility of the investment plans

The Group is in possession of appropriate capital resources to meet its strategic objectives and to finance current operations. The Group finances the investments, both those connected with the acquisition of new properties, as well as those connected with expanding currently held logistics parks from its own resources and through long-term debt financing in the form of bank credits and loans. The Group 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 consolidated profit for the year

In 2013, the Group recognized significant other operating income - in the amount of PLN 51.124 thousand, which was mainly the result of the cessation of consolidation of MLP Bucharest Sud SRL - Other operating income in this respect amounted to PLN 50.123 thousand.

In 2013, the Group lost control over the activities of MLP Bucharest Sud SRL, in connection with the bankruptcy order and the appointment of a judicial administrator. As a result, the Group ceased to consolidate the results of the company, which in the case of the consolidated balance sheet of the Group had an impact on both the reduction of the total assets and liabilities in the consolidated balance sheet of the Group, which was caused by the derecognition of both assets and liabilities related to MLP Bucharest Sud SRL. The most significant items in the consolidated balance sheet in respect to the asset side which were decreased are: (i) the value of investment property in the amount of PLN 83.210 thousand, (ii) tangible fixed assets in the amount of PLN 3.836 thousand, (iii) deferred tax assets in the amount of PLN 1.997 thousand, and (iv) the current assets in the amount of PLN 1.731 thousand.

The liabilities in the consolidated balance sheet of the Group were decreased in connection with: (i) the currency translation reserve of PLN 2.134 thousand, (ii) short-term liabilities from bank credits, loans and other debt instruments of PLN 97.265 thousand (loans and bank credit of MLP Bucharest Sud SRL provided by third parties) and (iii) other current liabilities of PLN 1.628 thousand. The Issuer also recognized a loan in the amount of PLN 39.870 thousand, which was not previously recognized in the consolidated financial statements due to the consolidation elimination. Based on the MLP Bucharest Sud SRL bankruptcy proceedings, the Issuer has created an allowance for the entire value of loan along with accrued interest.

The differences between: (i) the total amount of derecognized liabilities and currency translation reserve in the amount of PLN 101.027 thousand and (ii) the total amount of derecognized assets in the amount of PLN 90.774 thousand and (iii) loans of PLN 39.870 thousand recognized by the Issuer amounted to PLN 50.123 thousand and was presented as other operating income (non-cash revenue). On the other hand, the Issuer recognized in the financial expenses an allowance for the loan granted to MLP Bucharest of PLN 39.870 thousand (non-cash expense; which in the consolidated financial statements of the Group for the period ended 31 December 2012 was subject to consolidation eliminations according to the accounting principles adopted by the Group). Cessation of consolidation of MLP Bucharest Sud SLR resulted in an increase of the Group's 2013 results, by PLN 10.253 thousand (the difference between other operating revenues in the amount of PLN 50.123 thousand and financial costs of PLN 39.870 thousand).

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 2013, 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 2013, all the principles of corporate governance set out in "Best Practice for Companies Listed on the Stock Exchange" were applied with the exception of:

I. Recommendations on good practices of listed companies.

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

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

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

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

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

The representation of women and men within management and supervisory bodies in the structures of the Company is dependent on the competence, skills and efficiency. Decisions regarding the appointment to management and supervisory positions are not dependent on the gender of the candidate. The Company therefore is not able to provide a balanced representation of women and men in management and supervisory bodies.

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

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

The company was not able to provide Shareholders with the possibility to exercise their voting rights in person or by proxy, outside the venue where the meeting is to take place, by electronic communication due to the fact that the Articles of Association of the Company did not include such possibility. In order to provide shareholders the possibility to exercise voting rights in the course of the General Shareholders Meeting by means of electronic communication, the Board proposed to undertake at the first general meeting, which took

place after the registration of the Company on the Stock Exchange on 15.01.2014, a resolution amending the Articles of Association so as to provide the opportunity for Shareholders Meeting to take place through electronic communications. Such a resolution was adopted and the court registered a change in the Articles of Association.

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 Meeting of Shareholders proceedings via audio or video, could negatively effect the interest of individual shareholders. Moreover, in the Company's view, compliance with disclosure obligations as set out in applicable laws, in particular, by publication of respective current reports and publications of required information on the Company's website.

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

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

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

Rule No. 2. The Company provides its website in English, at least to the extent specified in Part II. Point 1.

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

Currently, the Company believes there is no need for maintaining of its website in English to the extent specified in Part II, Point 1, in particular due to the costs associated and organizational aspects. The Company does not exclude the application of this principle in the future.

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 resolutions of the General Shareholders Meeting.

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

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

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

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

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

IV. Best practices applied by shareholders

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

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

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

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

1) transmission of the general meeting in real time,

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

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

The company was not able to provide shareholders with an opportunity to participate in the general meeting held on 15 January 2014 through electronic communication due to the fact that the Articles of Association of the Company did not allow the General Meeting to be carried out by means of electronic communication. In order to enable shareholders to participate in general meetings by means of electronic communication, the Board proposed to undertake a resolution at the first general meeting, which took place after the registration of the Company on the Stock Exchange which was on 15.01.2014, amending the Articles of Association so as to enable the general meetings to be carried out through electronic communication. The resolution was passed and the court registered a change in the Articles of Association. The company did not inform shareholders about the inability to participate in the general meeting held on 15.01.2014 through electronic communication, because the Articles of Association are posted on the Company's website, which is widely available. Information on changes to the Articles of Association, including both a draft of a resolution to amend the Articles of Association in relation to the possibility of carrying out the General Meeting through electronic communication and the contents of the resolution adopted by the General Meeting was published in the Company's current reports. Thus, the Company concluded that the shareholders have been notified of the inability to participate in the General Meeting held on 15.01.2014 through electronic communication, due to the lack of appropriate provisions of the Articles of Association.

4.1 Share capital and the shareholders

4.1.1. Shareholders

As at December 31, 2013, the parent company of 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 2013:

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

4.1.2 Special rights of the Shareholders

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

According to the Articles of Association Cajamarca Holland B.V., if the number of shares held by this shareholder does not fall below 25%, shall have a personal right to appoint and dismiss 3 members of the

Supervisory Board, including the Chairman of the Supervisory Board, in the 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 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 the cooperation with the Company, the equity rights attached to shares are separated from the ownership of securities .

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

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

Shareholders Cajamarca Holland B.V., Thesinger Limited, Gracecup Trading Limited and MIRO B.V. under the underwriting agreement concluded with UniCredit Bank Austria AG ("Underwriter") and UniCredit CAIB Poland S.A. (Offerer) pledged that without the consent of the Offerer for a period of twelve months from the date of completion of the Offering will not offer, sell, commit to sell, grant any purchase option, nor undertake any other action leading to the sale of the shares (or any securities convertible or exchangeable into shares or which carry rights to subscribe for or purchase shares), will not enter into any transaction (including a derivative transactions) having a similar effect to the sale on the stock market nor will communicate to the public the intention to, any of these activities.

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 states otherwise and it is permitted by law and;
- appointing and dismissing members of the Supervisory Board, subject to the provisions of the Articles of Association concerning the rules for appointing the members of the Supervisory Board by the individual shareholders;
- change to the Article of Association of the Company;
- establishing the rules and amounts of remuneration of the members of the Supervisory Board;

- merger or dissolution of the Company and the appointment of liquidators;
- examination of claims made against the members of the Company's bodies or the Company's founders for compensation for the damage caused by their unlawful conduct.

Resolutions of the General Meeting of Shareholders is required for both the acquisition and disposal of investment property, perpetual usufruct or share in property or perpetual usufruct, as well as the burden of investment or of perpetual usufruct with limited property right.

The General Meeting is convened by an announcement on the Company's website and in the manner specified for the publication of current information in accordance with the provisions of the Act on Public Offering. The announcement should be made at least twenty-six days before the General Meeting. The General Meeting is convened by the Management Board as ordinary or extraordinary. The ordinary General Meeting of Shareholders shall be held within six months after the end of each financial year. If, however, the Management Board does not convene the Ordinary General Meeting within the prescribed period, the Supervisory Board shall have the right to convene the meeting.

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

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

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

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

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

The Management Board shall determine the order of the day 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.

Persons that are the company's shareholders sixteen days before the General Meeting of Shareholders have the right to participate in the General Meeting of Shareholders (date of registration in the General Meeting).

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

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

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

4.3 Policy for amending the Articles of Association

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

4.4 Management Board

According to the Articles of Association, the Management Board consists of one to three members, appointed and dismissed by the Supervisory Board. 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 as the Vice-President of the Management Board, and Mrs. Dorota Jagodzińska-Sasson as a Member of the Management Board. In accordance with the provisions of the Commercial Companies Code and the Articles of Association, the three year term of office shall expire no earlier than 28 June 2015. However, the mandates of the members of the Management Board shall expire no later than the date of the Ordinary Meeting of Shareholders when the approval of the financial statements for the year 2014 shall take place.

4.4.1 Competence of the Management Board

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

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

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

- a) issuance of a note;
- b) granting of security for any debt of other entity, including a subsidiary;
- c) establishing a mortgage or other encumbrance on any assets of the Company;
- d) writing 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;
- e) convening the General Meeting of Shareholders or requesting a meeting of the Supervisory Board;
- f) filing a petition for cancellation or invalidation of resolutions of the General Meeting of Shareholders,
- g) 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 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. Provisions of the Regulations also clarify granting and revoking of the power of attorney - the Management Board grants the power of attorney at the meeting with all the members present. It is also possible to grant a power of attorney to the meeting held with the use of means of distant communication. Regulations regulate the issues of making resolutions, allowing for the possibility of adopting a resolution by circulation.

4.4.3 Composition of the Management Board

As at 31 December 2013, the Management Board consisted of three members.

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

Name	Surname	Position	Date of last appointment	Expiry of the current term
Michael	Shapiro	President of the Management Board	28 June 2012	28 June 2015
Radosław Tomasz	Krochta	Vice-President of the Management Board	28 June 2012	28 June 2015
Dorota	Jagodzińska-Sasson	Member 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. A graduate 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 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 the School of Banking and Management of Poznan in 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 2001-2004 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.

Dorota Jagodzińska-Sasson - Member of the Management Board

Mrs. Dorota Jagodzińska-Sasson graduated from the Tel Aviv University in Israel at the faculty of humanities - English literature. Since 1998, she has been the Director of Administration and Marketing at MLP Pruszków I. In 2005, she served as a board member of MLP Warsaw Sp. z o.o. until the merger with MLP Pruszków II. She is responsible for the implementation and realization of the marketing strategy. Since 2008, she has been a Member of the 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 2013, the Supervisory Board consisted of 4 members. At the first General Meeting of Shareholders convened on 15 January 2014, i.e. no later than three months from the day of quotation of shares and rights to shares of the Company, two new members were appointed to the Supervisory Board. From 15 January 2014, the Supervisory Board consists of six members. New members of the Supervisory Board, meet the independence criteria, as described in the resolutions of the Extraordinary General Meeting of the Company. The new members are Mr. Maciej Matusiak and Mr. Jacek Tucharz.

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 Supervisory Board

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

- a) 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;
- b) approving annual budgets and development plans of the Company and the Group;
- c) 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;
- d) approval of acquisition, disposal and liquidation of the Company's shares in other companies, with the exception of transactions within MLP Group S.A. Capital Group and transactions included in the annual budget for the Company's financial plan;
- e) 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;
- f) appointing and dismissing members of the Management Board;
- g) appointing the auditor to audit or review the financial statements of the Company;
- h) concluding agreements between the Company and members of the Management Board;
- i) 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;
- j) expressing consent for the members of the Management Board to engage in the Company's competitive interests personally, as a partnership, as members of companies bodies, as well as shareholders of companies if their participation in the share capital of these companies is greater than 5%, or if the Article of Association or under an agreement are entitled to appoint at least one member of the Management Board or Supervisory Board;
- k) adopting resolutions on determining the remuneration rules and amounts of the members of the Management Board,
- l) approval of the Rules of the Board,
- m) examination, reviewing and evaluating issues which are subject to resolutions of the General Meeting of Shareholders,
- n) 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.

Resolutions on the matters described above in points a), g), k) and l) 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 Board of Directors and Company's employees, as well as, review the Company's assets.

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

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 are set forth in Art. 18.12 of the Articles of Association.

4.5.3 Composition of the Supervisory Board

As at 31 December 2013, the composition of the supervisory bodies of the parent company is as follows:

Name	Surname	Position	Date of appointment	Expire of the current term
Shimshon	Marfogel	Chairman of the Supervisory Board	28 June 2012	28 June 2015
Eytan	Levy	Vice-Chairman of the Supervisory Board	28 June 2012	28 June 2015
Yosef Zvi	Meir	Member of the Supervisory Board	28 June 2012	28 June 2015
Baruch	Yehezkelov	Member of the Supervisory Board	28 June 2012	28 June 2015

As of 21 August 2013, Ms. Shapira Elah has been dismissed from the Supervisory Board. As of 22 August 2013, Baruch Yehezkelov was appointed as a Member of the Supervisory Board.

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 the Israeli Land Development Company Ltd. based in Tel Aviv.

Eytan Levy - Vice-Chairman of the Supervisory Board

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

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

Yosef Zvi Meir - Member of the Supervisory Board

Mr. Yosef Zvi Meir graduated from the Hebrew University of Jerusalem, earning a BA (Bachelor of Arts) at the Faculty of Economics. In addition, Mr Yosef Zvi Meir completed postgraduate MBA studies at Darby University, in Israel. Mr. Yosef Zvi Meir has worked for the Israel Land Development Company Ltd. based in Tel Aviv since 1977, as CFO.

Baruch Yehezkelov - Member of the Supervisory Board

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

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

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

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

Mr. Maciej Matusiak has the following experience:

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

Jacek Tucharz - Member of the Supervisory Board

Mr. Jacek Tucharz has graduated from the Warsaw School of Economics, Foreign Trade department and obtained postgraduate degree in the Warsaw School of Economics in the study of Marketing Policy.

Mr. Jacek Tucharz has the following experience:

Since 05.2013 till this day - Energosynergia Technologies Sp. z o.o. - Vice-President of the Management Board, since 06.2010 - till this day - Rovese S.A. (before Cersanit S.A.) - member of the Supervisory Board, since 06.2009 till this day - Pelion S.A. - member of the Supervisory Board, since 02.2007 - 12.2012 - Auto-Centrum Puławska Sp. z o.o. - President of the Management Board, 01.2007-03.2009 - Trinity Management Sp. z o.o. - Investment Director, 05.2006 - 12.2006 - HYGIENIKA SA - Finance Director, 01.2005 - 10.2005 - Zakłady Elektromechaniki Motoryzacyjnej ZELMOT SA - Vice-President of the Management Board, 04.2002 - 12.2004 - PZU NFI Management Sp. z o.o. - Department Director of leading entities, 06.1999 - 03.2002 - Trinity Management Sp. z o.o. - Investment Director, 01.1998 - 05.1999 O 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.

4.5.4 Committees of the Supervisory Board

Due to the fact that during 2013 , the Supervisory Board consisted of no more than 5 members, in accordance with Art. 86 par. 3 of the Act of Certified Auditors, the board was entrusted with the tasks of the audit committee.

In accordance with Art. 86 par. 7 of the Act of Certified Auditors, the Supervisory Board, which was entrusted with the audit committee duties, is responsible for: (i) monitoring the financial reporting process, (ii) monitoring the effectiveness of internal control systems, internal audit and risk management, (iii) monitoring the performance of auditing and (iv) monitoring the independence of the auditor and the entity authorized to audit financial statements.

The individual satisfying the requirements of Art. 86 par. 4 of the Act of Certified Auditors (i.e. accounting or auditing qualifications) and the criteria for independence, was Baruch Yehezkelov.

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 2013, there is no remuneration committee in the Supervisory Board of the Issuer.

On 15 January 2014, a full meeting of the Supervisory Board was established, consisting of six members, which appointed an Audit Committee, which is responsible for overseeing the Company's financial situation. Detailed tasks and functioning of the audit committee determines the terms and conditions annexed to the Rules of Procedure 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.

4.6 Remuneration and employment contracts of the members of the Management Board, the Supervisory Board

4.6.1 The value of remuneration, bonuses and benefits received by the Management Board

Remuneration	In the Company	In other Group entities
Michael Shapiro	379	25
Radosław T. Krochta	31	441
Dorota Jagodzińska-Sasson	32	334

In 2013, the total value of remuneration received by the Company's Management Board and other Group entities was PLN 1.242 thousand.

Members of the Management Board received remuneration from the Company and its Subsidiaries: (i) in respect of the employment agreement, (ii) for the provision of services in favor of the Group, (iii) in respect of service as a member of the Management Board.

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

4.6.2 Agreements with members of the Management Board in case of resignation, dismissal

Members of the Management Board: Radoslaw T. Krochta and Dorota Jagodzińska-Sasson are employed by the Company 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.

The President of the Management Board: Michael Shapiro is employed in the subsidiary MLP Pruszkow I Sp. z o.o. under an employment agreement. Under the terms of the employment agreement, it permits Mr. Michael Shapiro 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%.

<i>As at 31 December 2013</i>	Amount of shares	Nominal value od shares
Michael Shapiro	3 586 424,00	897

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

4.8 Programs of the management shares options

The MLP Group S.A. does not have a management shares options program.

4.9 Changes in the core principles of management of the Company and the Group

In 2013, there were no major changes in the core principles of management. The development of the organization enforces improving management procedures applicable in MLP Group S.A. as well as other entities of the Group.

4.10 The system of internal control and risk management

The Management Board is responsible for the internal control system and its effectiveness in the management of the financial statements and reports prepared and published in accordance with the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by law of non-Member States (Official Journal No. 33 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 persons involved in the internal control,

- supervision of the management of the system and regular evaluation of the Company's operations,
- verification of reports by the auditor.

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

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

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

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

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

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

Persons responsible for the preparation of financial statements in the context of financial reporting and the Company's management consist of highly qualified staff of the Financial Division, managed directly by the CFO and indirectly by the Management Board. In accordance with applicable law, the Group's financial statements are reviewed or audited by an independent auditor of renowned and high qualification. During the audit 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 analyzed in detail, the Group's financial results are compared to the budget assumptions.

A key element of this process is to monitor the implementation of the deviations from the plan and explain the reasons for the deviations. The observation and study of the causes helps to optimize the Group's operations and minimize potential risks. Due to the nature of the industry, analyzes are conducted on many levels - not only are the costs of individual groups analyzed, but also separate individual investments projects. Based on

these reports during the year, the Management Board analyzes the current financial result by comparing them with the agreed budgets.

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

4.11 Auditor

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 seats 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 auditor was concluded by the Management Board for the time required to perform the tasks assigned to the auditor.

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

- the remuneration for the statutory financial statements of MLP Group S.A. for the year 2013, consolidated financial statements of MLP Group S.A. for the year 2013 and the annual group report of MLP Group S.A. Capital Group for the year ended 31 December 2013: PLN 145 thousand.

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

As at	31 December 2013	31 December 2012
Audit of the annual financial statements	96	97
Audit of individual financial statements of subsidiaries	90	97
Other certification services, including the review of financial statements	70	-
Other services	204	150
Total remuneration	460	344

Michael Shapiro
President of the Management Board

Dorota Magdalena Jagodzińska-Sasson
Member of the Management Board

Radosław T. Krochta
Vice-President of the Management Board

Pruszków, 12 March 2014

THE SUPERVISORY BOARD'S REPORT

We are pleased to present the consolidated financial statements of MLP Group S.A. Capital Group for the financial year 2013, along with the Management Board's report on MLP Group S.A. Capital Group's activities. KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. audited the financial statements and issued an unqualified opinion. We encourage the Shareholders to approve the financial statements. The Supervisory Board endorses the proposal of the Management Board to allocate the 2013 net profit of PLN 56.608 thousand to retained earnings.

Corporate Governance

In 2013, the quarterly meetings of the Supervisory Board and the Management Board were held, during which, the following issues were discussed:

- The Group's strategy, considering market developments,
- The results of the Management Board's performance,
- The Rules of Corporate Governance,
- The financial results of MLP Group S.A. Capital Group,
- The Group's marketing strategy,
- The Groups operating budgets,
- The assessment and reappointment of the auditor.

Audit Committee

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

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

The roles and responsibilities of the Audit Committee are to supervise, monitor and advise the Management Board and the Supervisory Board on all matters related to risk management, audit, financial controls and compliance with relevant laws and regulations. The Audit committee also evaluates the performance and costs associated with the independent auditor.

Changes in the composition of the Supervisory Board

On 21 August 2013, Mrs. Elah Shapira was dismissed from the Supervisory Board and on 22 August 2013, Mr. Baruch Yehezkelov was appointed to the position of Supervisory Board member.

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

In accordance with the Articles of Association of MLP Group S.A., the Supervisory Board currently consists of six members - four members at the end of 2013. In addition to the newly appointed members, the members of the MLP Group S.A. supervisory body, representing the leading Shareholders, consists of: Shimshon Marfogel, Eytan Levy, Yosef Zvi Meir and Baruch Yehezkelov.